

CITY OF MADISON

Report of the Judge Doyle Square Staff Team

Draft: March 20, 2012

Updated: May 9, 2012

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Introduction: The Judge Doyle Square Opportunity

Getting Started

The project, announced in September 2010 by former Mayor Cieslewicz, introduced the City's intent to plan for the Public Market Square Development District, as follows:

"a twelve block area on the southeast side of the Capitol Square as identified in the City's federal TIGER grant application with a focus on the two blocks adjacent to the planned high speed rail station at 101 East Wilson Street. The District will include a new Madison Public Market and other supportive retail, and replacement of the aging Government East parking garage with a new structure, a bike station, intermodal transit links and possibly office space and a hotel."

To focus on this emerging vision, former Mayor Cieslewicz formed an interdisciplinary City Staff Team (Staff Team) in October 2010 to move the planning forward and bring together in a single, multi-disciplinary team the individual components...parking, public market, bicycle station, rail station, hotel...which were being pursued independently of each other through other staff work and outside contracts. Chaired by George Austin under a contract with the City, the Staff Team organized itself to move the planning forward, leading to the development of a preliminary schedule where the individual work components were integrated into an overall schedule which began to reveal the network of commitments needed to make a project a reality.

This work revealed the following realities.

1. The construction of the Government East garage replacement parking needed to be staged so that the removal of the Government East garage doesn't temporarily eliminate the parking supply that is necessary to support the vibrant commercial district in this quadrant of the Square.
2. The public market planners believed the best site for the market is Block 105, but the financial feasibility analysis was yet to be completed.
3. Marcus Hotels has development rights in Block 88 regarding any future hotel development. It believed Block 88 to be the best site for additional rooms to support Monona Terrace. Understanding how Block 88 could be developed is pivotal to the approach to the development of Blocks 88 and 105.
4. Understanding the future role for the Madison Municipal Building, on the National Register of Historic Places, and City of Madison's needs for office space was an important early issue to consider.
5. Sorting through the competing uses proposed for Block 105 had to be thought about as a whole and not independently of one another in order for the project to be successful.
6. Receipt of the \$950,000 TIGER II planning grant from the federal government establishes the opportunity to plan on a larger scale for transit oriented development in this quadrant of the central business district.

In December 2010, the Federal Department of Transportation took back the funding for the high speed rail project. Given the need to replace the Government East garage soon due to its condition, the Staff Team concluded that the remaining elements of the project were compelling reasons to continue the

planning even though the parking for the high speed rail station was no longer a near term element of the project.

On February 22, 2011, the Common Council authorized a path forward for the planning in Block 88 (Municipal Building block) and Block 105 (Government East Garage), which was then called Public Market Square. The first element was to engage a joint planning process with Marcus Hotels and their partner in this effort, Urban Land Interests, to more thoroughly understand how a hotel to support Monona Terrace could be developed on Block 88. The products of this planning effort are conceptual architectural floor plans for an underground parking garage in Block 88 and conceptual architectural floor plans for the above-grade buildings in Block 88, including preliminary approaches to the economic elements of the potential project.

As a second element, the Common Council authorized the Staff Team to issue a Request for Proposals for planning services for Block 105 and the larger 12 block area identified in the TIGER II grant, with the understanding the proposed consulting team and agreement would come back for Council approval before proceeding.

Paul Soglin was elected Mayor in April of 2011. Following the new Administration's review of the project objectives with City staff, the Common Council, on June 7, 2011, on the recommendation of staff, removed the public market as a project element. It also approved the Mayor's request to rename the project, Judge Doyle Square, after James E. Doyle, the Federal judge whose courtroom was housed in the now Madison Municipal Building for many years.

On July 19, 2011, the Common Council approved the Staff Team's recommendation to engage a team of planners, architects and engineers formed by the firm Kimley Horn to undertake the Block 105 planning. The products of this planning effort are conceptual land use, density and massing recommendations for Block 105 including conceptual floor plans for the underground parking garage. Additionally, feasibility analyses for the potential bicycle station have also been prepared.

Choosing a Path Forward

Phase I of our work is complete. The development of the two City owned blocks is very complex from a land use and architectural standpoint, but also from a project formation and financing standpoint; possibly as complex a project as the City has ever undertaken. The purpose of the this Staff Report is to sift through the extensive information that has been generated in this first phase to help identify for decision makers the issues and choices before them and from the Staff Team's standpoint, to suggest potential next steps to unlock the significant development potential of Blocks 88 and 105.

The project will require multiple phases to build the underground parking and above grade uses in a way that doesn't disrupt the parking supply in the central business district. Such a delivery plan will entail a six plus year effort once the necessary public private partnerships have been established. This Staff Report is intended to help chart that course.

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Chapter 1: Parking and Traffic Impact Assessment

Underground Parking Solution to Replace the Government East Municipal Parking Garage

At 54 years old the Government East Parking Garage will need to be replaced in the foreseeable future. It was built with materials and construction techniques that had a useful life of about 50 years. We have extended that life through heavy maintenance and nearly \$2M in deferred maintenance under the assumption that it would be demolished by 2014. Starting in 2013 we will need to start putting in larger amounts of maintenance funds into this structure to keep it serviceable and safe for our customers and employees.

The identified land use for this property includes a hotel to support more activity at the Monona Terrace Convention Center. Improved Convention Center business will bring with it a higher demand for parking at the Judge Doyle Square parking facility. An improved density above the structure also supports added tax base for the City and built-in parking customers for the below grade structure. Due to the building height restriction in this area the only way to achieve this type of density is to build the parking underground. Underground parking is inherently more expensive and challenging to designers but it offers a real opportunity of bringing vitality to these parcels.

Size and Design of a Parking Facility

The size of a planned parking facility is typically dictated by the developments surrounding it and alternative transportation available to patrons of these buildings. Building unnecessary excess capacity is cost prohibitive in today's market. A hotel for instance needs about as many parking stalls as rooms plus the ability to increase this parking capacity during special events. A 400 room hotel would need about 360 parking stalls plus another 100 – 200 for special events. Depending on the class of office building it needs an adequate number of stalls per SF of office space to provide a good return on investment for the developer. Bike facilities on the other hand require little additional vehicle parking. High-end apartment buildings need about 1 stall per apartment plus additional capacity for visitors and second vehicles. A parking facility with 1300 stalls provides adequate parking for the above grade development; public parkers, city fleet, hotel, residential units and office. With 600 public stalls it will increase the public parking capacity by about 80 stalls from its current size. This provides for a small amount of growth during the 75 year expected life of the facility.

Parking Partner	Estimated Stall Needs
Parking Utility	600
City of Madison	100
Hotel	300
Other partners	300

The depth of the parking structure is critical from a cost perspective since lowering the bottom elevation will bring it deeper into the water table. This will increase our construction costs as well as our continuing costs. Final designs should contemplate the number of stalls to support the above development and build no more than necessary to keep out of this permanent water table. Each subterranean level of parking structure costs more than the one above it.

A large floor plate stretching from the MMB building to the Great Dane/Tempest walls provides the opportunity to build very efficient parking structures with 300+ stalls per level. At 5 levels this could provide up to 1500+ stalls. There are, however, many garage attributes that reduce the number of available parking stalls. These include:

- Entrance/exit areas
- Drive aisles
- Circulation patterns
- Truck loading entrance/exit aisles
- Passenger loading/unloading areas
- Valet areas for hotels
- Segregated areas for other customers
- Parking for people with disabilities including access aisles
- Parking for Parking Utility employees (service workers, cashiers & subs)
- Areas to conduct parking transactions like cashier booths, Pay on Foot and Pay In Lane machines
- Bike access aisles and bike parking (both for tenants and parking garage patrons)
- Scooter and motorcycle parking
- Pedestrian access aisles and passageways
- Security stations and parking office
- Maintenance and supply storage areas for the Parking Utility
- Public amenities such as elevators/elevator lobbies and stairwells
- Electrical and mechanical vaults including air circulation equipment
- Fire protection facilities

As the number and size of the items to be accommodated in this structure increases the number of available parking stalls decrease as the cost/parking stall increases. Every \$1000 in cost/stall increases the total cost by \$1,300,000. Balancing all of these needs in an affordable customer friendly parking structure is a great challenge. Maximizing grade level development is in some ways in conflict with maximizing the parker's experience.

There are many factors which can positively impact the customers parking experience including;

- Clean facilities
- Reasonable parking rates
- Wide parking stalls allowing easy entrance/exit from the stall
- Wide drive aisles so vehicles can pass each other without difficulty
- Entry/exit lanes with gradual grades
- Wayfinding that is informative, easily understood and not confusing
- Short waits to enter/exit the parking facilities especially during special events
- Short lines to conduct parking transactions
- Human help when you need it
- Machines that work
- Entry/exit ways that aren't congested and are flexible to demand
- Well lit/painted areas
- Elevators/stairwells with sufficient capacities
- Streets with adequate capacity causing limited exit/entrance issues
- A high level of perceived security including cameras and call boxes
- Well designed circulation patterns

These items must work in order to have repeat customers and poor service makes competing facilities more attractive. If the parking facility doesn't work well the developments above are less likely to succeed as well.

The preliminary design has issues that need to be corrected in the final design. The traffic impact analysis recognizes that vehicles entering from the East on Wilson Street will likely enter at the first Wilson St entrance across from the DOA building and not at the second exit on block 88 next to the hotel. Given this pattern staff believes that the first entrance/exit should be a 3-way with a reversible center lane. It will be especially important during rush hour or special events. It also provides a more customer friendly public bike parking facility at grade.

Preliminary cost estimate

As the number of usable stalls has decreased, the cost/stall has increased. An original cost/stall estimate in the \$28,000 range has now risen to above \$41,000 and may continue to increase as more costs are considered. The increase is a function of optimizing the various sub-elements of the project such as keeping retail presence at grade and providing servicing and loading to the above grade facility. Our parking consultant estimated that an above ground facility could be built in this same area for about \$20 – \$25K per stall. It's important to note the cost of a parking structure will be shared between the Parking Utility and development partners.

Costs at this level would have the following impact:

1300 number of stalls in current design
\$41,377 cost/stall right now
\$53,790,434 Total garage costs

The cost of the public section to be finance by the Parking Utility would be:

600 public parking stalls
\$41,377 cost/stall
\$24,826,200

Financing of the parking ramp will present financial challenges for the Parking Utility, the City and developers.

