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TO: Mayor and Common Council
FROM: Rebecca S Cnare, Planning Division, on behalf of Interagency City Staff Team led by the Department of Planning and Community and Economic Development
DATE: July 1, 2015
SUBJECT: ID# 39140 State Street Mall /Capitol Concourse Vending Area Sidewalk Café fees Report

Mayor Soglin asked the Planning and Economic Development Teams to look at sidewalk café fees for the State Street Mall Capitol Concourse Vending Area (Mall /Concourse) in terms of both fees as compared to other cities, as well as the market value of the privatization of public space for private use. It is his intent that any increased revenue from sidewalk café fees should be used for such activities as improving the downtown pedestrian experience, additional support for Mall Maintenance, and creating/providing programming for State Street and the Capitol Square. These funds would be prioritized and authorized during the budget appropriations process.

A. Issues regarding Madison's downtown sidewalk cafes:

- 1. Competition with retail** - Once a space has been converted to a restaurant and/or bar, it will likely never return to a retail use:
 - Expensive kitchen conversions
 - Higher rent value per square foot for restaurants
 - Restaurant and retail chain stores often require larger footprints
- 2. Benefit to downtown:**
 - Sidewalk cafes add a great pedestrian atmosphere to the downtown.
 - Cafes have added significant evening activity to State Street and the Capitol Square.
 - Cafes promote positive downtown activity and promote local businesses.
- 3. Crowded State Street:** Recent observations have shown the continued increase in sidewalk cafes have made the pedestrian zone more crowded, and have forced public amenities, such as bike racks, benches, etc into a smaller amount of space.



4. **Benefit to restaurants for a nominal fee:** Restaurants gain a large financial advantage from sidewalk café revenues, as well as visibility (advertising) for a comparably small permit fee.
 - The square footage gained by the sidewalk café is likely more profitable per square footage than indoor space:
 1. Back of house square footage (kitchen, restrooms etc) is already covered by original indoor rent
 2. No overhead costs (heat/water/electricity)
 3. Only non-labor costs are annual fees and the initial startup costs for the café furniture and barriers

