



April 8, 2013

Economic Development Division
City of Madison
Attn: Dan Rolfs/Don Marx
Madison Municipal Building, Room 312
215 Martin Luther King Jr. Boulevard
P.O. Box 2983
Madison, WI 53701-2983

Dear Dan/Don:

While we are disappointed with the initial recommendation of the City Staff regarding the 800 block developer selection, we do appreciate the opportunity to dialogue with the neighborhood, the Committee, the Staff and ultimately the City Council as this matter is considered.

With the various departmental reviews of City Staff now available online, together with the publishing of sealed materials from all three respondents, we wanted to provide the following clarifications with respect to our proposal.

Development Program

We submit that our proposal is the only submission of the three that respects the jobs-oriented development pattern as described in the East Washington Capitol Gateway Corridor Plan. In response to this objective we included a meaningful component (89,000 square feet) of high profile Class A office space and have entered discussions with key tenant prospects. We have received an enthusiastic response from the brokerage community as evidenced by materials we have submitted. There is strong support for the development of a critical mass of office space in the corridor, as a logical complement to the inventory that exists in proximity to the Square.

Providing a critical mass of higher wage office jobs is a distinguishing characteristic of our proposal. In the absence of an office component, development on this block will only create lower wage service, retail and food/beverage job opportunities.

Financing

The C.D. Smith team has 100% of its financing in place. This will allow the construction to begin as soon as all approvals are completed and the design is approved. Given the tenuous nature of financing feasibility for new development, and the loss of previously available financing tools such as NMTC and MDA bonding, this advantage provides the highest assurance of success for this ambitious undertaking.

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Design

If C.D. Smith's plan is approved we will work with City officials and Neighborhood representatives in refining the specific architecture and design details. As I am sure you are aware none of the plans submitted are a final design, rather they are conceptual plans. Because of this, we encourage you to focus on the urban design qualities of each plan and the specifics of how each would function and interface with the surrounding neighborhood. There are important aspects of parking, circulation, public space activation, and loading/servicing that we feel are critical differences between the proposals. A further analysis of these criteria would benefit the process.

Tax Increment Financing

After listening to the commentary during last Thursday's meeting we feel that there remains some confusion as to our suggested TIF structure. We commit that our final agreement will not exceed the agreed-to increment available from this block, subject to consistently applied City policy. If the number is \$6.9 million, we will commit to and work toward that amount. The \$9.5 million amount we referenced in our initial proposal represented our initial underwriting of the supportable TIF, based on the assumptions and method of calculation we provided. The difference represents less than 5% of our overall budget; therefore the gap is relatively modest given the schematic nature of the budget at this point. After a thorough refinement of plans, specifications, and costs, if we need to further refine our capital structure, please be aware that our ownership group has agreed to provide additional equity or privately-sourced debt financing as necessary to meet any remaining gap.

Sustainable Features

The C.D. Smith team commits to no less than Silver LEED certified project. Some of the additional enhancements we are reviewing could push this to a higher designation. Our team includes design engineers who have considered how to incorporate many sustainable features that are both site specific as well as educational in nature. Additionally, we acknowledge that there are many intriguing concepts and ideas that have been discussed by all three proposers. Nearly all of these are fungible in nature, in that they could be attached to any of the three proposals. Lacking exclusive commitments attached to any one proposal, we can certainly see an opportunity to combine the best of these concepts and ideas in any of the three proposals. We concur that this sort of collaboration would be premature until a selected proposal is further refined, but rest assured we are committed to a broad dialogue with the wealth of green/sustainable resources in metro Madison to make certain that the fullest message of practical and applied sustainability can be delivered to the marketplace.

Ownership Structure and Parking

We have proposed a condominium form of ownership to provide for a clear allocation of operational income/expense items, and to allow each of the three components to reach their full potential. This ownership structure also provides a more secure and higher value proposition for the publicly owned parking component. The public parking component is substantially "purchased" through the payment of user fees from the residential and commercial components, with the City the benefactor and owner upon the retirement of the debt. Once the parking-related debt is paid off, the City benefits from unencumbered ownership and a captive revenue stream.

Condominium structures have been utilized for years on public/private developments, and is one with which our team has high familiarity. We are currently using this type of ownership structure on three separate developments under construction by our team members.

Park Fee

Our earlier proposals asked the City to waive this fee. The rationale for this request was contained in our initial submission. We clearly heard the committee and staff concerns regarding the park fee. In consideration of your input, our development team has agreed to include the Park Fee at its full calculated value as part of our cost structure.

Development Management

While C.D. Smith and the Mandel Group are headquartered in Fond du Lac and Milwaukee, our organizations have sizable permanent operations in the Madison marketplace with a desire to expand. C.D. Smith has undertaken more than \$200 million of Madison-area construction and development work in the past 10 years. The Mandel Group already has 20 full-time employees in the Madison market and is actively seeking further acquisition and development opportunities in Madison to build on its currently portfolio of nearly 800 apartments. Our development team members are local in a very real way.

As to process, both C.D. Smith and the Mandel Group are experienced in the dialogue and collaboration necessary for a fully engaged citizenry and public sector partner. By example, a recent development of ours was approved subsequent to a 40+ public meeting schedule. We are familiar with and welcome an involved process, and feel that our developments benefit from the feedback and perspective offered in these venues. We are no strangers to involved, complex, and multi-path approval processes.

Grocery

During this process we have had the pleasure of meeting and working with Jeff Maurer of Fresh Madison Market and have come to appreciate the unique business model he has built with his family after nearly 40 years of experience in the food industry. His emphasis on pairing the highest quality of fresh, locally sourced perishables with a sensible variety of non-perishable commodities provides a perfect grocery resource for the Isthmus neighborhood. The proposed store is “right-sized” to provide a full range of goods and services at the highest level of quality, without relying on an enlarged “drive-to” market area to be viable. Fresh Madison Market represents the best model for a neighborhood-oriented, sustainable quality grocer with emphasis on walk-to and bike-to shopping for the immediate area.

We appreciate this opportunity to clarify and expand on the above points, and thank the Committee members for their time and interest in the materials submitted by all the proposers.

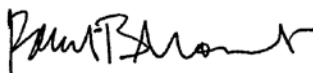
Sincerely,

C.D. SMITH CONSTRUCTION, INC.



Michael L. Krolczyk
Vice President

MANDEL GROUP



Robert Monnat
Partner | Chief Operating Officer