Costs to the Parking Utility need to be considered in a broader light. The Parking Utility has two other facilities that were built in the 60's (Lake and State Street Capitol) that will need to be replaced in a timely manner. The utility is an enterprise agency with all of its costs supported by fees paid by users and interest on investments. As bond debt service becomes a larger part of our costs long-term financial sustainability becomes more problematic. Customers must be willing and able to pay the higher charges necessary to support these larger and more expensive facilities.

Transportation Impact Analysis

The development concept provides for the construction of a 1300 space parking garage with a variety of uses sited above grade. Parking garages in and of themselves do not generate traffic rather it is the land uses which attract trips to the affected area. The project is slated to include a bicycle center, 114

residential units, 55,950 square feet of office space, 16,950 square feet of retail, and two hotels with a combined 429 rooms. Governmental uses will also be accommodated.

The traffic impact analysis (TIA) is based on proposed uses, site plan information, and existing parking characteristics, and documents the existing traffic conditions, estimates the future traffic associated with the project, and assigns these trips to the street system. Then future traffic operations of key intersections are evaluated. In order to have a basis of comparison, a No Build analysis was developed that includes the general background growth on the street network.

From this analysis, the TIA identified mitigation measures needed to accommodate future traffic levels and determines whether these mitigation measures are triggered by background growth or the proposed project. The report finds that the project can be accommodated within the existing constraints of the downtown street system.

Trip Generation, Analysis and Recommendation

An analysis of delay and level of service (LOS) was conducted for each of the ten intersections and four critical access points identified using the methodology found in the *Highway Capacity Manual (HCM)* and Trafficware's Synchro version 7. Each intersection was analyzed for the p.m. peak hour for the following scenarios:

- 2011 Existing Conditions
- 2021 No Build
- 2021 Build

Based on the results from the Synchro model, a traffic operations analysis was performed to determine level of service and queue lengths at each of the study intersections. For each scenario, delay and queue lengths were calculated.

In 2011 during the p.m. peak hour, all intersections operate at LOS C or better in the existing conditions, all lane groups operate at LOS D or better, and no lane group exceeds a volume to capacity ratio of 0.9.

Under existing conditions, no queues extend into the upstream intersection, indicating few queuing issues.

2021 No Build

As under existing conditions, during the p.m. peak hour for the 2021 No Build scenario, all intersections operate at LOS C or better, all lane groups operate at LOS D or better, and no lane group exceeds a v/c ratio of 0.9.

Additionally, no queues extend into the upstream intersection. However, queues are identified on the following four approaches:

- John Nolen Drive/Blair Street spillback on the eastbound approach
- Doty Street and King Street: spillback on the southwest approach
- Wilson Street and King Street: spillback from the right/through lane on the southbound approach

- Wilson Street and Butler Street and King Street: queues exceed the length of the right/through lane by four vehicles

Queues exist today at these locations and no mitigation is proposed.

2021 Build

Under the Build scenario, existing conditions were updated to reflect the Judge Doyle Square development. All intersections were re-analyzed and found to operate at LOS D or better during the p.m. peak hour. With the increased vehicle traffic, several movements are expected to operate at LOS E including:

- Wilson Street and Hamilton westbound through/left
- Doty Street and Pinckney Street southbound left/through

In addition to the queues developed on the blocks identified in the 2021 No Build scenario additional spillback is expected to create blockage during the p.m. peak hour at:

- Wilson Street and Hamilton Street generating blockage at Wilson Street and Carroll Street
- Doty Street and King Street generating blockage at Doty Street and Pinckney Street

Signal timing modifications can be made to maintain an acceptable level of service at Wilson and Hamilton. Signal timing modifications will need to be reviewed to reduce the short term blockage of Pinckney at Doty St. Although several movements are expected to operate at LOS E, the period of duration and number of drivers impacted is very short.

Although traffic volumes are expected to increase with the redevelopment of Judge Doyle Square, no significant geometric modifications are necessary to maintain acceptable operations.

Findings and Recommendations

1. Staff agrees that a parking facility of this size is necessary to support above-grade development similar to that proposed here. It will unlock the development potential above and produce additional tax revenue.
2. It's important to build the correct amount of parking...not too much or too little. The above-grade uses must be in place before plans and specs are done for Block 88. Increased maintenance on the current Government East facility will provide sufficient time to acquire development partners with appropriate financial capability.
3. It is critically important to maintain the current parking supply during the construction phase. This plan provides for this continuation.
4. The design of the parking structure needs refinement to provide for a better parking experience. Particular attention should be paid to entry/exit efficiency. As the largest below-grade parking facility in the city care should be taken to make certain that streets, entry/exit aisles and revenue transactions are done in the most efficient manner possible.

5. Staff agrees that the best revenue system for this facility would be one that creates choices for customers, similar to those provided at the current Government East garage. The current design provides an appropriate distribution of cashier and machine based transactions while minimizing the space needed for all cashier based transactions. It should be noted that the industry and area trend is towards fewer manual parking transactions at the entrance/exit gates.

6. Security is the number 1 concern of parking patrons in our current garages. It will be even more of a concern to users in a below-grade facility. Staff feels that security measures like lighting and cameras must be at a high level to satisfy this demand.

7. The cost estimates are reasonable for this size facility given its location and complexity. The cost/stall will continue to increase as plans/specs are finalized. Financing of the parking ramp will present financial challenges for the Parking Utility, the City and developers.

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Chapter 2: Block 88

Additional Hotel Rooms for Monona Terrace

One of the major reasons to move forward with the Judge Doyle Square initiative is to provide additional hotel rooms for the City's Monona Terrace Community and Convention Center. In 2008, the City commissioned Hunden Strategic Partners to undertake a feasibility study for a potential convention center hotel in downtown Madison. Hunden concluded that in order to maximize the community's investment in Monona Terrace, *a 400 room full service hotel be built within 1200 feet of the facility*. The study also recommended the hotel contain up to *30,000 square feet of function space* including a ballroom, a junior ballroom and meeting rooms.

The study noted that the lack of quality, full service hotel rooms adjacent to Monona Terrace limits the facility's growth, stating "Madison would profit from a new full-service hotel within walking distance of the convention center." It also noted that Madison's current convention hotel package does not measure up to the basic needs of planners or Madison's competitors. In the years since the study, little if anything has changed within the Downtown Hotel market to impact the success of Monona Terrace.

Conferences and conventions are a critical component of Monona Terrace's annual revenue. By definition, conferences are any event that generates between 50-150 room nights at peak and up to 499 room nights in total. Conventions defined are events that generate 151 room nights or more at peak and 500 or more room nights. These events, while representing only 10% of the total events held at Monona Terrace annually, generate 50% of the total revenue stream.

Not only do these events generate a high percentage of business for Monona Terrace, they also create significant economic impact for the City of Madison. Over the past seven years, conferences and conventions created an average of over \$40 million per year in economic impact, with the vast majority spent within the immediate Downtown area. However growth in the number of conventions and conferences has not only stagnated but has begun to decline. Over the past three years, the amount of conventions and conferences hosted at Monona Terrace has declined by 9%, from 68 to 62.

In 2011, Monona Terrace lost over \$420,000 in future business and the City of Madison lost over \$3.5 million in economic impact as a direct result of an insufficient headquarter room block. These numbers, as tracked by the Greater Madison Convention and Visitors Bureau (GMCVB), reflect only those planners that were considering Madison. There is a far greater amount that won't even consider Madison because of the current condition of the hotel room inventory. Through Lost Business and Loss Code reports, the GMCVB estimates that the City of Madison has lost \$39,087,445 in potential convention related direct spending from 2008-2010 due to lack of available hotel rooms. This represents 16% of all lost leads.

To complicate matters, Madison's competition continues to invest in hospitality options. Milwaukee, for example, is increasing its downtown hotel inventory by a minimum of 10% in 2012. Hoteliers are building in Downtown Milwaukee without any definitive promise of demand growth. Similar developments are occurring in Austin, Texas; Columbus, Ohio; Omaha, Nebraska; Virginia Beach,

Virginia; and Palm Beach, Florida; so Madison's plight is magnified by a lack of growth in the immediate vicinity of Monona Terrace while competitive cities continue to grow and renew.

The GMCVB acquired STR (Smith Travel Research) data isolating Madison's convention hotel performance (Hilton Monona Terrace, Madison Concourse and Governor's Club, Best Western Inn on the Park and Hyatt Place). For 2011, the overall occupancy of this convention center block was 70.5% compared to the overall market average of 61.2%. The statistics confirm there is growth opportunity in the downtown hotel package.

The addition of a new hotel next to Monona Terrace would be a boost to not only Monona Terrace but downtown Madison. First, the hotel community would benefit. While business may drop during the absorption period, the Hunden Report noted that business should return to normal occupancy and average daily rate within three years, concluding "The market response to the Hilton opening indicates that downtown Madison hotels experienced a boost from the new business it brought to the market."

The Full Service Option

A full service hotel is different from a limited service hotel due to the variety of services it provides. Guests at full-service properties have more options such as an extra restaurant and beverage service. This would include cocktail lounges, formal restaurants, and even coffee bars. It is likely that there will be laundry and valet services, room service, a swimming pool, fitness centers, health spas and even beauty salons.

These hotels often offer banquet rooms, and ballrooms for conventions, meetings, wedding receptions, and other social gatherings. A full service hotel with function space would also eliminate the concern about the limited expansion options at Monona Terrace. While the immediate concern might be whether this project would compete, the additional function space would allow the City of Madison to market to larger conferences and conventions. Finally, a major flagship full service hotel would have a national sales force that would support sales efforts by the GMVCB and Monona Terrace staff.

While a full-service property has plenty of characteristics, a limited-service property will offer limited choices that may include a continental breakfast, vending machines, daily housekeeping services, and possibly a swimming pool or fitness room.