5. **Value of the privatization of public space for private use:**

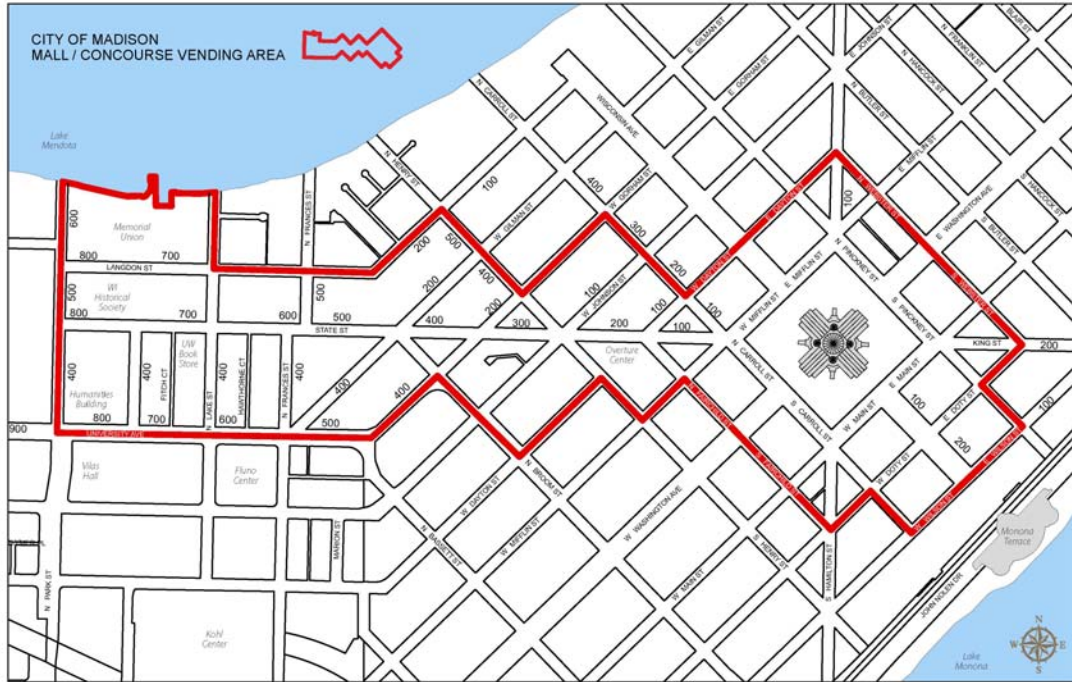
- Currently, the City of Madison uses an approximation for value of land when determining rates for encroachment leases.
- A sample of current real estate listings for retail /restaurants in the Mall /Concourse Vending Area:
 1. 118 State Street restaurant: \$29/sq ft/yr
 2. 210 State St retail: \$27/ sq ft/ year
 3. 250 State St restaurant: \$45/ sq ft/ year
 4. 341 State S retail (lower level): \$10-35/ sq ft /year1 (\$22.50 average)
 5. 501 State St retail/rest. (Hub): \$45 retail /60 restaurant/ sq ft/ year
 6. 502 State St retail (Towers): \$20-45/sq ft/ year (\$32.50 average)
 7. 506 State St retail: \$42/sq ft/ year
 8. 508 State St retail: \$42/ sq ft/ year
 9. 510 State St retail: \$27-30/ sq ft/ year (\$28.50 average)
 10. 512 State St retail: \$29/ sq ft/ year
 11. 673 State St retail: \$45/ sq ft/ year
 12. 118 King St retail build to suit: \$18/ sq ft/ year
 13. 315 N Henry St retail: \$25/ sq ft / year
 14. 315 W Gorham retail: \$15/sq ft/ year
 15. 461 W Gilman St Bar/Rest.: \$38/ sq ft/ year
- Approximate average triple net annual rents from above sample:
 1. Retail = \$31/ sq ft/ year
 2. Restaurant = \$43/ sq ft/ year
- Sidewalk café season is roughly May-October (6 months) with the most active/profitable months being June-September (4 months)
 1. Divide the average restaurant triple net rate by 3 to equal the 4 months of most active seasonal use = $\$43/3 = \mathbf{\$14.33}$
 2. To account for rain, special events and other factors, reducing that rate to \$13 / sq ft seems to be a reasonable valuation of the sidewalk café space.

B. Current Fee Schedule, average café size, and location information:

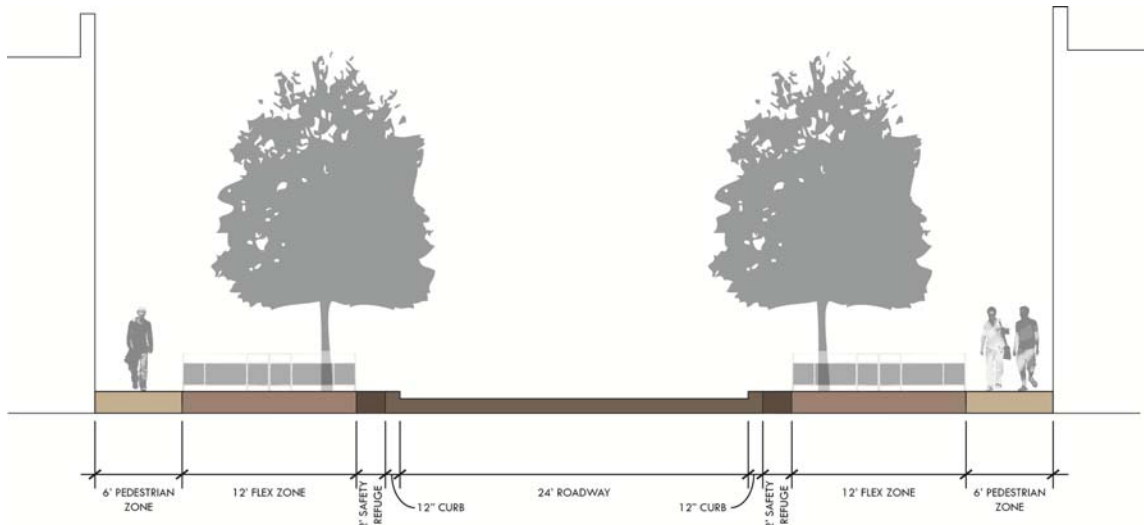
Please see Attachment 1: Sidewalk Café Data Report for more detailed information on existing café sizes, locations and fees.

