



GEBHARDT DEVELOPMENT
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TO: DAN ROLFS
Community Development Project Manager
Madison Municipal Building
215 Martin Luther King Jr. Blvd. Rm 312
P.O. Box 2983
Madison, WI 53701-2983

800N EAST WASHINGTON- RESPONSES TO SUPPLEMENTAL QUESTIONS

1. Please provide additional clarification to your “Sustainable Components Cost Breakdown” dated March 21, 2013. The phrase “yes – can be more intensive goal” is confusing. Does this mean that the “Associated Costs” for these items are, or are not, included within your proposal? Please be specific about the dollar value for items that are included within your proposal and the dollar value for items that could be added.”

RESPONSE:

Please refer to the revised “Sustainable Component Breakdown” document dated 03.28.13 attached to the end of this correspondence.

2. Your TIF request exceeds 100% of the estimated increment generated by your project by approximately 23%. What would be eliminated from your proposal to reduce the amount of TIF requested to no more than 100% of the estimated increment (\$6,412,000)?

RESPONSE:

We made several caveats to our TIF run calculations, as potential TIF amounts are affected by a number of variables, including cap rate, duration of TID, assessment, lease rates, stabilization date, etc.

Our intent would be to not eliminate any components, but to find efficiencies in the project (starting with site work and structure) to adjust project costs. We are committed to the district and will continue implementation of the BUILD and TLNA plans with a bold and dynamic project. We will realize that vision in partnership with the City of Madison and TLNA.

If selected, we would like to discuss with staff the methods of determining value and potential increment as it relates to the different project components, and explore relationships of the building components and their effect on overall value and increment.

Our goal is to maximize the amount of increment generated on the site in order for the City of Madison to achieve additional policy objectives for the Corridor, and are committed to working in partnership to achieve these goals.



We also have project partnerships that will provide a level of technical and potential monetary assistance with sustainable components, and we will pursue these in greater detail if selected.

At this point, the numbers provided were preliminary, with additional detail to be provided if selected. The process of final programming and additional project definition will result from close working relationships with City staff and TLNA.

3. [Question #3 not submitted as part of supplemental questions- Confirmed with Dan Rolfs via email; 03.26.13]

4. What letters of intent do you have regarding the leasing of commercial (office/retail) space within your project?

RESPONSE:

Metcalfe's Market is the anchor tenant for the project, providing a full service, full line grocery store for the neighborhood and district. Agreements between Gebhardt and Metcalfe's will remain confidential, and both parties are committed to providing the vision and goals as presented in the proposal.

Other potential tenant's roles and program have not been defined explicitly, but the interest has been extremely strong with many parties, including, but not limited to:

- Sustain Dane
- Underground Food Collective
- Veissmann Group

These commitments are dependent on a number of factors, including construction period, project costs, delivery dates, etc., but these parties have expressed a very strong interest in being part of the project, due to the following factors:

- Project provides great visibility
- Unique vision and end product
- Opportunities to shape and define the project, program, and sustainability goals at the beginning of the process.

We have had a great deal of interest and buzz surrounding the 700 block and can accommodate a wide variety of tenants on both sites. We do believe that providing a range of commercial employment space for a range of employers and business types is of critical importance for this project and others in the District and have structured this proposal to provide successful and catalytic spaces to energize the corridor.

5. What letters of intent do you have for short and long term debt financing of the project?

RESPONSE:

Construction financing and permanent financing will be pursued concurrently if we are selected. There are a number of variables affecting this, including a TIF amount, phasing of project/absorption of proposed units, other projects proposed in district, and financing instruments available at the time of selection.