The Marcus Development Right

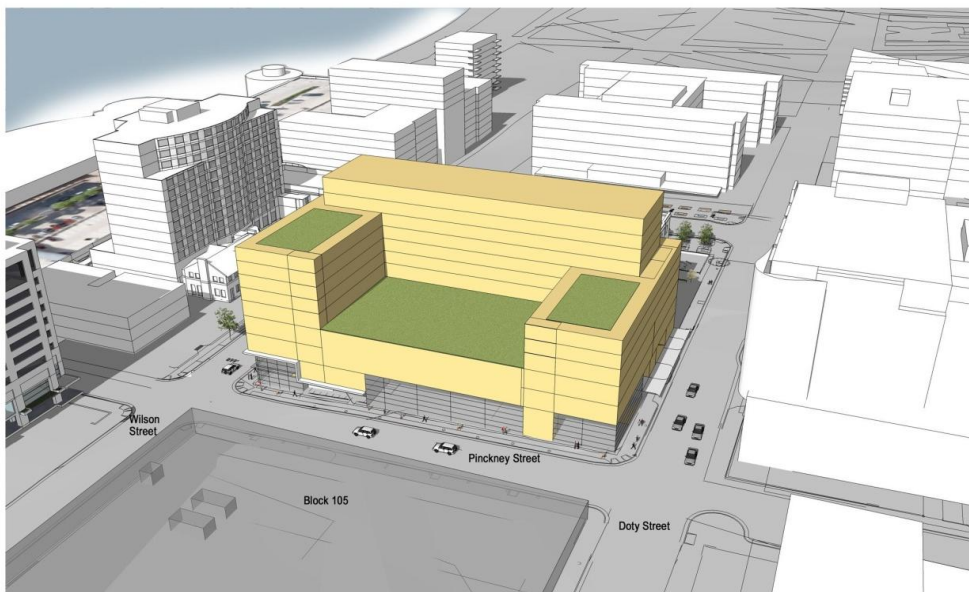
The City, the CDA and Marcus Hotels, Inc. entered into a Grant of Right of First Refusal Agreement in 1999 as a component of the Monona Terrace Hilton project, for the term of the bonds issued to build the Hilton parking facility. The Agreement concerns the potential development of a hotel on Block 88 only and has three main parts. First, if the City at any time receives an unsolicited offer to purchase or lease all or any part of Block 88 for a hotel, and if the City wishes to accept that offer, the City must first notify Marcus of the offer, and allow Marcus to match the offer made. If Marcus does not match the offer, the City may transfer Block 88 to the offeror. Second, from 1999 to 2011, the City needed to negotiate exclusively with Marcus if the City intended to develop or solicit proposals for a hotel development on Block 88. During this period, the City was prohibited from soliciting proposals from third parties.

Third, beginning in 2012, if the City intends to develop or solicit proposals for a hotel on Block 88, it may do so but only through a public request for proposal process. Any developer selected from the public RFP process shall be required, for a period of 120 days, to negotiate with Marcus regarding Marcus' operation and management of the hotel component of the project. If these negotiations are unsuccessful, the developer may solicit proposals to operate and manage the hotel from third parties, and may enter into an agreement with a third party for operation of the hotel, but only on terms substantially the same as those terms that were offered to Marcus.

Options for a Block 88 Hotel

Based on Marcus Hotels' internal research and long term knowledge of the Downtown Madison hotel market, they believe that the ideal size of the planned hotel would range in room count from 275 to 300 rooms which they feel will be positively absorbed within Downtown Madison. The exact room count on both options would be based on design considerations and space planning. Marcus also reviewed the operating history of the convention center and has evaluated the seasonal constraints for group business and suggests that the hotel contain at least 26,000 square feet of flexible meeting space with at least a 10,000 sq. ft. ballroom. This space program enables Marcus to maximize the group segment leaving the balance of the rooms for corporate transient and leisure customers. A brief description of the hotel that Marcus would plan to develop is as follows:

- Nationally affiliated first class full service hotel brand such as Renaissance by Marriott, Westin, Intercontinental or Hyatt Hotels
- 275 to 300 rooms
- 26,000 sq. ft. of flexible meeting space (85 to 95 sq. ft. per guest room)
- one restaurant and two lounges
- indoor swimming pool and exercise facility



Marcus is well aware of Monona Terrace’s desire to have access to at least 400 rooms being developed on this site, but believes that would be too big for the market and that the hotel would suffer financially given the seasonal constraints of the region in generating convention business throughout the year. Marcus further discussed the willingness to expand the current committable rooms block from 150 with the existing Hilton Hotel to a combined 350 rooms once the second hotel is completed. The 18 month advanced booking requirement would still exist.

Two options for a Block 88 hotel were developed. Option 1 utilizes the existing Madison Municipal Building in a mixed use development program as follows:

- o 278 guest rooms
- o 25,593 SF meeting space including 10,470 SF ballroom
- o 9,865 SF pre-function space
- o 57,057 SF office space
- o 6,419 SF retail
- o Hotel Building: 305,892 TOTAL GSF
- o Office/Retail Building: 63,476 TOTAL GSF

Option 2 doesn’t utilize the Madison Municipal Building with a hotel –only program as follows:

- o 292 guest rooms
- o 30,806 SF meeting space including 11,471 SF ballroom
- o 28,396 SF pre-function space
- o Hotel Building: 274,400 TOTAL GSF

Marcus solicited construction cost estimates from three general contractors; Findorff, Mortenson Construction and Tri-North Builders. The estimates were provided for Option 1 (includes Municipal Building) and Option 2 (Excludes Municipal Building). The Summary of the Construction Costs Comparison is summarized below. In addition, the Total Cost Summary Comparison which adds the necessary “soft cost and other related costs” such as furniture fixtures and equipment (FFE), operating supplies and equipment (OS&E) design fees, interest carry, working capital, pre-opening costs, franchise acquisition, training and contingency, is provided below:

	<u>Option #1</u>	<u>Option #2</u>
Construction Cost	\$50.4MM	\$44.6MM
FF&E/Consultant Fees	17.8MM	\$16.4MM
Capitalized Interest	5.8MM	\$5.2MM
Closing Costs/Int. Reserve	1.6MM	\$1.0MM
<u>Pre-Opening</u>	<u>1.5MM</u>	<u>\$1.5MM</u>
Total	\$77.1MM	\$68.7MM
 Est. Room Count	 278 rooms	 292 rooms
Cost per Room	\$277,300*	\$235,300

*It is very likely that Option #1 of \$277,300 per room will include additional costs, unknown at the present, that reflect deferred maintenance, functional obsolescence or general repair based on MH&R experience with similar age historic facilities.

The above cost estimates do not include the following;

- o Parking Construction – estimated to cost \$7.6MM for 200 spaces

- Skywalk Construction – estimated to cost \$1.3MM from Block 88 to the Hilton
- Air Rights on Block 88 – estimated value of \$4.2MM per City
- Cost and condition of Madison Municipal Building – Option #1 only
- Cost of potential MMB office/other relocation – Option #1 only

Findings and Recommendations

1. Monona Terrace needs an additional 250 room block for the convention center to grow its book of business.
2. A full-service hotel is the preferred approach for the development of additional hotel rooms. The size and nature of any proposed meeting spaces within the hotel however, must complement Monona Terrace.
3. Block 88 should be a primary location to add significant hotel rooms within 1200 feet of Monona Terrace.
4. At this time, the economy, market and financing constraints have a significant impact on the feasibility of a hotel project. The preliminary development assumptions from Marcus will require significant public financial support to achieve.
5. The City has limited resources to assist the development of additional hotels rooms. To test and validate the Marcus hotel development and financing assumptions, initiate as soon as possible a Request for Qualifications (RFQ)/Request for Proposals (RFP) process for Judge Doyle Square development teams. Short-listed teams would then be invited to submit more detailed proposals for the City's consideration.
6. To strengthen the City's team, a hotel expert should be retained to update the hotel market data and to assist with the RFQ/RFP process.

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Chapter 3: Replacement of Madison Municipal Building Office Spaces

Marcus/ULI Block 88-Joint Venture studied the possible redevelopment of Block 88, including the possibility of using the Madison Municipal Building (MMB) for hotel use. To the extent a development option for Block 88 is chosen that reuses the Madison Municipal Building for an alternative uses such as an element of a new hotel, additional issues will have to be considered regarding the relocation of City offices.

Anticipating the need for up-to-date information on this potential option, the City had the architectural firm of Potter Lawson, as a component of the Block 105 study, work with the City to develop a Space Program which provides a breakdown of space needs for all agencies currently in MMB.

Current Municipal Building and City County Building

- Madison Municipal Building (MMB) is just over 86,000 square feet.
- City County Building (City portion) is just over 186,000 square feet.
- MMB has many significant issues regarding the condition of the building including:
 - Deterioration of the exterior brick and exterior envelope including windows
 - Antiquated heating, ventilation, air conditioning systems
 - Inadequate electrical system and obsolete lighting systems.
 - Interior spaces in need of remodeling

Space Needs for MMB

The Space Program calls for approximately 90,000 square feet for agencies in the MMB. This increase provides for future growth but also includes:

1. Space is allocated in this space program for Transportation Planning (Madison Area Transportation Planning Board-MPO), which is currently located in another building.
2. City Channel studio space is separate from the Main Meeting Room.
3. Space is allocated for a Development Services Center, a “one-stop shop” for developers.
4. More meeting rooms are provided for City staff and public use.

Relocation Options to Replace MMB Space

This report considers a number of options to replace MMB space including:

1) City Stays in Madison Municipal Building

This option assumes that loading dock, conference rooms and a portion of Housing Operations will be demolished to make room for the hotel on the back half of Block 88. This will reduce the square footage of MMB by approximately 6,000 to a total of 80,000 square feet. As stated above, the MMB is in critical need of upgrades. The budget of \$16,000,000 assumes a \$200/square foot cost to upgrade the building. This upgrade would include:

- Intensive exterior brick repair and restoration

- New windows
- Additional insulation where appropriate
- Significant electrical upgrades
- New HVAC system
- Remodeling interior space where needed

An additional cost will be parking. Currently there are approximately 40 stalls on the back side of MMB. If the City uses the current estimate for the underground stalls (\$41,377 per stall), the City would need to add another \$1,655,000 for parking. Additional funding required if the City determines more parking for City use is needed. Total costs for upgrades and minimal parking is estimated to be \$17,400,000.

Option 1		
Construction	80,000 square feet at \$200/square feet	\$16,000,000
Parking	\$35,000 per stall (40 stalls)	\$ 1,655,000
Total		\$17,655,000
Option 2		
Construction	80,000 square feet at \$200/square feet	\$16,000,000
Parking	\$41,377 per stall (100 stalls)	\$ 4,137,700
Total		\$20,137,700

2) City Builds New Municipal Building

If the City determines that the MMB will be turned into a hotel or another use, the City will need to move City agencies out of MMB. If the City decides to build new offices, the City will need to purchase land/air rights for the building, construct the building, and also purchase parking. An example would be the City purchases air rights from the Parking Utility at \$75/square foot. At a minimum the City would need approximately 30,000 square feet of land for the building pad. Purchasing this box of air rights would be \$2,250,000 at \$75/sq. ft.). Construction of the core/shell, interior build-out, and fixtures, furnishing and equipment is approximately \$250/square foot. Finally, parking would run \$41,377 per stall, which is the current estimate for parking in the Block 88/105 redevelopment. If the City only requires 40 parking stalls this would be an additional \$1,655,000. Additional funding required if the City determines more parking for City use is needed.