1. **Per chair Fee:** Madison currently charges \$35-45 per chair in annual fees depending upon café capacity.
 - a. 9 or fewer chairs: \$400 per year
 - b. 10-15 chairs: \$550 per year
 - c. 16-20 chairs: \$650 per year
 - d. 21+ chairs: \$750 per year

2. **Average Café Size: 250 square feet** - The attached Sidewalk Café Data Report illustrates that cafes range in size from 68 square feet (smallest) to 1088 Square feet (largest), the average café size is approximately 250 square feet.
3. **Average Per square foot costs: approximately \$3 per square foot** - If the current chair system was approximately converted to a per square foot fee, the result is about \$3 per square foot.
4. **Location of Cafes:** The vast majority of sidewalk cafes occur within the State Street Mall/Capitol Concourse Vending Area, see map below. Cafes within this area are regulated differently than cafes located elsewhere in the city. Approximately 10-15 cafes exist outside of this area.



5. **Configuration of cafes on State Street:** On State Street, cafes currently occupy the approximately 12 foot flex zone between the curb and the 6 foot pedestrian zone. The Capitol Square has café configurations that depend largely upon existing planters, bus stops and other permanently installed street furniture.



C. Other examples of municipal sidewalk café fees:

Please see Attachment 2: Sidewalk Cafes Fee Comparisons with other Cities for additional and detailed information. Attachment 2 shows a wide range of different sidewalk cafes in different cities, however, the following cities could be considered most similar to the relationship of State Street to Madison's Downtown:

1. Buffalo, New York (Buffalo Place): \$1.30 / sq ft
2. Boulder, CO (Pearl Street): \$650 initial application fee + \$113
3. Charlottesville, VA (Downtown Mall): \$5 / sq ft
4. Iowa City, IA (Pedestrian Mall): \$5 / sq ft
5. Denver, CO (16th Street Mall): \$7 / sq ft
6. Santa Monica (Third Street Promenade): \$872 + \$3.27 per sq feet every 6 months
7. Miami Beach (Lincoln Road): \$20 / sq ft
8. New York City (Outer Boroughs i.e. Brooklyn): \$510 plus \$28 / sq ft (minimum \$1,800)

D. Budget Implications:

Increased fees would be incorporated into the general fund, however, it is the Mayor's intent that these funds be used for such activities as improving the downtown pedestrian experience, additional support for Mall Maintenance, and creating/providing programming for State Street and the Capitol Square. These funds would be prioritized and authorized during the budget appropriations process.

E. Proposal for Discussion

1. Citywide Cafes outside of the State Street Mall / Capitol Concourse Vending Area:

Sidewalk café license fees for citywide cafés not located in the State Street Mall/Capitol Concourse Vending Area could be converted to a square foot value that is similar to the current fees. This value has been approximated to **\$3.00 per square foot**.

2. Cafes within the State Street Mall / Capitol Concourse Vending Area:

Sidewalk café license fees for cafés within the State Street Mall/Capitol Concourse Vending Area could have fees increased gradually to reflect the market value of the sidewalk space. Sidewalk cafes fees would increase to **\$5 per square foot per year in 2016 and 2017, and begin paying \$13 per square foot in 2018**. Any new cafes, not in operation in 2015 could begin paying the full **\$13 per square foot** at the creation of their café.