To date, BMO, Wells Fargo, and Associated Bank are highly interested in the project and are eager to continue working on financing packages if we are selected. They have presented to their boards on a preliminary basis and have scored the project as extremely strong based on the following factors:



- Financial strength and experience of Developer
- Strength of design and mix of components
- Strength of product: "High rise" units vs. wood and low rise construction. Banks are very concerned about the amount of smaller 3-6 story projects under construction or proposed (including the Reynolds properties) and absorption of these units. There is less of a concern about the strength of the housing market, but rather the same type of low rise product saturating the market. We are providing a unique product with proven demand, which lessens risk for the developer and lenders.
- Strength of grocery store operator and proposed size of grocery store. The lenders are also in agreement that a smaller size store would not be sufficient to meet the current and future needs of the area and would have significant concerns if a smaller store were to be proposed.
- Sustainable components incorporated into project to create a unique and socially responsible project in order to attract and retain residential and commercial tenants.

We have several pragmatic paths to make this project successful, but there are variables that need to be discussed and resolved with Staff and TLNA, including purchase of land prior to January 2014, methods to transfer ownership in 2013, absorption of unit types, and the interplay and synergy between other proposed projects in the Corridor, including the MSCC.

One lending institution has an internal program available (there would be no WHEDA or CDA involvement) that would increase the amount of affordable set asides to 20% at 50% CMI and we are actively pursuing that program.

6. Do you have market studies on the commercial/retail and residential markets that support your rent projections? If so, please provide a copy.

RESPONSE:
Commercial

We have a Market Study for the 700 block that was prepared approx. one year ago and showed strong demand for commercial and residential uses. Our internal market studies for the 800 block are based on this document, signed leases, and current negotiations with tenants for the 700 block.

We have several potential tenants who want a larger space than can be provided on the 700 block, and we are currently working with them on the 800 block.

In addition, Metcalfe's commissioned a market study to determine store size and services for their store and related components. The results of these studies and research are incorporated in our proposal.

These Market Studies contain proprietary information, so we will not be releasing them as part of the supplemental question responses, but the information contained in the Market Studies and the data obtained from the 700 block is implemented in our proposal.



Our projections are very strong for the District, and there are others that share our opinion in the strength of the district. We would encourage the Committee members to also review the letter included in CD Smith's proposal from Cresa Partners, Madison's premier commercial broker, stating:

"Cresa believes that there is sufficient demand from existing and new office users, interested in expanding within or relocating to Madison's downtown marketplace, to make an office building a viable option"

As stated previously in the process, national chains are interested at attractive lease rates, but the vision of the development team is to maintain a strong local presence with the right mix of tenants to fully activate the streetscape and provide the services needed for the success of the developments and businesses in the district and surrounding TLNA and Marquette neighborhoods. This philosophy of the developer has been evidenced in the LOIs and current negotiations for space at the 700 block, and will continue at the 800 block.

Residential:

We developed rental projections for the Constellation and the leasing to date has followed those projections very accurately. The upper floors have leased up the quickest, with nearly 100% lease up on floors 8-12, with waiting lists for higher units.

The best market study for this residential unit type are signed leases and waiting lists, and there is a great demand for additional high rise units that take advantage of views, location, light, and the surrounding amenities, including a full service grocery store, park space, elementary school, and proximity to Downtown Madison and the Airport.

7. What are the projected per square foot rents for each of your residential unit types and for the committed and uncommitted commercial/retail space in your project?

RESPONSE:

Commercial/Office:

Based on the interest at the Constellation, we are very comfortable with \$17-\$24 /s.f. triple net, based on location, views, size, etc..

Our biggest and most difficult comment from potential tenants has been the uncertainty surrounding the 800 block and what would be going in to support and enhance the construction on the 700 block. These potential tenants are looking for a bold vision for the Corridor and one that will maintain the bold vision and momentum for the District as laid out very specifically and thoroughly by the BUILD and TLNA plans.

Residential:

Apartments:

Based on the lease up rates at the Constellation, the upper level 2-3 bedrooms will be renting for approx. \$1.75- \$1.90 s.f., with lower units at \$1.55 to \$1.40/s.f. depending on location and views.

The affordable housing set asides will affect this pricing as well. We had proposed a voluntary set aside amount of 20% at 60% CMI, and have an opportunity to participate in a program through one of the interested lending institutions that would adjust that number to 20% set asides at 50% CMI. Participation in the aforementioned program has not been determined, but we would



maintain our originally proposed set asides in any case.