Option 1		
Land/Air Rights	30,000 square foot pad	\$ 2,250,000
Construction	90,000 square feet at \$250/square feet	\$22,500,000
Parking	\$41,377 per stall (40 stalls)	\$ 1,655,000
Total		\$26,405,000
Option 2		
Land/Air Rights	30,000 square foot pad	\$ 2,250,000
Construction	90,000 square feet at \$250/square feet	\$22,250,000
Parking	\$41,377 per stall (100 stalls)	\$ 4,137,700
Total		\$28,637,700

If for some reason, the City determines that City offices from MMB and CCB should be vacated and a new City hall should be built this increases the costs significantly.

Option 3		
Land/Air Rights	55,200 square foot pad	\$ 4,140,000
Construction	276,000 square feet at \$250/square feet	\$69,000,000
Parking	\$41,377 per stall (200 stalls)	\$ 8,275,000
Total		\$81,415,000

Recently, the City was approached by Hovde Properties regarding the relocation and reconstruction of Fire Station 1 and the adjacent Fire Administration Building. These structures were constructed in the mid-1960's and are due for \$1.6 million in HVAC and other building envelope improvements over the next 3 years. Relocation of these facilities within the overall planned development would enable a larger private development to occur, and increase the City's property tax base.

If the City decides to proceed with constructing a new Fire Administration facility, consideration should be given to co-locating other public safety functions, including Police Department activities that are currently housed in the City-County Building (CCB). Such a move would free up approximately 47,000 square feet in CCB. That space, if combined with the approximately 40,700 square feet of currently available CCB space, could provide another option for relocating functions out of MMB if repurposing of that structure is determined to be in the best interests of redevelopment of Blocks 88 and 105.

3) City Purchase Existing Space

Another option would be for the City to purchase existing vacant office space and then improve the interior through tenant improvements. Working with Real Estate estimates for purchasing an existing vacant office space would be \$125/square foot with an additional \$130/square foot for tenant improvements. Purchasing parking would be less expensive if the City purchases existing above ground parking.

Option 4		
Building	90,000 at \$125/square foot	\$11,250,000
Tenant Imp.	90,000 at \$130/square foot	\$11,700,000
Parking	\$15,000 per stall (100 stalls)	\$ 1,500,000
Total		\$24,450,000

4) City Lease Existing Space

The City could also lease office space. Again working with Real Estate a lease rate is estimated to be \$25/square foot. Parking would be an additional cost estimated at \$1,200 per stall per year.

Option 5		
Lease	90,000 at \$25/square foot	\$2,250,000
Parking	\$1,200/stall/year for 100 stalls	\$ 120,000
Total Lease Payment/Year		\$2,370,000

This option was dismissed by the staff because lease payments come from the operating budget and unlike debt service will not end.

5) City Purchases More Space in City County Building and Moves Some Agencies to Other Locations out of downtown on land already owned by the City.

A final option that the staff team considered was to purchase more space from the County and then move agencies out of the downtown. There are several problems with this option. First of all, there is only approximately 40,700 square feet available in the CCB. This will not be enough space to accommodate all agencies in MMB, which then requires many City agencies to move out of downtown. The staff team felt that this would not be effective as many City agencies need to be close to each other for coordination of projects and services.

Option 6		
Space from County	\$60/square foot 40,700 square feet	\$ 2,442,000
Tenant Imp.	40,700 square feet at \$135/square foot	\$ 5,494,500
New Construction	49,300 square feet at \$225/square foot	\$11,092,500
Parking	\$41,377/stall for 20 stalls (downtown)	\$ 827,540
Total		\$19,856,540

Findings and Recommendations

1. The future use of the Madison Municipal Building is an element in the larger City space needs planning program. However, to begin to understand the development options for Blocks 88 and 105, the impact of reusing the MMB for non-City offices needs to be thoroughly understood.
2. Regardless of the option, there will be significant costs to upgrade City Offices in the near future.
3. If the City chooses to stay in MMB, it will lose around 6,000 square feet of office space though the removal of the loading dock addition to the building. Furthermore, there may be limited options for future growth. The City should consider increasing the square footage of city offices as a part of the development plan for Block 88.
4. There are long-term space needs not only in MMB but CCB that need to be addressed through the Long-Range Facilities Planning Committee.

**Judge Doyle Square Staff Team Report
March 2012**

Chapter 4: Block 105

The Judge Doyle Square (JDS) master planning process involved a number of professionals in the fields of urban planning and design, parking and structural engineering, traffic engineering, architecture, landscape architecture. Public and stakeholder input also helped guide the project.

The result of this process is a concept plan - developed into a conceptual format that can be offered to the private sector for potential project development (by way of a request for proposal).

As defined earlier, Judge Doyle Square is bounded by Martin Luther King, Jr. Boulevard on the west, Doty Street on the north, Wilson Street on the south and on the east by a group of buildings that front mainly on King Street. Pinckney Street runs through the site and separates Block 88 from Block 105. The following land uses and public spaces are currently found on the JDS site:

- Madison Municipal Building (MMB) on the west half of Block 88
- Surface parking on the east half of Block 88
- Government East (GE) parking garage on Block 105
- Pinckney Street (which separates Block 88 from Block 105)
- Street frontages, including sidewalks along Doty Street and Wilson Street

Block 105 Guiding Principles

At the beginning of the master planning process, public input was collected from numerous community stakeholders – including downtown residents, employees, businesses, real estate professionals, and developers. Based on that input (and guidance from City of Madison agency staff), a set of principles were developed to guide the development of the Block 105 conceptual plan.

- *Parking Garage* - Design the parking structure to provide a customer-friendly parking experience, while optimizing first floor uses.

- *Uses* - Create a mixed use urban environment that includes public space and a dense mix of active retail and restaurant uses, other commercial development like offices or a hotel, and high density residential.

- *Sidewalks* - Establish generous sidewalk widths to create a public space which will accommodate outdoor retail and restaurant uses, landscaping and other urban amenities as well as provide strong pedestrian connectivity and accessibility.

- *Scale, Massing and Design* - Incorporate exciting urban design, architecture themes and appropriate scale and massing to create a project design that is compatible with surrounding buildings including historic structures.

- *Market* - Maximize market feasibility and tax base.

- *Pinckney* - Leverage the potential of Pinckney Street from the Capitol Square to Lake Monona by developing public spaces, capitalizing on natural views to Lake Monona and achieving connectivity for pedestrians and bicyclists.

- *Destination* - Make Judge Doyle Square a destination for residents, employees and visitors by unifying the emerging restaurant and entertainment district in the southeast quadrant of the Square with the Monona Terrace Convention Center and the future hotel on Block 88.

- *Bicycles* - Promote and enhance the utilization of bicycles as a viable mode of transportation through the creation of a sustainable, secure bicycle center that meets the needs of both the current bicycling community and the new cyclist.
- *Intermodal Connectivity* – Ensure high quality pedestrian and bicycle connectivity to Madison Metro, intercity bus and potential future passenger rail service.

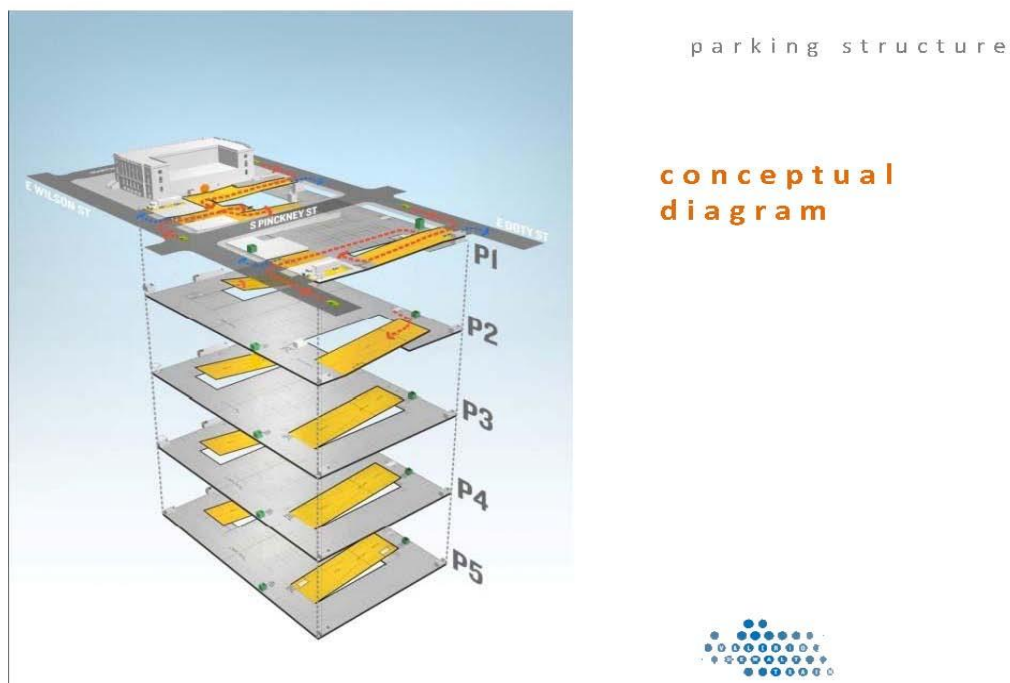
As the various master plan concepts were developed and evaluated, the JDS planning team attempted to optimize these principles – and ensure that the principles were clearly reflected in the recommended master plan concept.

Land Use Approach for Block 105

The concept plans created for Block 105 (including the public spaces directly abutting Block 105) are strongly influenced by the existing and planned uses on Block 88. At this time, a parallel planning process (led by the Block 88 Planning Team) has been exploring the feasibility of a full-service hotel on Block 88. One alternative being considered by The Block 88 Team incorporates the MMB as part of the hotel, while a second option does not. In both options, the potential hotel use would utilize underground parking (underneath Block 88).

Underground Parking Garage

The Block 105 Team developed the underground parking garage to include hotel parking, future City public and other parking requirements and parking associated with future street-level and above-ground Block 105 land uses. As such, the parking garage recommended as part of this conceptual plan is to be constructed underneath the current surface parking lot on Block 88, Pinckney Street and Block 105 – and will provide approximately 1,300 total parking spaces, on up to five levels.