- A \$5 per square foot per year interim fee results in an increase of approximately \$500 for an average 22 chair, 250 square foot sidewalk café.
- A \$13 per square foot per year fee results in an increase of approximately \$2500 for an average 22 chair, 250 square foot sidewalk café.

Attachment 1: Sidewalk Cafe Data Report for Mall/Concourse Vending Area

*Note that faded lines indicate data has yet to be collected

#	Address	Store	Size: w x d	Total sq. ft.	Current # of Chairs	Current Sidewalk Fees	Current \$ fee / sq ft	Total cost at \$3 / sq ft	Total cost at \$5 / sq ft	Total Cost at \$13 / sq ft
212	State St.	608	19'2" x 7'4"	140.44				\$421	\$702	\$1,826
118	State St	? (Former Diego's)								
115	E. Main St.	43 North	14' x 10'9"	150.5				\$452	\$753	\$1,957
108	King St.	43 North	19'6" x 5'9"	112.12				\$336	\$561	\$1,458
112	King St	Ancora			14	\$550				
123	E. Main St.	Argus (Encroachment Lease)	15' x 8' + 26'5" x 11'7"	425		\$304	\$0.72	\$1,275	\$2,125	\$5,525
111	King St	Atrium Café (new café?)								
127	W. Wash Ave.	Barriques	16'6" x 10'10"	178.69	16	\$550	\$3.08	\$536	\$893	\$2,323
101	N. Hamilton St.	Blue Marlin (Encroachment Lease)	22' x 11'	242		\$2,680	\$11.07	\$726	\$1,210	\$3,146
7	W. Main St.	Brocach Irish Pub	39'2" x 5'6"	215.38	20	\$650	\$3.02	\$646	\$1,077	\$2,800
115	State St.	Buck & Badger	52' x 10'	520				\$1,560	\$2,600	\$6,760
107	State St.	Capital Tap Haus	32' x 10'	320	34	\$750	\$2.34	\$960	\$1,600	\$4,160
122	W. Mifflin St	Cento (new café?)								
658	State St.	Chipotle	20'8" x 10'6"	216.93	20	\$400	\$1.84	\$651	\$1,085	\$2,820
427	N Frances St	Colectivo								
25	S. Pinckney St.	Colectivo	30'5" x 21'	638.61	42	\$750	\$1.17	\$1,916	\$3,193	\$8,302
20	W. Mifflin St.	Coopers Tavern	20'2" x 17'	342.72	40	\$750	\$2.19	\$1,028	\$1,714	\$4,455
114	E. Main St.	Cranberry Creek.	15' x 4'10"	72.45	9	\$400	\$5.52	\$217	\$362	\$942
334	State St.	Crandall's	21'11" x 6'1"	133.21	15	\$550	\$4.13	\$400	\$666	\$1,732
117	MLK Blvd.	D-Lux	14'3" x 23	327.75	24	\$750	\$2.29	\$983	\$1,639	\$4,261
422	State St.	Dragon-i	23'8" x 10'2"	240.38	15	\$550	\$2.29	\$721	\$1,202	\$3,125
224	State St.	Espresso Royal	18' x 6'10"	124.38	8	\$400	\$3.22	\$373	\$622	\$1,617
650	State St.	Espresso Royal	16'3" x 10'2"	165	12	\$550	\$3.33	\$495	\$825	\$2,145
418	State St.	Fair Trade Coffee	15'2" x 9'11"	150.23	8	\$400	\$2.66	\$451	\$751	\$1,953

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**Note that faded lines indicate data has yet to be collected*

