

May 28, 2019

Mr. George Austin
Project Director
Department of Planning & Community & Economic Development
Suite 130, Madison Municipal Building
215 Martin Luther King Jr. Boulevard
Madison, WI 53703

Dear George,

Thank you for the opportunity to participate in the Judge Doyle Project RFP process and the time we have spent with the Negotiating Team to present our proposal. We are confident that our proposal provides a straight-forward development process with the best financial return to the City of Madison. We are providing this letter to clarify points of our proposal and further delineate certain aspects of it that are contained in the May 23rd detailed review issued by the Negotiating Team.

Executive Summary

We respectfully request consideration of the following qualitative aspects of our proposal:

- The structural solution we have studied is no more complex or time-consuming than any other proposal.
- Our proposal extends the concept of social equity beyond the housing component to include an employment and entrepreneurship component.
- Ensures family-supporting construction jobs through the use of a union general contractor for management of the project.

We respectfully request consideration of the following financial refinements to our proposal:

- Delete the \$1.0 million request for TIF funding to support workforce housing and replace it with a reallocation of contingency from our current budget.
- Pay \$1.5 million of the purchase price of the podium at the time of initial refinance, which is scheduled to occur within 18 months of construction completion, such that the net present value of our proposed economics would be substantially greater than any other proposal.
- Provides the City of Madison with upside potential through the incorporation of cost- and value-sharing formulas, ensuring the public that any participation on the part of the City is transparent, appropriately sized and receives a "return" on the investment made by the public in this project.

Straight-Forward Approach

We engaged the structural engineer for the podium as part of our project team to validate any assumptions/statements made with respect to the continuity of construction between the podium and the air rights development. The minor structural modifications predicated by our design can be incorporated into the podium during the construction process. The transfer beams we require are a significant reduction to the number of transfer beams in the current design and could be constructed without interruption to the scheduled opening of the podium. As indicated in our interview, Mandel Group would pay for these modifications upfront, effectively providing non-refundable earnest money and immediately putting our "skin in the game."

Using the same method of analysis, our design/engineering team's review of all three proposals concluded that similar or more significant structural modifications will be required by all proposals and, but for the pool we have shown the degree of modification as presented in our materials is not any more involved than any other proposal. Based on our team's review, we would recommend a review by an independent structural engineer in the event any part of the committee's recommendation is based on the premise that one proposal is less dependent on modifying the podium structure as compared to another.

Affordable Housing and Economic Opportunity

Our proposal contemplated utilizing an extension of the TID for one year to promote the affordable housing component. This carve-out of TIF proceeds respects the policies which govern the City's Affordable Housing Trust Fund which currently provides support for units up to 60% of CMI. We interpret our discussion on this matter to suggest that the City would not distinguish between TIF proceeds available as a result of Statutory authority as compared to those funds being deposited in the AHTF and then disbursed.

As a result of this consideration of our discussions, we are offering to amend our proposal such that we will delete our request for \$1 million from the TIF and/or the AHTF. We will fund the economic impact from the inclusion of the workforce housing units from a reallocation of our budgeted contingency.

The RFP suggests that workforce housing be included, not necessarily maximized. We took that criteria to heart and worked to make sure that we could achieve the highest quality workforce housing through the non-discriminatory incorporation of workforce housing units throughout our development – all unit styles, all floors. We provided resident testimony from other projects we have built to this approach, attesting to the sense of self-worth this strategy promotes within our residents. We are hopeful that this standard of quality is inherent in any proposal considered by the committee.

Finally, our approach to creating a more wholistic environment for both housing and economic opportunity includes an employment component, as detailed in our proposal for the development of the ground floor retail space as an entry portal for food-based entrepreneurship.

Our team has invested substantial time to properly analyze the current status of construction so that we could propose a seamless extension of the air rights development above the current podium base. We provide the above detail upon review of the Negotiating Team's highly detailed review of all proposals, with the intent of clarifying certain of the review's conclusions that we either did not concur with or did not completely understand.

We greatly appreciate the degree of detail and care of approach to this RFP process and have great respect for the impact of this decision on the entire Judge Doyle Square development. Thank you for the time and energy invested in reviewing our submittal, and for the opportunity to be a part of the RFP process.

Sincerely,



Phillip Aiello

Senior Vice President - Development