The future street-level and above-ground land uses recommended for Block 105 include the following:

Mix of Street-Level Uses

Retail and restaurant uses on the first floor (at the street level) are recommended. These land uses will help to generate activity that will enliven Pinckney Street and create a sense of place (as well as a unique destination).

Bicycle Center

The feasibility of a potential bicycle center (which provides a variety of bicycle-oriented amenities) was investigated as part of the Judge Doyle Square master planning process. This conceptual plan identified the need for secure indoor bicycle parking and other cyclist amenities, which may include the following:

- Secure bicycle parking
- Bicycle and personal lockers
- Bicycle repairs
- Bicycle retail services
- Bicycle rental/bike sharing
- Internet kiosk
- Bicycle wash station

The Block 105 concept plan recommends an approximately 3,500 square-foot facility, which has the ability to provide up to 150 secure bicycle parking spaces. Estimated capital costs and operating costs (based on various staffing models) are discussed below).

Mix of Above-Ground Uses (Commercial/Hotel)

Commercial development (including office space) has been determined to be an appropriate above-ground use for Block 105. According to local real estate and development professionals, the JDS site is not a prime location for new Class A office space (due to the fact that Block 105 is one block off of the Capitol Square). Judge Doyle Square would, however, be appropriate for Class B office space (such as government offices).

In addition to government offices, this site could also be appropriate for a smaller, “boutique” hotel – which would provide additional capacity for hotel beds in this area. This conceptual development plan includes the potential for a hotel at this location, primarily due to the fact that the Block 88 Team’s current concept for a Block 88 hotel includes less than 300 rooms. Additional hotel rooms may be necessary in the Block 88/105 vicinity, in order to allow for a sufficient block of rooms to be reserved for Monona Terrace’s needs. In addition, this potential Block 105 hotel would also complement the retail and restaurant uses recommended for the first floor.

Above-Ground Residential

Residential development (in the form of a residential apartment tower on Block 105) has been identified as a natural fit for this area. Current market conditions for financing residential development (especially higher-end apartments) are favorable at this time, and both the real estate and developer focus groups recommended a residential tower at this location.

- Office	8,557,500
- Boutique Hotel	14,000,000
- Residential	<u>17,523,750</u>
TOTAL	\$42,194,375

City Office Space

City offices may be needed on Block 105, if the MMB is ultimately adapted to another use (for example, as part of the potential new hotel being considered by the Block 88 Team). In order to maintain the proximity of City functions currently in MMB with those functions now located in the City County Building, the JDS team recommended incorporating the new/relocated city offices within the Block 105 redevelopment (should the Block 88 hotel proposal require City staff relocation from MMB).

Estimated square footage of above-ground land use components

- Retail 20,125 GSF
- Office 57,050 GSF
- Boutique Hotel 88,640 GSF (140 rooms)
- Residential 140,190 GSF (114 units)

Estimated assessed value of above-ground land use components

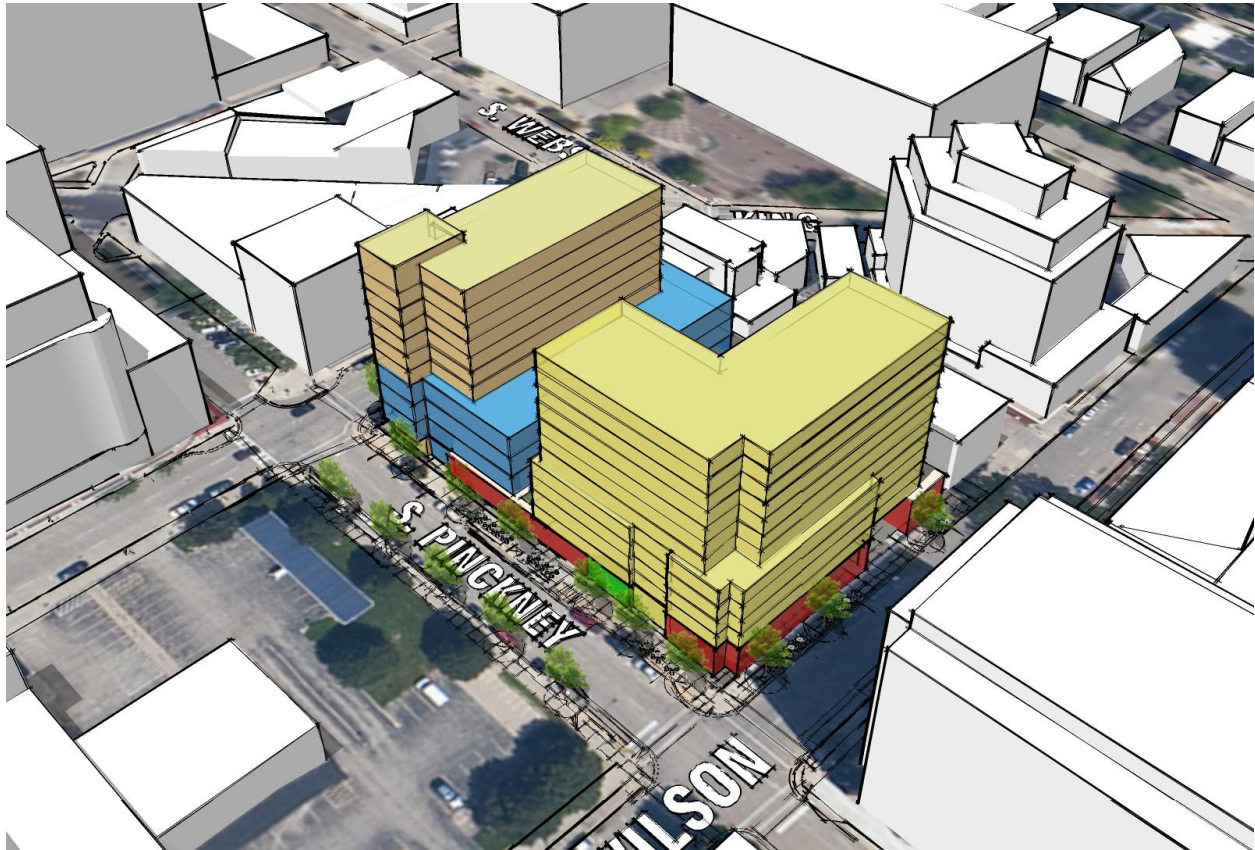
- Retail \$2,113,125



Building/Massing Approach for Block 105

Several massing options were studied for the various potential development scenarios. As noted in previous sections, the most likely functions for development above the sidewalk level were determined to be office space, residential (apartments or condominiums) and potentially a boutique hotel.

The massing concept for the redevelopment of this portion of Block 105 is envisioned to be relatively dense, and thus maximize the amount of above-grade development. Ideally, a mix of land uses should be provided above grade. The concept illustrated below includes a combination of uses above-grade - providing a high degree of synergy and energy on this portion of Block 105.



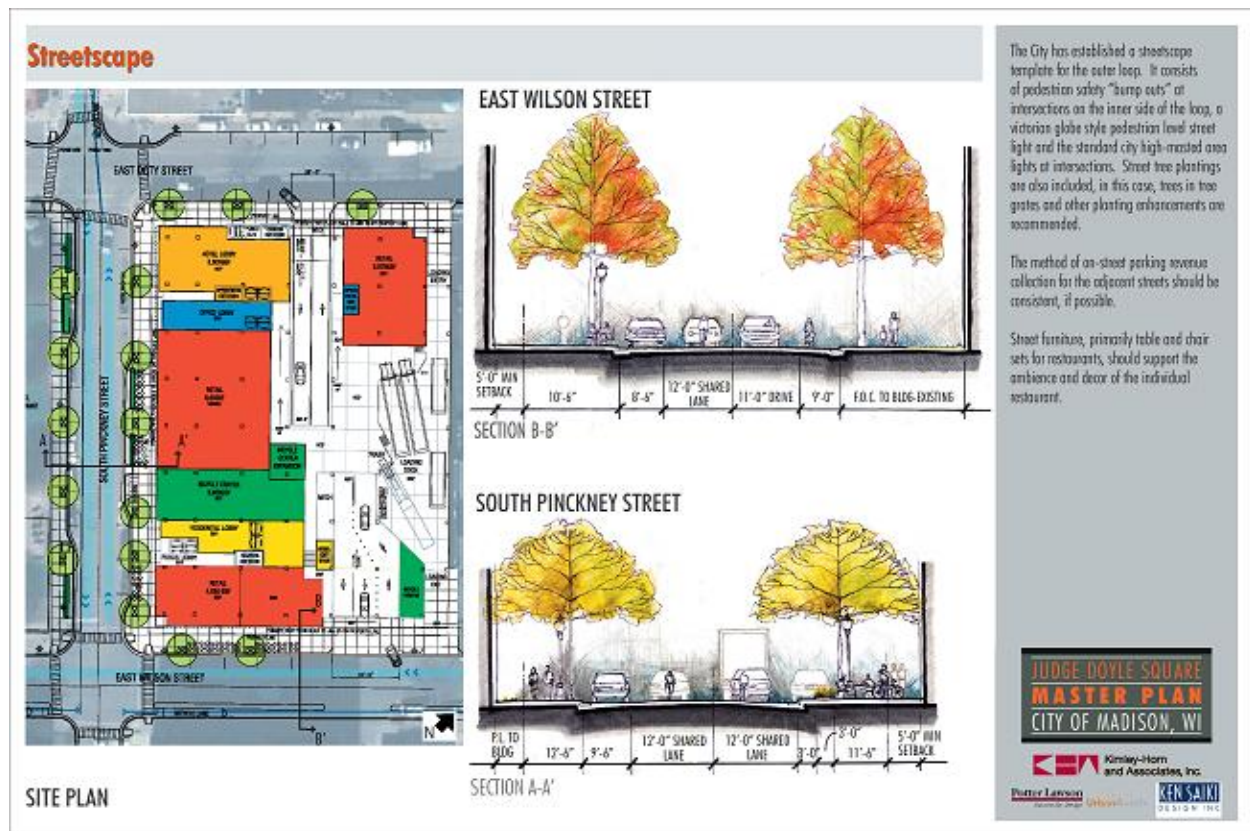
Streetscape and Public Improvements Around and Adjacent to Block 105

Public improvements – i.e., public streets, utilities, streetscape amenities, landscaping, etc. - are a critical component of the conceptual master plan for Block 105. The recommended redevelopment concept for Block 105 emphasizes street-level commercial activities, and these activities will be affected and supported by the public improvements in the area (if such improvements are designed, implemented and maintained properly).