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122	State St.	Fountain	26' x 10'2"	264.16	36	\$750	\$2.84	\$792	\$1,321	\$3,434
111	MLK Blvd.	Francesca's	24' x 16'	384	40	\$750	\$1.95	\$1,152	\$1,920	\$4,992
121	E. Main St.	Francisco's Cant.	17'9" x 10'9"	190.81	9	\$400	\$2.10	\$572	\$954	\$2,481
12	S. Carroll St.	Fromagination	7' x 19'	133	12	\$550	\$4.14	\$399	\$665	\$1,729
	<i>N. Carroll St.</i>	<i>Genna's Lounge</i>	<i>19' x 12'3"</i>	<i>232.75</i>				<i>\$698</i>	<i>\$1,164</i>	<i>\$3,026</i>
105	W. Main St.	Genna's Lounge (Encroachment Lease)	30' x 10'	300		\$1,950	\$6.50	\$900	\$1,500	\$3,900
105	W. Main St.	Genna's Lounge	37'3" x 6'10", 13' x 5'3"	322.66	84	\$750	\$2.32	\$968	\$1,613	\$4,195
<i>1</i>	<i>S Pinckney St.</i>	<i>Gooseberry (new café?)</i>								
112	E. Mifflin St.	Gotham Bagels	11'9" x 5'9"	67.56	8	\$400	\$5.92	\$203	\$338	\$878
<i>18</i>	<i>N. Carroll St.</i>	<i>Graft new café</i>								
21	N. Pinckney St.	Harvest	22' x 5' + 22' x 4'	506	36	\$750	\$1.48	\$1,518	\$2,530	\$6,578
425	State St.	Hawks	40' x 11'	440	40	\$750	\$1.70	\$1,320	\$2,200	\$5,720
131	E. Mifflin St.	Heritage Tavern	38' x 4'5"	167.58	12	\$550	\$3.28	\$503	\$838	\$2,179
318	State St.	Himal Chuli	17' x 10'2"	172.72	15	\$550	\$3.18	\$518	\$864	\$2,245
<i>222</i>	<i>W. Gorham St</i>	<i>HopCat (new café?)</i>								
102	State St.	Ian's Pizza	67'5" x 10'	674.1	40	\$750	\$1.11	\$2,022	\$3,371	\$8,763
206	State St.	Icon	19' x 7'7"	144.02	18	\$650	\$4.51	\$432	\$720	\$1,872
22	S. Carroll St.	Inn on the Park	22'6" x 5'	112.5	32	\$750	\$6.67	\$338	\$563	\$1,463
317	State St.	Irish Pub	20'9" x 8'4"	172.84	9	\$400	\$2.31	\$519	\$864	\$2,247
116	W. Mifflin St.	Ivory Room	31' x 9'	279	16	\$650	\$2.33	\$837	\$1,395	\$3,627
<i>527</i>	<i>State St.</i>	<i>Jimmy Johns</i>								
540	State St.	Kabul	24'8" x 8'	197.28	9	\$400	\$2.03	\$592	\$986	\$2,565
208	State St.	Kilwins	21' x 7'	147	9	\$400	\$2.72	\$441	\$735	\$1,911
244	W. Gilman St.	Los Gemelos	46'4" x 7'3"	335.89	9	\$400	\$1.19	\$1,008	\$1,679	\$4,367