Owner Occupied:

\$180-\$220/s.f. for a base package, with upgrades and options available that would affect cost. (Also see question #8)

Live/Work:

\$1.40-\$1.90/s.f., depending on size and requirements of tenant.

8. Provide more details on the square footages and proposed price points for any owner occupied residential units. How many of the owner occupied residential units will be affordable to individuals at 60-80% of Area Median Income? Will you guarantee that the units designated as owner occupied will not be converted to rental units?

RESPONSE:

The owner occupied units would range in size from 800-1600 s.f., with the unit mix weighted to 2 and 3 bedroom units with public and private outdoor space. Pricing would be market driven, but we would anticipate a range of \$180-\$220/s.f. for a base package, with upgrades available that would affect cost. These upgrades would include finishes, appliances, etc., not unlike other condo properties.

The owner occupied units are strategically located on the site to take advantage of the surrounding amenities, including the school and Reynolds Park, and we are very cognizant of the fact that we are providing a unique product that is differentiated from other owner occupied product in the immediate area.

We are exploring the dynamics of building all condo units to the passivhaus standards. We believe that this is achievable, but further exploration is needed.

Since the condo component of the project is relatively small, we had not anticipated providing any affordable condo units based on CMI designators, but would be eager to discuss in additional detail with City Staff and elected officials on potential solutions or expectations.

It is not our intent to convert these to rentals, but we would request flexibility based on market demands to convert rental units to condos or vice versa at a future date. We would like to discuss further to determine what the intent of the neighborhood and City is and how we can meet this goal.

9. Please provide a summary of the numbers, types (full time, part time) and estimated wage rates for the employees to be employed by your commercial (office/retail) tenants. Will the employees of project tenants be able to afford to live in the project? How will you address local hire during the construction of the project?

RESPONSE:

-Metcalf's Market would employ approximately 200 employees. Of those, 110 would be full time and 90 would be part time (part time is defined as 29 hours or less)

-Commercial space employment, we would anticipate approx. 240 full time jobs, 170 of those in professional positions, and another 70 in the retail and service components.



-14 Live/Work spaces are anticipated to create 1.5 jobs/unit, for a total of 21 jobs for that component. As those are anticipated to be artisan and/or technology related, it is difficult to predict wage rates for these potential companies and jobs.

In addition, there are components of the project that will have positive ancillary effects on the immediate economy, i.e.: the rooftop farm) and we have the ability to strengthen the neighboring businesses by creating a centerpoint to keep residents on the street and in the District.

Also, by anchoring the District with services and residents, we are creating the much needed and desired activity, precedents, and confidence to make a bold statement to encourage others to invest in the District and City.

Wage rates for employees at Metcalfe's Market are above the national average and other professional tenants will have market driven rates. We are pursuing aggressive and ambitious sustainability, design, and program goals for the project to attract socially responsible and innovative long term tenants.

If we apply accepted definitions of "affordability" at a max. of 30% of income for housing costs, an employee earning \$15/hour would have \$780/month to spend on housing costs. We would have units that meet that threshold for employees on the 800 block.

Construction would be through a local Union General Contractor and would utilize the available labor unions to the greatest extent possible. We feel that is the correct path to pursue for our projects as the benefits of using Union trades have an undeniably positive effect on the local and regional economy.

Respectfully Submitted,

Otto Gebhardt III

END



800N BLOCK EAST WASHINGTON PROPOSAL Sustainable Components Cost Breakdown

To: **Dan Rolfs, AICP**
Community Development Project Manager
City of Madison

Date: 03.21.13

REV. 03.28.13

Dan-

Per your request via email on 03.18.13, please see attached breakdown of sustainable goals with associated costs and additional comments. We have proposed integrated solutions relative to the idea of sustainability and building performance, specifically addressing high energy usage elements.

1: **Site:** Primary driver for sustainable development is utilizing an infill site that takes advantage of existing infrastructure and provides density close to existing services within the City.

Stated in proposal: Yes

Associated cost: Cost of land

Comments: Sustainable development practice is to utilize exiting sites to their best and fullest potential. Property has high walkability and bikeability indices and is located in the center of many mass transit routes.

