



DATE: August 23, 2019

TO: City Finance Committee

FROM: Block 88 Negotiating Team

RE: Block 88 Air-Rights Negotiation Progress Report

**Introduction:**

On August 12<sup>th</sup>, the City's Block 88 Negotiating Team met with the Finance Committee to provide an update on the status of the negotiations and receive negotiating instructions. The Finance Committee provided those instructions and a timeline to complete the work by a special meeting of the Finance Committee to be held on August 26<sup>th</sup>. To that end, the City Negotiating Team and the Gebhardt team have met on two occasions since the last Finance Committee meeting; on August 19<sup>th</sup> and August 22<sup>nd</sup>. The Gebhardt team has worked diligently to address the issues raised by the City and the Finance Committee during this two-week window. This summary memo outlines the key elements of the subsequent negotiating sessions in response to the Finance Committee's instructions.

**New Options Presented:**

To address the need to reduce the impact of the air-rights structure above on the Podium and municipal garage below and to reduce the cost of those modifications, Gebhardt has proposed a hybrid solution of a post tensioned (PT) concrete on the original Beitler footprint over the municipal garage and cold formed steel framing (CFSF) on the wing(s) closest to the Madison Municipal Building.

Gebhardt has prepared two options labeled Option 3 and Option 4 for the City's consideration. Both of these options would provide the affordable housing component on three contiguous floors in a single Block 88 condominium owned by Gebhardt. The comparable unit types (i.e. studio units, 1-bedroom units, 2-bedroom units) throughout the building will have the same finishes in all the comparable units, whether affordable or market rate. This extends to all common corridors and public spaces. All tenants will have the same access to building amenities, common areas and resident events. Gebhardt prepared the attached Community Development Plan for the property to further describe its philosophy and approach.

Gebhardt is currently negotiating with three alternative construction managers as a replacement for Cullen. Selection is anticipated to be made in mid-September.

The two development options provided by the Gebhardt Team are summarized below.

### Option 3

- 208 residential units
- Office floor is eliminated
- 71 affordable units at 60% AMI on 3 contiguous floors (5, 6 & 7)
- 148 parking stalls
- 4% WHEDA tax credits
- \$1,597,500 from the City's AHF (at the original proposal of \$22,500/unit)
- Modifications to 12 foundations, 12 columns and the addition of two shear walls on the lowest level of the garage below the Podium at an estimated cost of \$1.0 million
- Projected tax base of \$40M (developer estimate)
- Purchase price of the air-rights and Podium is \$6,200,005

### Option 4

- 169 residential units
- Office floor is eliminated
- 65 affordable units at 60% AMI on 3 contiguous floors (5, 6 & 7)
- 148 parking stalls
- 4% WHEDA tax credits
- \$1,462,500 from the City's AHF (at the original proposal of \$22,500/unit)
- Modifications to 5 foundations, 5 columns and the addition of two shear walls on the lowest level of the garage below the Podium at an estimated cost of \$500,000
- Projected tax base of \$32M (developer estimate)
- Purchase price of the air-rights and Podium is \$5,563,825

An updated summary matrix to include Options 3 and 4 is provided at the end of this memo.

**Gebhardt Development's Community Development Plan for the Block 88 Apartments**  
**Prepared by Michael Carter, Business Director for Gebhardt Development**  
**August 22, 2019**

The story of East Washington Avenue and the recent redevelopment along the corridor is quite a story. Due to the contributions of many, the corridor is thriving and has become a hub of activity. With the additions of the Sylvee, Galaxie, Constellation, Spark, Indigo, and Gebhardt Building we have seen a transformation that has reenergized a community and activated new and exciting businesses. With these investments we have seen historical Breese Stevens field revitalized as a home for constant activity. It has been an honor for Gebhardt Development to be a part of such an exciting venture.

As we move forward with the Block 88 proposal, we want to provide a glimpse into how we invest in the communities that reside within our developments, and how these investments will translate to the Judge Doyle Square Project.

As a single owner Otto's vision has always extended beyond development. Being a lifelong resident Otto is uniquely dedicated to Madison and sees development through the lens of building community.

As Owners and Operators of the Galaxie and Constellation our goal is to provide open amenity spaces and sponsored events to build a community where residents freely interact and build relationships.

Gebhardt Development is excited to have the opportunity to provide affordable housing in downtown Madison. The venture to place affordable housing downtown provides Gebhardt Development with a unique opportunity to apply many of our core values to a project that is sorely needed in our community.

Below are some strategies that will be implemented as part of our community development plan:

- At Gebhardt Development we recognize the complexity of mixing affordable housing and market rate units in one project. To provide an inclusive community there are important items that must be addressed; one of which is unit finishes. Our building will include like for like finishes for each unit type. For example, if you live in a 1-bedroom affordable unit your finishes will be the same as your neighbors living in a market rate 1-bedroom.
- It is common practice for high rise residential developments to rent out their amenity spaces. At Gebhardt Development we feel that these spaces are specifically designed for the residents who live in our communities. In order to foster the best possible resident experience and interaction we do not rent out any of our amenity spaces. These spaces are specifically designated for the residents and provide opportunities for interconnectedness throughout the building. Community spaces include all building amenities including Gym, Patio Decks, and Recreation rooms.
- At Gebhardt Development we Place a high priority in connecting people with their neighbors and the outside community. Throughout the year we sponsor numerous events that help to connect residents to the community. Our goal is to foster an environment that allows people from all walks of life to experience and enjoy all Madison has to offer. Our Property Management team will partner with downtown businesses to provide various community events that all residents will be invited to attend.