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320	State St.	MadCity Frites			14	\$550				
119	King St.	Madison's	10'11" x 42"	458.22	30	\$750	\$1.64	\$1,375	\$2,291	\$5,957
117	E. Main St.	Maduro	23' x 10'9"	247.25	15	\$550	\$2.22	\$742	\$1,236	\$3,214
118	S. Pinckney St.	Marigold Kitchen	5'4" x 28'4"	150.99	24	\$750	\$4.97	\$453	\$755	\$1,963
121	S. Pinckney St.	Merchant	11' x 9'	99	15	\$550	\$5.56	\$297	\$495	\$1,287
414	W. Gilman St.	Mezze (was Amy's Café)	56'7" x 8'6"	480.93	28	\$750	\$1.56	\$1,443	\$2,405	\$6,252
515	State St.	Mia Za's	35' x 10'	350	20	\$650	\$1.86	\$1,050	\$1,750	\$4,550
114	State St.	Michelangelo's	16 x 8'1"	129.28	8	\$400	\$3.09	\$388	\$646	\$1,681
523	State St.	Monday's	12'2" x 10'2"	123.54	15	\$550	\$4.45	\$371	\$618	\$1,606
226	State St.	Nick's	21'5" x 6'11"	147.94				\$444	\$740	\$1,923
111	S. Hamilton St.	Nostrano	29'2" x 7'9"	225.99				\$678	\$1,130	\$2,938
23	N. Pinckney St.	Old Fashioned	36' x 5', 10'5" x 9'	232.05	26	\$750	\$3.23	\$696	\$1,160	\$3,017
116	King St.	Opus Lounge	18' x 5'5"	97.38	12	\$550	\$5.65	\$292	\$487	\$1,266
505	State St.	Osaka House	16'8" x 9'10"	163.76	15	\$550	\$3.36	\$491	\$819	\$2,129
419	State St.	Palmyra Med.	34'2" x 11'1"	378.49	40	\$550	\$1.45	\$1,135	\$1,892	\$4,920
316	State St.	Parthenon Gy.	24' x 10'2"	243.84	18	\$650	\$2.67	\$732	\$1,219	\$3,170
204	State St.	Paul's Club	20' x 8'1"	161.6				\$485	\$808	\$2,101
313	State St.	Pizza Di Roma	24'4" x 9'	218.97	15	\$550	\$2.51	\$657	\$1,095	\$2,847
567	State St.	Potbelly Sandwich	47'2" x 7'8"	361.24	24	\$750	\$2.08	\$1,084	\$1,806	\$4,696
548	State St.	Qdoba	24'5" x 7'2"	174.77	12	\$550	\$3.15	\$524	\$874	\$2,272
14	W. Mifflin St.	Rare Steak House	64' x 17'	1088	40	\$750	\$0.69	\$3,264	\$5,440	\$14,144
603	State St.	State Street Brats (Encroachment Lease)					\$5,840			
119	State St.	Red Elephant	17' x 9'	153	12	\$550	\$3.59	\$459	\$765	\$1,989
113	E. Main St.	Red Sushi	17' x 10'9"	182.75	18	\$650	\$3.56	\$548	\$914	\$2,376
106	King St.	Red Sushi	18' x 6'	108	12	\$550	\$5.09	\$324	\$540	\$1,404

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119	E. Main St.	Rigby	24' x 10'9"	258	40	\$650	\$2.52	\$774	\$1,290	\$3,354
558	State St.	Roast	33'3" x 7'10"	260.34	10	\$550	\$2.11	\$781	\$1,302	\$3,384
301	W. Johnson St.	Short Stack	16' x 8'6"	136	14	\$550	\$4.04	\$408	\$680	\$1,768
1	E. Main St.	Starbucks	26' x 9'	234	14	\$550	\$2.35	\$702	\$1,170	\$3,042
661	State St.	Starbucks	17'5" x 9'10"	171.14	12	\$550	\$3.21	\$513	\$856	\$2,225
544	State St.	Steep & Brew	27'6" x 6'7"	180.95	16	\$650	\$3.59	\$543	\$905	\$2,352
430	State St.	Steepery	12'3" x 9'1"	111.23	8	\$400	\$3.60	\$334	\$556	\$1,446
10	W. Mifflin St.	Sunprint Café	32' x 5'	160	9	\$400	\$2.50	\$480	\$800	\$2,080
124	State St.	Tiki Shack	34' x 10'2"	345.44	48	\$750	\$2.17	\$1,036	\$1,727	\$4,491
102	King St.	Tipsy Cow	10'7" x 45'	476.1	70	\$750	\$1.58	\$1,428	\$2,381	\$6,189
102	King St.	Tipsy Cow (Encroachment Lease)	28' x 13'	364		\$1,044	\$2.87			\$4,732
305	State St.	Tutto Pasta	24' x 10'6"	252	38	\$750	\$2.98	\$756	\$1,260	\$3,276
552	State St.	Whiskey Jack's	41' x 7'2"	293.56	16	\$650	\$2.21	\$881	\$1,468	\$3,816
114	King St.	Woofs	26 x 5'5"	140.66	20	\$650	\$4.62	\$422	\$703	\$1,829
Averages				254	22	\$721	\$3.09	\$758	\$1,264	\$3,305
Totals				19,180	1,439	\$51,168		\$56,447	\$94,078	\$249,335