2: **Sitework:** Minimal excavation of soils

Stated in proposal: Yes

Associated cost: Part of project budget

Comments: With this particular site, excavation spoils will need to be landfilled, which is neither sustainable, efficient, or cost effective. Given the high water table, proposing any below-grade structures creates a condition where ground water will continuously be pumped to the sanitary system and the threat of introducing contaminants from cars or other sources into the groundwater is not a smart or efficient solution.

3: **Building Envelope:** Integration of high performance building envelope Insulation and Glazing systems

Stated in proposal: Yes

Associated cost: Part of project budget

Comments: We utilize high performance closed cell spray foam insulation and double glazed low-e insulated glass for our envelopes. Please see Item 16 for additional Passiv Haus standards.

4: **Lighting:** LED and fluorescent lighting systems integrated with motion control sensors

Stated in proposal: Not Specifically

Associated cost: Part of project budget

Comments: Primary Integration in commercial and grocery store components

5: Recycled Materials: Recycled aggregate for concrete and other building materials

Stated in proposal: Not Specifically

Associated cost: Part of project budget

Comments: We will use of recycled aggregates for concrete to the greatest extent possible. Other materials, like flooring, drywall, doors, and metal components have a varying amount of recycled content and we will explore options and make material decisions to maximize the recycled content.

6: Local Materials: Sourcing local materials for construction

Stated in proposal: Yes

Associated cost: Part of project budget

Comments: Concrete to be used for the primary structure. Produced and delivered locally. Other materials will be sourced and delivered within a 150 mile radius to the greatest extent possible

7: Biogas digester: Utilizing green waste to create a fuel source for in-floor radiant heat system

Stated in proposal: Yes

Associated cost: Part of project budget

Comments: Will be coordinated with Viessmann Group as a model for what can be accomplished at this scale. Viessmann will donate materials, equipment, and installation.

8: Geothermal/Ground source heat pump

Stated in proposal: Yes- stated in proposal as a possible more intensive project goal

Associated cost: \$180,000- \$2.1 million above project budget

Comments: A small ground source heat pump could be utilized for the live/work or condo components. A larger system for the commercial, grocery store, and/or tower is being explored, with the limitations being the size of the required geothermal field. We have been researching ways to utilize the required piling system to also incorporate the geothermal loops. This research is ongoing and pretty interesting in terms of efficiency.

9: Water source heat pump

Stated in proposal: Yes

Associated cost: Part of project budget

Comments: A highly efficient Water Source Heat Pump will be utilized for the commercial and residential components of the project if a suitable Ground source heat pump solution cannot be implemented on a large scale.

10: Energy Star Appliances:

Stated in proposal: Yes

Associated cost: Part of project budget

Comments: Standard Practice

11: Production Roof Farm: 2000 s.f. roof farm proposed on top of Metcalfe's Market. Size is expandable.

Stated in proposal: Yes- stated in proposal. Larger or different type of production farm can be more intensive goal.

Associated cost: \$600,000 for present size-included in project budget- up to \$2.7 million above project budget for extensive farm with greenhouse facilities

Comments: The Production farm can also double as a gathering space, and is expandable up to 26,000 s.f.. We are exploring options for an operator for the farm and also have research and operational relationships with UW ready to go, as well as interest from Metcalfe's and Underground Food Collective for purchase of grown food. There are programming variables that require additional discussion internally

12: Renewable Energy Purchasing:

Stated in proposal: As part of Metcalfe's materials

Associated cost: Ongoing energy usage costs by Metcalfe's

Comments: Metcalfe's is committed to purchasing power generated by renewable sources for their stores

13: Condenser Heat Reclamation Systems:

Stated in proposal: Yes- stated in proposal as a more intensive goal

Associated cost: \$500,000-\$750,000 above project budget

Comments: This component will reclaim the heat generated by the condensing and refrigeration units used in the grocery store to provide a primary heat source for occupied spaces and/or provide an assist in the heating of domestic hot water by raising the latent temperature of the water to be heated.