The Judge Doyle Square conceptual redevelopment project will benefit from properly prioritized and designed public improvements. The concept plan provides flexible space for outdoor merchandising and outdoor cafes that will contribute to the viability of each street-level use.

The concept plan includes a potential boutique hotel within the multiple-use redevelopment concept, and a specific design response to this land use is a drop off/loading zone near the corner of Pinckney Street and Doty Street. A further architectural design-specific enhancement might be a pavement application to highlight the loading zone and hotel entry.

The Judge Doyle Square concept plan is weighted heavily toward the pedestrian experience. To optimize this design opportunity, the concept creates a street-level setback from the property line of approximately five feet. This results in a sidewalk width of approximately 15 feet on Wilson Street and Doty Street. Combined with the reconstruction of Pinckney Street, this will result in up to 20 feet available for sidewalk space in those areas.



In addition to the consideration of specific street-level uses in the streetscape design, particular attention was given to upper-floor uses. For example, lighting can be an important element in merchandising and enhancing the visibility of ground-floor elements. Conversely, light spill beyond commercial uses could be detrimental to the experiences of residential or hospitality users above the street level.

Furthermore, urban streetscapes are universally supported and enhanced by healthy street trees. Street trees help to identify the pedestrian space (horizontally and vertically) and buffer it from adjacent roadways. Other landscape improvements should also be considered, as appropriate and in concert with the building development. Freestanding or built-in planters provide seasonal interest and soften the urban environment. Where space allows, consider plantings in association with stormwater management practices. This concept plan identifies areas where stormwater management cells can be incorporated into expanded sidewalk areas along Pinckney Street.

Potential Passenger Rail Station Connections/Intermodal Transit Connectivity

Previous intercity and regional passenger rail plans have identified a potential station to be located south of Wilson Street (near the State of Wisconsin, Department of Administration building). To

improve the functionality of a potential transit station in this area, an enhanced crosswalk could be incorporated into a future development plan. In addition, the conceptual floor plans for the underground parking garage identify a location where a potential underground connection to the passenger rail station (underneath Wilson Street) could be made, should that recommendation be made as part of a future station project development process.

Intercity bus transit connections to Judge Doyle Square will also be further considered during forthcoming planning, project development and design processes. Previous passenger rail station project development evaluated incorporating intercity bus access at several locations – including areas along the Monona Terrace Parking deck and a parking/staging area across John Nolen Drive (linked to the station by elevators). At the point when planning and design for that intercity passenger rail station begins again, these potential intercity bus access points will be included.

In addition, the next phase of the Judge Doyle Square Master Planning project includes planning for a 12-block transit-oriented development (TOD) district - and intercity bus access alternatives within that district will be included in the evaluation.

Bicycle Circulation Improvements and a Bicycle Center

The success of the proposed bicycle center (and other proposed uses on Block 105) will require safe and convenient bicycle circulation to and from Block 105. These improvements will also help to support this location as a potential future rail/transit hub and/or intermodal convergence point. To that end, the recommended concept plan includes a range of bicycle circulation improvements.

The concept plan designates Pinckney Street as a bicycle boulevard, providing two-way bicycle circulation (and travel lanes shared with motorized traffic). The low volume of motorized traffic on Pinckney Street supports the shared use of travel lanes as a safe and efficient design concept at this location. A counter-flow bicycle lane (northbound on Pinckney Street across Doty Street) designed in a manner that is consistent with the city's outer loop reconstruction template, will improve bicycle connectivity to the Capitol Square.

A significant issue for bicycle circulation in this area is the absence of a safe and convenient west-to-east route in the Wilson Street travel corridor. To address this, the recommended concept plan includes consideration of a counter-flow bicycle lane, to be located on the south side of Wilson Street. To maximize its effectiveness, this Wilson Street counter-flow bike lane should be continuous - from the Wilson/South Hamilton Street intersection to the Wilson/King Street intersection. This recommended improvement will require the removal of on-street parking from the south side of Wilson Street (a total of 38 spaces).

Another recommended bicycle system improvement is an enhanced connection from the Monona Terrace Community and Convention Center bicycle elevator (across the Monona Terrace parking structure) to the recommended bicycle boulevard on Pinckney Street. It is important to note that any formalized configuration of this potential bicycle connection will need to be resolved with the State of Wisconsin and Monona Terrace, as part of subsequent project development phases.

Finally, the redevelopment of Block 105 will increase the mix of land uses and density on the block, and will thus require additional bicycle parking (in a variety of forms). Among these, convenient, street-level public bicycle parking will need to be incorporated into the final streetscape design.

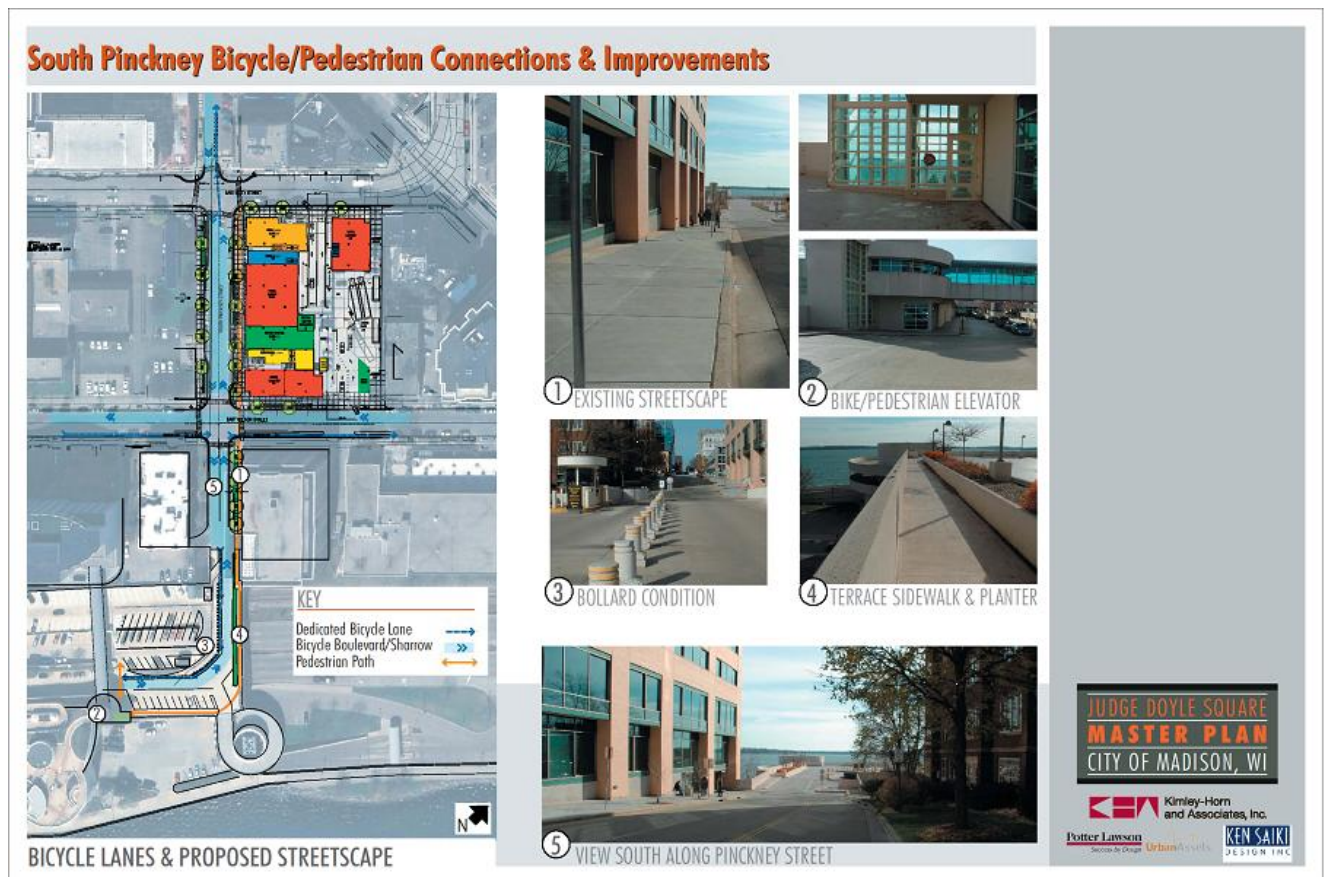
Preliminary Cost Estimates: Recommended Block 105 Above-Ground Land Uses

- Estimated construction costs for the various above-ground land use components of Block 105 (i.e., retail, commercial office, potential City office, boutique hotel, residential, etc.) are not known at this time - as the specific size, scope and nature of these elements are anticipated to be proposed by the private sector development community.

Preliminary Cost Estimates: Bicycle Center on Block 105

- Estimated capital and operating costs for a proposed 3,450 square-foot Bicycle Center vary slightly, depending on the recommended staffing options.

Capital costs: The estimated capital expenses include the cost of construction of the facility, as well as those costs associated with operations and programming that will remain in place in the building (for all operating/staffing scenarios). This capital costs shown below reflect a fully-staffed (plus retail) scenario. If an unstaffed scenario is chosen, costs may be reduced by 10-



15%. The estimated total capital and start-up expenses are **\$899,163**. This figure includes \$396,750 allocated to this square footage for construction of the building (3,450 square feet at \$115/sq. ft.) and \$120,750 for the cost of building the “white box” or retail sleeve (3,450 square feet at \$35/sq. ft.).

Operating costs: Three potential Bicycle Center staffing scenarios are listed below.

- Unstaffed Facility (all building program components would be access-controlled on a 24/7 basis): **\$34,000/yr operating deficit** (average for yrs 1-5)
- Limited Staffed Facility (limited staffing responsibilities for the operator, such as a bicycle shop and/or volunteer/non-profit organization): **\$78,000/yr operating deficit** (average for yrs 1-5)
- Full-Time Staffed Facility with significant retail/repair component (staffing services supplied primarily by a private operator with oversight management or contractual requirements by an outside public entity, such as the City): **\$27,000/yr operating deficit (yr 1); \$45,000/yr operating profit (yr 5)**

Preliminary Cost Estimates: Streetscape and other Public Improvements

- Estimated costs for streetscape and other public improvements around and adjacent to Block 105 (including bicycle circulation improvements) were not developed for this conceptual plan. Capital and operating cost details for these components will be developed in subsequent phases of Block 105 development.

