

# Finance Committee

May 7, 2018 Meeting

# Judge Doyle Project Financing Issues Project Update

Presentation to Committees

Judge Doyle Staff Team

May 2018

# Agenda

- Fundamental Principles and Goals of the Project
- Recap of Project Activities
- Cost Factors since 2015
- Block 88 Cross-section
- Options and Path Forward

# Fundamental Principles and Goals

- Redevelop Blocks 88 and 105 to maximize property values, promote continued development south of the Capitol Square, and provide additional hotel rooms for Monona Terrace events.
- Place new public parking below ground on Block 88 to maximize potential development on that block.
- Focus TID 25 revenues on public infrastructure rather than private subsidies.
- Ensure continuous access to and operation of the public parking on Blocks 88 and 105.

# Recap of Project Activities

- December 2015 -- Beitler Real Estate Services proposes to build an above ground public parking garage on Block 88 and a hotel and apartments on Block 105 at a total cost, with public parking, of \$125 million.
- March 2016 –In response to City requests, Beitler proposes Version B -- a \$131 million private development (\$170 million with underground public parking garage) on Blocks 88 and 105, with an estimated cost of \$32 million for apartments, private parking and retail space above a publicly owned underground garage on Block 88.
- April 2016 – Common Council selects Beitler to construct Version B (underground public parking garage, retail space, bicycle center, and apartments on Block 88 and a hotel and apartments on Block 105).

# Recap of Project Activities (page 2)

- July 2016 – Common Council authorizes the Development Agreement and Developer Services Agreement with Beitler.
- July 2016 to May 2017 – Staff and Beitler work on project design and zoning changes; informed that two floors of above-ground construction must be completed prior to allowing parking in underground garage; City committees review and approve the proposals.
- March 2017 – Common Council approves a \$6 million increase to the budget for the publicly-owned underground garage based on revised cost estimates.

# Recap of Project Activities (page 3)

- May 2017 – Common Council approves rezoning of the sites.
- September 2017 – JP Cullen selected to construct publicly-owned underground garage on Block 88; bid is \$6 million under the March 2017 budget.
- October 2017 – Construction commences on publicly-owned underground parking
- November 2017 – Beitler has JP Cullen prepare an estimate for the Block 88 apartments, parking and retail spaces.
- January 2018 – City project team reviews Block 88 private development costs – now estimated at \$48.5 million; value engineering to reduce costs commences with Beitler, LVDA (architect) and JP Cullen.
- April 2018 – Beitler informs the City that it cannot proceed with the Block 88 private development unless the City pays for the private parking, retail space and transfer slab (the “Podium”) at an estimated cost of \$11 million.

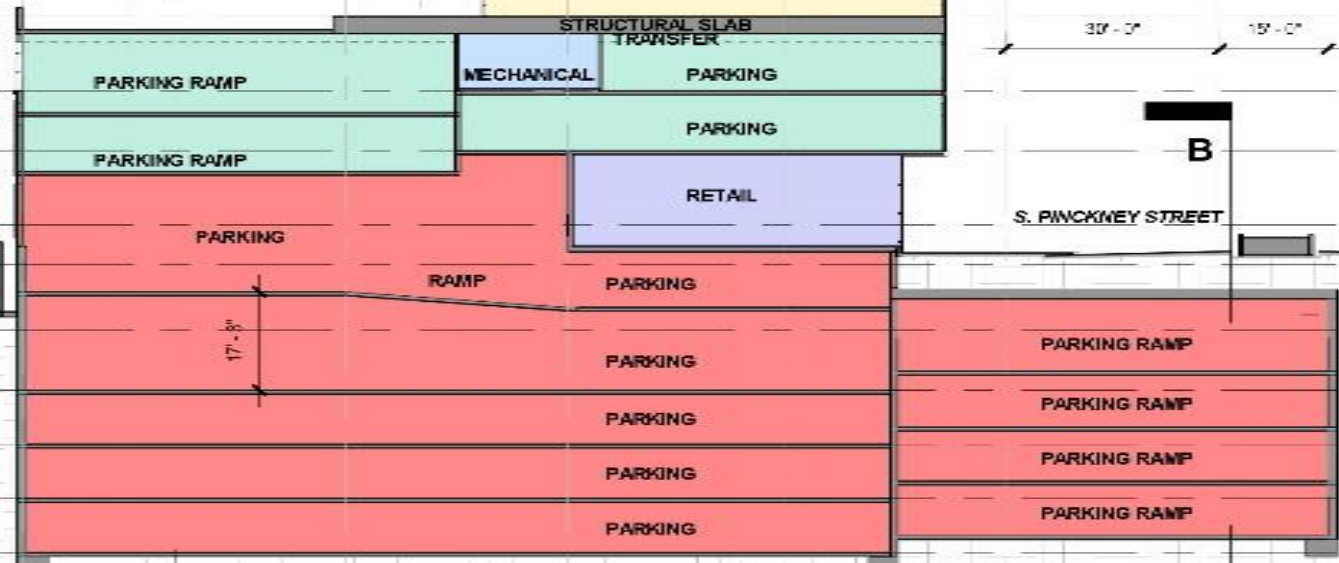
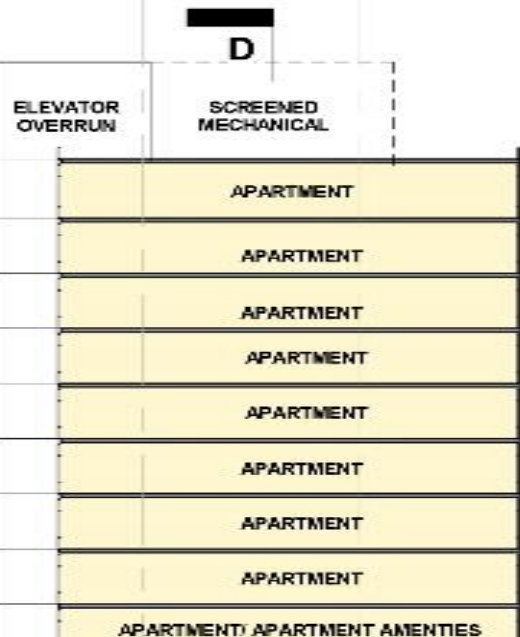
# Cost Factor Changes since 2015

- 2015 was a very favorable economic year; three years has elapsed.
- More complete design and construction documents.
- Higher steel prices (market forces and US tariffs).
- Tight construction market.
- Softening high-end apartment market.
- Rising interest rates.
- ***Result for Judge Doyle Project*** – private development construction costs up 30% on Block 88 and an unknown amount on Block 105; design changes are anticipated.



# Block 88 Cross-section

- APARTMENTS
- RETAIL
- SERVICE
- APARTMENT PARKING
- PUBLIC PARKING
- GREEN ROOF



**C**

**D**

**B**

# Options

- Roof Slab on Ground Floor Retail -- \$5.4 million (\$6m with soft costs)
- Transfer Slab with Retail and One Floor of Parking -- \$7.5 million (\$8.3m with soft costs).
- Transfer Slab, Retail and Two Floors of Parking -- \$9.92 million (\$11m with soft costs).

# Recommendation and Path Forward

- ***Recommendation*** – Transfer Slab, Retail and Two Floors of Parking (\$4.4 million above current budget amount) and recover the cost and interest through ground lease, commercial rents and parking revenues.
- ***Why?***
  - Consistent with fundamental principles and goals of the project.
  - Maximize above ground development potential.
  - Maintain control of 160 parking spaces for future development.
  - Ensure continuous access to underground public parking spaces during future construction.