There are some local Mechanical Contractors with limited experience in this application, but there will be a learning curve. Viessmann and UW would provide technical assistance.

14: BIPV (Building Integrated Photovoltaic) Systems:

Stated in proposal: Yes- basic systems included; can be part of a more intensive goal

Associated cost: Basic system included in project budget- Additional costs could range from \$300,000-\$500,000 above project budget for more intensive systems

Comments: This component will utilize window films and other installations to convert solar energy to electric current. MGE has stated they will commit some resources to this component.

15: Energy Monitoring Systems:

Stated in proposal: No

Associated cost: Part of project budget for commercial components

Comments: Will be integrated into project depending on extent of other systems. Johnson Controls to provide technical assistance.

16: Passiv Haus:

Stated in proposal: Yes

Associated cost: Part of project budget for one demo condo. \$210,000-\$320,000 above project budget to build all condos to the passiv haus standard.

Comments: Cost includes one demo condo, and is primarily related to glazing. We are exploring implementing these principles on all of the owner occupied units. Tower and Commercial portions currently have high performance building envelope and mechanical systems, but triple glazed windows would be the element that is not included to bring the rest of the project to accepted passiv haus standards.

17: Passive Solar:

Stated in proposal: Not specifically, but implied

Associated cost: Included in project budget

Comments: Locate structures and fenestration to take advantage of prevailing solar energy and light advantages, which decreases heat and energy loads on occupied spaces.

18: Stormwater Collection for Rooftop farm irrigation

Stated in proposal: Yes

Associated cost: Included in project budget

Comments: Extents to be determined by Farm operator and proposed crops.

19: Grey water filtration

Stated in proposal: No- can be part of more intensive goal

Associated cost: \$1.7 million above project budget

Comments: We have been exploring this idea for some time, however the associated hard costs are too great to make it feasible.

20: LEED

Stated in proposal: Yes

Associated cost: Included in project budget

Comments: Silver or equivalent

21: Parking Structure

Stated in proposal: Yes

Associated cost: Included in project budget

Comments: We provide flat slabs for the parking structure so we can repurpose the space at a future date when the demand for automobiles is lessened or eliminated.

22: In-Floor Radiant Heat

Stated in proposal: Yes

Associated cost: Included in project budget

Comments: MGE has expressed an interest in assisting with this component. We are exploring ways to integrate this on a large scale with the commercial spaces and grocery store, but it is now proposed for the Commercial ground level only. See Item #7 for the proposed on site energy source for this component.



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In addition to the items as described above, our partnerships with Sustain Dane, UW, Underground Food Collective, and other international partners are creating some very evocative discussions relating to sustainability and we fully expect that this list will grow and evolve as the project progresses.

It has been very productive to have these partners and outreach aspects happen at the beginning of the project as it has expanded our ideas for the dynamics of the project.

As always, please contact me at any time if you need additional information or with any additional questions.

Cordially,

Christopher Gosch, AIA, NCARB

February 14, 2013

Mr. Otto Gebhardt
Gebhardt Development
222 North Street
Madison, WI 53704

Re: 800 E. Washington Block Redevelopment
Madison, WI

Dear Mr. Gebhardt:

Thank you for the opportunity to discuss your potential proposal in response to the City of Madison RFP regarding the 800 E. Washington Redevelopment site.

BMO Harris Bank N.A., and Gebhardt Development have completed many successful financings in the past including, most recently, the financing for the adjacent Constellation Project. We believe your development proposal, which provides a mix of complementary uses, would contribute greatly to the growing vibrancy of the neighborhood.

We look forward to continuing to partner with you in future development opportunities and would be interested in considering a financing proposal for this project as it moves forward.

Please continue to stay in touch with us as your plans progress. If you have any questions, please contact me at 608-252-5826.

Sincerely,



Sarah Locke
Vice President
U.S. Commercial Real Estate
BMO Harris Bank, N.A.