Findings and Recommendations

1. The Staff Team strongly supports the mix, density and scale of land use elements recommended for Block 105 in this conceptual master plan. It conforms to the goals of the proposed Downtown Plan and development of Block 105 will add to the vibrancy of the central business district and increase the City's tax base.
2. The Staff Team supports the numerous streetscape and bicycle circulation enhancements recommended for Block 105. In particular, the creation of generous sidewalk widths will help create a public space that accommodates outdoor retail and restaurant uses, landscaping and other urban amenities. The Staff Team also supports the designation of Pinckney Street as a bicycle boulevard, which will enhance two-way bicycle circulation and also keep the street open to motorized traffic (with the use of shared travel lanes). Furthermore, the Staff Team supports the recommendation to further evaluate a counter-flow bicycle lane to be located on the south side of Wilson Street, which will provide a safe and convenient west-to-east bicycle route in the Wilson Street travel corridor.
3. Initiate as soon as possible a Request for Qualifications (RFQ)/Request for Proposals (RFP) process for Judge Doyle Square development teams using the Block 105 conceptual master plan recommendations as the basis for Block 105. Short-listed teams would then be invited to submit more detailed proposals for the City's consideration.
4. The concept for a Bicycle Center as a component of the Block 105 development plan has strong support within the bicycling community. The City's potential future involvement in the conceptual Bicycle Center should be limited to only the front-end/capital costs. An operating model should be selected that doesn't require ongoing City financial assistance. Further, any development proposals for the above-ground land use components on Block 105 (submitted via an RFP process) must clearly address the Bicycle Center as a specific component of Block 105, and must also clearly address the upfront capital requirements and long-term operating obligations for the Bicycle Center.

**Judge Doyle Square Staff Report
March 2012**

Chapter 5: Economic Development Perspective

As described in previous chapters of this report, redevelopment of Blocks 88 and 105 represent one of the most complex projects the City has ever undertaken. It also represents a significant economic development project that could provide significant growth in property value and other economic activity. Proceeding with this redevelopment project will require an understanding of the potential economic effects and the level of investment and subsidy necessary to achieve those effects.

Financing the multiple projects (hotel, parking, retail, housing, etc.) will require review and analysis of a number of approaches, including tax increment financing, Community Development Authority redevelopment bonds, parking utility revenue bonds, private financing and other options. Financing considerations are expected to evolve as a more precise plan is developed during the planning process.

Potential Economic Benefits

The anticipated economic effects include:

- Increased property values
- Additional room taxes
- Increased Monona Terrace revenue
- Increased resident and visitor base and increased sales tax
- Additional development

Estimated Increased Property Values

Estimated assessed value of combined uses

- Block 105 estimate	\$ 42,194,375
- Block 88 Hotel (Opt. 1)	\$ 23,630,000
- Block 88 Retail	\$ 673,995
- Block 88 Office	<u>\$ 8,558,550</u>
TOTAL	\$ 75,056,920

These figures show preliminary estimates for increased property values using Option 1. If Option 2 is selected, the office value will be eliminated but the hotel value will increase.

At 2012 mill rates, the combined development will generate approximately \$660,000 per year.

Increased Room Taxes

The development could add between 275 and 430 rooms to Madison's hotel stock. Additional rooms are expected to facilitate the attraction of more and larger conferences and conventions and thereby generate increased room nights. In estimating the increased room tax revenues, it's important to note the project will increase both the quantity and quality of available rooms. While net room taxes will increase, the room taxes generated by hotels on Blocks 88 and 105 may be offset by reductions in room taxes at other regional hotels.

It's reasonable to estimate room taxes could grow by \$600,000 to \$1,000,000 per year. This figure is in-line with Hunden's 2009 estimate. Room taxes are likely to be as or more significant than property tax revenue.

Additional Monona Terrace Revenue

The 2009 Hunden Strategic Partners feasibility study of a new downtown hotel recommended the City add a 400 room hotel to help serve Monona Terrace Community and Convention Center. The study projects that building such a hotel would help Madison compete for and attract more convention and conference business. Based on historical data gathered prior to and the years following the opening of the Hilton Hotel, Monona Terrace Convention and Conference business increased by over 35%. A similar return rate for a larger room block and hotel would equate to a minimum of a million dollars to Monona Terrace's bottom line. The Hunden Report projected a much greater impact.

The Monona Terrace currently receives an operating subsidy from room taxes of approximately \$2.8 million. To the extent that achieving additional proximate hotel rooms increases room taxes and Monona Terrace revenue, the city could potentially capture some portion of the increased Monona Terrace and room tax revenues.

To fully realize the potential of the Monona Terrace, Hunden Strategic Partners recommended achieving a block of 400 committable rooms. This requires approximately 640 total rooms if rooms are committed at the Hilton's current rate (150 committable out of 240 rooms). Additional analysis should be commissioned to understand the relationship between committable room blocks and Monona Terrace revenue. It is not known, for example, what 350 committable rooms is worth in Monona Terrace revenue. It is likely that falling short of the committable room target by say 12.5% (350 rooms rather than 400) will result in a reduction of revenue greater than 12.5%. In other words, the relationship between room blocks and Monona Terrace revenue is unlikely to be linear and should be studied further given its relative importance.

Increased Resident and Visitor Base and Increased Sales Taxes

Completion of the development on Blocks 88 and 105 will result in additional hotel beds and residential units in downtown Madison. The project described above would increase residential units by 114 and hotel beds by as much as 430. In addition, the projects will bring additional employees downtown for hotel, retail, and office jobs.

Should the Madison Municipal Building be incorporated into the hotel project, additional street activation along MLK in the form of restaurants/bars with outdoor seating is likely.

While no attempt has been made to quantify the benefits to retailers or the resulting increased sales tax revenue, the project can be expected to assist downtown businesses, particularly in the Martin Luther King Jr. Blvd., King Street, Pinckney Street, and Wilson Street area.

Additional Development and Increased Property Values

Increased density of residents, visitors, and employees on Blocks 88 and 105 is likely to be a positive influence in encouraging the development of other nearby properties. In particular, existing and new restaurant and retail businesses in the King Street and Capitol Square areas will benefit from the Block 88/105 redevelopment. Full development of Blocks 88 and 105 should be a positive catalyst for additional development by increasing density, raising demand, and encouraging higher and better uses of underutilized property.

The Downtown Plan identifies eleven additional parcels in or near the twelve-block Judge Doyle Square planning process that are likely redevelopment sites. These sites include surface parking lots, underutilized sites, and vacant land. In particular, the plan identifies five parcels on East Wilson Street that could act as a natural connection between a transformed Law Park and the downtown. In this way, the Judge Doyle Square project actively advances the Downtown Plan recommendations.

Tax Incremental Financing

Tax incremental financing (TIF) is authorized under state law as a means of directing all property tax revenues (municipal, county, school district, state and technical college) generated by increased property values in a discrete geographic area ("tax increment district" or "TID") toward capital costs related to redevelopment projects in that geographic area. The redevelopment must not be able to occur but for creation of the tax increment district and allocation of associated property tax revenues toward a project. In very general terms, use of TIF financing requires creation of a geographic district, identification of blighted buildings, development of an expenditure plan, approval by the governing body of the municipality, approval by a Joint Review Board consisting of representatives of the affected taxing jurisdictions, and certification of the geographic boundary by the Wisconsin Department of Revenue.

Generally, a district exists for 27 years. Expenditures can be made during the first 22 years of district existence. Revenues from the district are usually used to repay debt issued to fund the capital projects detailed in the project plan. The City of Madison also has policies in place aimed at ensuring a responsible use of TIF, and protecting taxpayers from financial risk. These policies include limiting use of TIF to no more than 50% of the property tax revenues generated by the redevelopment and requiring a return of the TIF support when the TID is terminated or if the TIF-supported project is sold.

Blocks 88 and 105 are located in an active TID. TID 25 was created in 1995 and must terminate in 2022. Under current state law, no capital expenditures may be made from TID 25 after 2017. Revenues from the TID are being used primarily to pay debt service on two series of lease revenue bonds issued by the CDA to finance construction of an underground parking garage related to the Block 89 development and one series of bonds issued to finance an underground parking garage associated with the Hilton Hotel. Revenues have also been used for various infrastructure projects within the boundaries of the TID, such as street reconstruction

The bonds for Block 89 will completely repaid in 2018 and 2020, respectively. Bonds for the Hilton Hotel will be repaid in 2022. All of the bonds can be called (i.e., repaid immediately). The Block 89 bonds have approximately \$9.7 million in remaining principal; the Hilton Hotel bonds have approximately \$8.4 million in remaining principal. However, early repayment has several ramifications that raise a number of policy issues:

Developer payments -- The developers for both Block 89 and the Hilton Hotel are using other resources besides TIF to repay the bonds. Early repayment would result in use of TIF revenues rather than continued developer payments on the bonds.

Repayment of the Hilton Hotel bonds:

Exercises an option agreement on the garage which requires the developer purchase the garage for \$1.2 million.

Terminates a right-of-first refusal on development of a hotel on Block 88 that is held by the Hilton Hotel developer.

Terminates a 150 room block requirement for Monona Terrace events.

Parking Facility

As identified in other sections of the report, Block 105 includes the Government East garage. It is one of 6 garages operated by the City of Madison Parking Utility. Replacement of the Government East garage will be necessary within the next 10 years.

Revenues from parking fees, including amounts collected from city-operated lots and on-street parking meters, support the operating costs of the garages. Construction of the existing garages was financed using revenue bonds supported by Parking Utility revenues. The utility currently has no bonds outstanding.

As part of a long-term strategy to address replacement of garages constructed in the 1960's, the utility has been setting aside revenues in excess of operating and capital costs. The current surplus is \$18 million. The parking utility is currently planning to allocate \$9 million toward replacement of the Government East garage.

Over the next 20 years, two garages need to be replaced in addition to Government East. The utility is in the process of commissioning a study of financing options to address the long-term garage infrastructure replacement needs.

The Parking Utility current operates 3,674 stalls in parking garages. The average operating cost per stall is \$1,705. This amount is based on 2010 data and includes payment in lieu of taxes (PILOT) to the general fund of \$1.1 million. Current Government East operating costs are \$1,830 per stall.