- Gebhardt Development is also the home to Colonial Property Management. Colonial Property Management is Owned by Otto Gebhardt and will play a significant role in providing insight and planning for community development at our Block 88 project. At Colonial Property Management we have a strong Senior Management team that will meet monthly to discuss community development within the Block 88 project and provide valuable insight and programming for the residents of the project. This Senior Management Staff has over 30 years of property management experience and will ensure that our new building lives up to the standards required of a truly inclusive community.

Below is a list of events that we have sponsored at our East Washington Developments. Similar events and activities will be implemented as part of the resident experience at block 88 development.

<b>2019 Sponsored Events Galaxie and Constellation</b>	
January – 2019	AT&T Sponsored Coffee & Bagels Sylvee Event – Tour the Sylvee and Happy Hour
February – 2019	Tangent Brewery Tasting – (Food and Beer)
March – 2019	Trivia Night – Pizza and Trivia (BYOB)
April – 2019	No events scheduled
May – 2019	May 2 <sup>nd</sup> Breese Stevens kick off event: Food and Drinks Family Fun and Games May 29 <sup>th</sup> Breese Stevens resident pizza night
June – 2019	June 8 <sup>th</sup> – Mallards Outing (Discounted tickets and free bus Travel to and from the game June 13 <sup>th</sup> – At&t sponsored Breese Stevens Pizza night
July – 2019	July 18 <sup>th</sup> – Breese Stevens Resident Night out (Food and Drinks Provided) July 23 <sup>rd</sup> – Breese Stevens Resident Night out (Food and Drinks Provided)
August – 2019	Weekly Breese Stevens resident events (Food and Drinks) Aug 20 <sup>th</sup> – Welcome event for Residents (Door Prizes And Beverages
Sept – 2019	Sept 3 – Breezes Stevens Family Pizza Night Sept 11 <sup>th</sup> – Breese Stevens Night out (Food and Beverages)

	Sept 24 <sup>th</sup> – Breeze Stevens Night out (Food and Beverages)
Oct – 2019	Trivia Night (Pizza and BYOB)
Nov – 2019	Second Harvest Donations
	Packer Viewing Party – Qdoba and Pizza
December – 2019	Wine Tasting – Hors d’oevers, Wine, and tasting with Chef
	Dave Heide
	Holiday Decorations Stations for all residents

\*\*\*This Calendar is a working document and events will be added throughout the year, look for additional events posted in our community calendar\*\*\*

Our community Newsletter is produced monthly and advertises local events residents can attend. A copy has been provided with this document. We also utilize social media to advertise events and connect residents together.

On behalf of the Gebhardt Team, I would like to thank everyone involved with the Block 88 project. Time and treasure have been committed to providing Madison with a landmark building at this location and it is our pleasure to play our part in delivering a phenomenal community.

**Block 88 Project Comparison**

	<b>Gebhardt Proposals</b>						
	Original Proposal	Affordable Housing Options				Mandel Group	Stone House
		Option 1	Option 2	Option 3	Option 4		
Podium Purchase Price	\$ 7,541,825	\$ 7,541,825	\$ 7,541,825	\$ 6,200,005	\$ 5,563,825	\$ 5,700,000	\$ 5,000,000
Podium Alterations	\$ (2,078,000)	\$ (2,078,000)	\$ (2,078,000)	\$ (1,000,000)	\$ (500,000)	*****	*****
Net to City	\$ 5,463,825	\$ 5,463,825	\$ 5,463,825	\$ 5,200,005	\$ 5,063,825	\$ 5,700,000	\$ 5,000,000
Affordable Housing Fund	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 1,597,500	\$ 1,462,500	\$ -	\$ 600,000
60% Affordable Units	78	30	40	71	65		20
70% Affordable Units		16		-	-		
80% Affordable Units		16		-	-	29	17
Market Rate Units	119	135	157	137	104	115	122
Total Units	197	197	197	208	169	144	159
Retail SF	7,845	7,845	7,845	7,845	7,845	7,000	7,000
Commercial SF	22,600	22,600	22,600	-	-	-	-
Total Project Budget	\$ 52,569,307	\$ 49,977,787	\$ 49,934,642	\$ 53,584,865	\$ 45,550,194	\$ 38,200,000	\$ 40,000,000
Projected Assessment*	\$ 40,000,000	42,500,000	42,400,000	40,000,000	32,000,000	28,000,000	29,000,000
Est. Tax Credit Proceeds	4,754,008	-	-	4,312,485	4,082,089		
NPV of Decreased Revenue over 30 years**		\$ (2,115,524)	\$ (2,331,272)				
Park Fees***	(452,200)	(657,400)	(596,600)	(520,600)	(395,200)		
<b>Project Gap from Original Proposal****</b>		<b>(570,724)</b>	<b>(725,672)</b>				
Unit Mix							
60% - Studio's	24	24	24	10	22		
70% - Studio's	-	6	-	-			
80% - Studio's	-	-	-				
60% - One Beds	42	3	8	43	35		
70% - One Beds	-	5	-	-			
80% - One Beds	-	8	-	-			
60% - Two Beds	12	3	8	18	8		
70% - Two Beds	-	5	-	-			
80% - Two Beds	-	8	-	-			

Stone House proposal reflects RFP revisions included in May 16th presentation to Finance Committee

Mandel Group proposal reflects RFP revisions in May 28th memo to George Austin, including \$1.5 million upfront payment and lease payments with NPV in year 10.

\*Gebhardt Affordable Housing Options Projected Assessments provided by developer

\*\* Developer estimate using discount Rate of 6.00% was used with a 2.00% annual inflation factor

\*\*\*Park Impact Fees are reduced for each affordable unit.

\*\*\*\* Gap to be filled for the developer to have no effect from original proposal over a 30-year period due to reduced rents associated with affordable units.

\*\*\*\*\* Any building outside of the original Beitler footprint will require some podium modifications