Associated Bank
Commercial Real Estate Division

8040 Excelsior Drive
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(608) 259-3676 PHONE
(608) 259-3659 FAX

March 21, 2013

Otto Gebhardt III
Gebhardt Development
222 North Street
Middleton, WI 53704

Re: City Of Madison

Dear Mr. Gebhardt:

It was nice to hear that you are discussing a possible development of the site located at 800 Block of East Washington Avenue in Madison. I am pleased that you, if awarded, would partner with Associated Bank for this development. Per your request, the information we discussed will be kept confidential at this time.

Over the years, Associated Bank has had a strong banking relationship with Mr. Otto Gebhardt. You have performed as agreed on your various loan arrangements with the bank. I believe you bring the needed resources, planning and skills to get this project moving in a positive direction.

During our meeting we discussed some options for financing. It is my belief that when you formalize your loan request, it will meet the banks parameters and is within our lending limits.

The above information is provided for the initial feedback from our first meeting on this project. Any commitment provided by the Bank will be subject to the complete due diligence and underwriting of Associated Bank, satisfactory loan documentation, and other loan closing requirements.

I thank you for the opportunity to be involved in the initial discussions for this project. If you should have any question, please feel free to contact me at (608) 259-3676.

Sincerely,

David Braun
Vice President

800 Block East Washington Avenue Proposal Supplemental Questions

Gebhardt

1. Please provide additional clarification to your "Sustainable Components Cost Breakdown" dated March 21, 2013. The phrase "yes – can be more intensive goal" is confusing. Does this mean that the "Associated Costs" for these items are, or are not, included within your proposal? Please be specific about the dollar value for items that are included within your proposal and the dollar value for items that could be added."
2. Your TIF request exceeds 100% of the estimated increment generated by your project by approximately 23%. What would be eliminated from your proposal to reduce the amount of TIF requested to no more than 100% of the estimated increment (\$6,412,000)?
4. What letters of intent do you have regarding the leasing of commercial (office/retail) space within your project?
5. What letters of intent do you have for short and long term debt financing of the project?
6. Do you have market studies on the commercial/retail and residential markets that support your rent projections? If so, please provide a copy.
7. What are the projected per square foot rents for each of your residential unit types and for the committed and uncommitted commercial/retail space in your project?
8. Provide more details on the square footages and proposed price points for any owner occupied residential units. How many of the owner occupied residential units will be affordable to individuals at 60-80% of Area Median Income? Will you guarantee that the units designated as owner occupied will not be converted to rental units?
9. Please provide a summary of the numbers, types (full time, part time) and estimated wage rates for the employees to be employed by your commercial (office/retail) tenants. Will the employees of project tenants be able to afford to live in the project? How will you address local hire during the construction of the project?

From: "Rolfs, Daniel" <DRolfs@cityofmadison.com>
Subject: RE: 800 East Washington Ave - Supplemental Questions
Date: March 26, 2013 4:21:04 PM CDT
To: 'bark design' <chris@bark-design.com>

Oversight. Good catch.

Dan Rolfs, AICP

Community Development Project Manager
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From: bark design [mailto:chris@bark-design.com]
Sent: Tuesday, March 26, 2013 4:20 PM
To: Rolfs, Daniel
Subject: Re: 800 East Washington Ave - Supplemental Questions

Dan-

We don't have a question #3- the numbering goes from 2 to 4- Was that just an oversight or is there a question "3"?

Thanks!!

Chris

On Mar 26, 2013, at 11:16 AM, Rolfs, Daniel wrote:

At the 800 North Block East Washington Ave Committee meeting last Thursday, March 21, 2013, the Committee generated a list of supplemental questions. Responses are due on Monday, April 1, 2013 at Noon. Please submit one PDF copy to me via this e-mail address. These responses will be considered "SEALED" until such time as the Committee has completed negotiations on the sale of this property.

NOTE: When you send in the submittal, please confirm receipt via telephone. I have had trouble in the last week with e-mails getting caught in our e-mail filters._

If you have any questions, contact me directly.

Regards,
dwr

Dan Rolfs, AICP

Community Development Project Manager
Economic Development Division
Department of Planning and Community and Economic Development

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