Development costs for 600 stalls under Blocks 88 and 105 are estimated at \$24.8 million (\$41,377 per stall). Assuming \$9 million of Parking Utility reserves are allocated toward the cost of the garage, the amount to be financed is \$15.8 million, or approximately \$1.3 million annually based on a taxable revenue bond issue with a 20 year term. As such, the annual debt service cost per stall is approximately \$2,100. Using the Parking Utility's average operating cost per stall from above, the total cost per stall for the underground parking is estimated at \$3,805 annually. The Government East garage currently generates approximately \$3,214 per stall annually. As such, to cover the added cost associated with an underground garage, revenue per stall would have to increase by approximately 18% from current levels.

Financing Structures

The financing structure for the Blocks 88 and 105 project will be complex. Unless City-owned, non-revenue generating space is created on the blocks, all of the municipally-issued debt will be taxable.

Typically, the City issues 10-year promissory notes. However, given the long-term nature of the assets created as part of this project, longer repayment terms will be necessary to adequately cash-flow the repayment of the debt. Financing options include the following, in descending order of credit quality.

City general obligation bonds (taxable) – generally used for TIF-financed projects.

Community Development Authority lease revenue bonds (taxable) – used on the Block 89 project.

Parking Utility revenue bonds – last used in mid-1990's.

City general obligation debt is limited to 5% of the City's equalized value. Madison is currently using approximately 29% of its constitutionally authorized general obligation debt level.

Findings and Recommendations

1. Development on Blocks 88 and 105 will generate considerable economic value. That value cannot be realized without a public-private investment strategy. The public investment will be necessary to support the underground parking, skywalk connections from a hotel to the Monona Terrace, air rights, a public bicycle center, and, potentially, the incremental gap between the construction cost of a hotel and the amount that can be supported by Madison's current average daily room rates.

2. The public investment and financing structures associated with the Judge Doyle Square development will be significant and complex. Potential investment levels range from \$25 million to \$50 million depending on the scope of the project (e.g., incorporation of Madison Municipal Building into a hotel design), the amount of City-owned parking in the underground parking facility, the amount of value realized from sale of air rights, and potential sale of the Madison Municipal Building for private development (appraised value of \$11.7 million).

3. The level of investment is expected to exceed the amount of property tax increment generated by development on the two blocks (anticipated property value from the development is approximately \$75 million). However, economic effects of the development are expected to reach beyond the two blocks, and room taxes and Monona Terrace revenues could be more significant than increased property tax base. As the planning for the development proceeds, consideration should be given to utilizing revenues in existing TID 25 (similar to some of the approaches used in developing Block 89). Such an approach may allow a rapid return to the tax rolls of all of the property in TID 25, along with the new development in Blocks 88 and 105. The state's TIF law provides other flexibility that could be used to establish a phased return of property in the TID to the tax rolls.

4. Developing Blocks 88 and 105 could significantly increase Monona Terrace revenues. A study should be commissioned to better assess the relationship between available and committable hotel rooms and Monona Terrace revenues. This study should be completed in the near future to inform other decision making.

5. Developing a more precise financing and investment strategy will require additional information that is expected to be generated through the proposed RFQ/RFP process. This process will help to gauge the overall development possibilities and the associated public investments required to move the project forward.

**Judge Doyle Square Staff Team Report
March 2012**

Chapter 6: Project Timetable

Milestone Schedule

2000 Monona Terrace Hilton opens for business, granting development rights for future additional hotel rooms to support Monona Terrace

2008 Hotel feasibility analysis commissioned by the City

2010 Planning for the development of Blocks 88 and 105 launched

2012 Phase I of Judge Doyle Square planning completed

2012 Council provides direction on Block 88 and Block 105 plans. RFP issued for Blocks 88 and 105 development.

2013 Developer selected for Blocks 88 and 105 air rights development. Parking garage design gets go-ahead.

2014 Construction in Block 88 commences.

2015 Underground parking garage construction complete in Block 88. Parking Utility moves public parking temporarily into Block 88. Hotel construction commences. Deconstruct the Government East garage.

2016 Phase II garage construction begins in Block 105. Hotel opens on Block 88.

2017/2018 Phase II of the garage on Block 105 completed. Air rights development construction commences.

2018/2019 Block 105 air rights development completed.

The Judge Doyle Square development timeline, while on a first read looks to be very long, a total of nearly eight years, it is actually is an aggressive approach to achieving the development of Blocks 88 and 105.

Findings and Recommendations

1. The development of Judge Doyle Square is a complex, multi-phase, multi-year, public-private development project requiring a highly coordinated development approach by the City.
2. Initiating and completing an RFQ/RFP process for a Blocks 88 and 105 developer(s) in a timely manner is the single most important step to successfully achieve the Milestone Schedule.

3. Direct the City Staff Team to draft the RFQ/RFP for the Council's consideration.
4. Authorize the Mayor to appoint a citizen committee, the Judge Doyle Square Commission, to oversee the RFQ/RFP process and to follow up with the City Staff Team on the recommendations adopted by the Common Council.
5. The next phase of the Kimley Horn work, as funded by the TIGER II grant from the Federal Transit Administration, should be authorized to proceed in the second quarter of 2012. This work is anticipated to be continued master planning, with an emphasis on a 12-block transit-oriented development (TOD) district.

**Judge Doyle Square Staff Team Report
March 2012**

Summary of Findings and Recommendations

Parking

1. Staff agrees that a parking facility of this size is necessary to support above-grade development similar to that proposed here. It will unlock the development potential above and produce additional tax revenue.
2. It's important not to build too much or too little parking. The above-grade uses must be in place before plans and specs are done for block 88. Increased maintenance on the current Government East facility will provide sufficient time to acquire development partners with appropriate financial capability.
3. It is critically important to maintain the current parking supply during the construction phase. This plan provides for this continuation.
4. The design of the parking structure needs refinement to provide for a better parking experience. Particular attention should be paid to entry/exit efficiency. As the largest below-grade parking facility in the city care should be taken to make certain that streets, entry/exit aisles and revenue transactions are done in the most efficient manner possible.
5. Staff agrees that the best revenue system for this facility would be one that creates choices for customers, similar to those provided at the current Government East garage. The current design provides an appropriate distribution of cashier and machine based transactions while minimizing the space needed for all cashier based transactions. It should be noted that the industry and area trend is towards fewer manual parking transactions at the entrance/exit gates.
6. Security is the number 1 concern of parking patrons in our current garages. It will be even more of a concern to users in a below-grade facility. Staff feels that security measures like lighting and cameras must be at a high level to satisfy this demand.
7. The cost estimates are reasonable for this size facility given its location and complexity. The cost/stall will continue to increase as plans/specs are finalized. Financing of the parking ramp will present financial challenges for the Parking Utility, the City and developers.

Block 88

1. Monona Terrace needs an additional 250 room block for the convention center to grow its book of business.
2. A full-service hotel is the preferred approach for the development of additional hotel rooms. The size and nature of any proposed meeting spaces within the hotel however, must complement Monona Terrace.
3. Block 88 should be a primary location to add significant hotel rooms within 1200 feet of Monona Terrace

4. At this time, the economy, market and financing constraints have a significant impact on the feasibility of a hotel project. The preliminary development assumptions from Marcus will require significant public financial support to achieve.

5. The City has limited resources to assist the development of additional hotels rooms. To test and validate the Marcus hotel development and financing assumptions, initiate as soon as possible a Request for Qualifications (RFQ)/Request for Proposals (RFP) process for Judge Doyle Square development teams. Short-listed teams would then be invited to submit more detailed proposals for the City's consideration.

6. To strengthen the City's team, a hotel expert should be retained to update the hotel market data and to assist with the RFQ/RFP process.

Replacement of Madison Municipal Building Office Spaces

1. The future use of the Madison Municipal Building is an element in the larger City space needs planning program. However, to begin to understand the development options for Blocks 88 and 105, the impact of reusing the MMB for non-City offices needs to be thoroughly understood.

2. Regardless of the option, there will be significant costs to upgrade City Offices in the near future.

3. If the City chooses to stay in MMB, it will lose around 6,000 square feet of office space though the removal of the loading dock addition to the building. Furthermore, there may be limited options for future growth. The City should consider increasing the square footage of city offices as a part of the development plan for Block 88.

4. There are long-term space needs not only in MMB but CCB that need to be addressed through the Long-Range Facilities Planning Committee.

Block 105

1. The Staff Team strongly supports the mix, density and scale of land use elements recommended for Block 105 in this conceptual master plan. It conforms to the goals of the proposed Downtown Plan and development of Block 105 will add to the vibrancy of the central business district and increase the City's tax base.

2. The Staff Team supports the numerous streetscape and bicycle circulation enhancements recommended for Block 105. In particular, the creation of generous sidewalk widths will help create a public space that accommodates outdoor retail and restaurant uses, landscaping and other urban amenities. The Staff Team also supports the designation of Pinckney Street as a bicycle boulevard, which will enhance two-way bicycle circulation and also keep the street open to motorized traffic (with the use of shared travel lanes). Furthermore, the Staff Team supports the recommended counter-flow bicycle lane to be located on the south side of Wilson Street, which will provide a safe and convenient west-to-east bicycle route in the Wilson Street travel corridor.

3. Initiate as soon as possible a Request for Qualifications (RFQ)/Request for Proposals (RFP) process for Judge Doyle Square development teams using the Block 105 conceptual master plan recommendations as the basis for Block 105. Short-listed teams would then be invited to submit more detailed proposals for the City's consideration.

Economic Development Perspective

1. Development on Blocks 88 and 105 will generate considerable economic value. That value cannot be realized without a public-private investment strategy. The public investment will be necessary to support the underground parking, skywalk connections from a hotel to the Monona Terrace, air rights, a public bicycle center, and, potentially, the incremental gap between the construction cost of a hotel and the amount that can be supported by Madison's current average daily room rates.
2. The public investment and financing structures associated with the Judge Doyle Square development will be significant and complex. Potential investment levels range from \$25 million to \$50 million depending on the scope of the project (e.g., incorporation of Madison Municipal Building into a hotel design), the amount of City-owned parking in the underground parking facility, the amount of value realized from sale of air rights, and potential sale of the Madison Municipal Building for private development (appraised value of \$11.7 million).
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4. Developing Blocks 88 and 105 could significantly increase Monona Terrace revenues. A study should be commissioned to better assess the relationship between available and committable hotel rooms and Monona Terrace revenues. This study should be completed in the near future to inform other decision making.
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Project Timeline

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