Attachment 2: Sidewalk Cafes Fee Comparisons with other Cities

City	Onetime Fee	Annual Fees	yearly fee for 250 sq ft café
Milwaukee, WI	\$100	\$.28 / sq ft	\$70
St Paul, MN	\$620	\$88	\$88
Denver, CO (citywide)	\$150	\$100	\$100
Richmond, VA		\$100	\$100
Nashville, TN		\$100	\$100
Boulder, CO	\$650	\$113	\$113
Portland, OR	\$350	\$100 + \$2.75 / linear ft	\$155
Indianapolis (Citywide)		\$160	\$160
Lincoln, NE		\$100 + \$0.25 / sq ft	\$162.50
Seattle, WA	\$516	\$146 + \$1.56 / sq ft	\$185
St Petersburg, FL	\$35 + \$20/chair	\$10.00 / chair	\$210
Ann Arbor, MI	\$108	\$1 / sq ft	\$250
Minneapolis (includes Nicolette Mall)		<ul style="list-style-type: none"> 30 seats or less = \$355 31 + seats = 511 	\$355
Pittsburg, PA	\$458	\$200 + \$1 / sq ft	\$450
Indianapolis, IN (George Street)	\$486	<ul style="list-style-type: none"> \$2-2.50 / sq ft 	\$500- \$625
Ashland, OR	\$250	\$ 30/seat, minimum of \$100	\$630
Evanston, IL	\$508	\$400 + \$1 /sq ft	\$650
New Orleans, LA	\$25-\$850	\$216 + \$2 / sq ft	\$716
Madison, Wisconsin (Current)		\$35-45 per chair depending on café size 9 or fewer \$400, 10-15 \$550 16-20 \$65, 21 or more \$750	\$750
Madison, Wisconsin (\$5 Interim increase)		\$5 / sq ft	\$1250
Charlottesville, VA (Downtown Mall)		\$5 / sq ft	\$1250
Iowa City IA, (Pedestrian Mall)		\$5 / sq ft on sidewalk, \$10 / sq ft platform	\$1250
Cedar Rapids, IA	\$90	\$5-10 / sq ft	\$1250-\$2500
Denver, CO (16 th Street Mall)	\$3000	<ul style="list-style-type: none"> \$7/ sq ft up to 450 sq ft \$3.50 / every sq ft above 450 	\$1750
Santa Monica, CA		\$872 + \$1.07 / sq ft every 2 months	\$1407
Madison, Wisconsin (\$13 Proposal)		\$13 / sq ft	\$3250
Miami Beach, FL (Lincoln Road)		\$20/ sq ft	\$5000
New York City (Outer Burroughs)	\$310 Plan Review Fee	<ul style="list-style-type: none"> Two-year License: \$510 \$28.15 / sq ft (Minimum \$1,801.38) 	\$7292
San Diego, CA	\$9600	yearly hourly inspection fees	
New York City (Manhattan)	\$310 Plan Review Fee	<ul style="list-style-type: none"> Two-year License: \$510 \$37.53 / sq ft (Minimum \$4,803.68) 	\$9637