Question 5: Scope of Work

The following scope of work is designed to meet the needs of the request for proposals using a rigorous, sequential development process. This scope includes two phases each with several stages where the ACDS teams suggests that findings be reviewed with the City of Madison project team to make elections about how to proceed with next steps. These steps are nominally call "Go" or "No Go" decisions in the text.

Phase 1: Feasibility Analysis

The first phase of the project will focus on determining the feasibility of proposed Terminal Market to include the identification of alternative business models to achieve the goals of the project.

Task 1: Kick-Off Meeting

Upon notice to proceed, the project team will travel to Madison to hold a kick-off meeting with the local team and the Healthy Retail Access Working Group (HRAWG). That meeting agenda will cover the following:

- Review of the project's overall objectives
- Review the proposed work plan and schedule
- Market area definition
- Identify the milestones and intermediate deliverables
- Identify and prioritize project elements
- Assign local team to support the study
- Identify key people to include in the process
- Refine economic impact and community benefit assessment metrics
- Identify final project deliverables
- Develop a process for engaging USDA engineering and architectural support

Based on the outcome of this meeting, a final work plan that incorporates any changes will be developed. The work plan will be published in Asana and made available to all authorized project participants.

Task 2: Feasibility Study

The success of this project rests on the completion of a planning process that is sequenced to serve as a feasibility analysis that yields a functional, management style business plan at its conclusion. The subtasks below layout the sequence of work effort.

Task 2.1 – General Industry and Market Analysis

This task will assess key trends in the produce industry to provide a benchmark for development of the proposed terminal market. The project team will use a combination of empirical and anecdotal information drawn from a wide variety of sources to capture trends in consumer purchasing patterns, supply chain management, product development, value-added processing, food handling, nutritional and diet trends, shipping point trends, and other critical data related to the produce wholesaling industry at a national level. This information will be used to assess market development options and to project produce industry trends over the next ten years.

The team will also look at specific trends influencing new terminal market development. Terminal markets across the country are attempting to deal with the effects of aging infrastructure and the many changes influencing produce wholesaling and distribution. Few have been as aggressive in dealing with the problem as the San Francisco and Maryland markets. Both have built or designed new market structures, revamped management, and rehabilitated old structures in an attempt to address these issues. ACDS proposes to interview management and tenants at these markets to develop best practice case studies to assist with identifying problems, solutions, and benchmarks of success.

Task 2.2 - Demand Analysis

Food systems and food system development are typically driven by their strong backward linkages. Demand characteristics, set at the consumer and retailer level, are therefore key elements in establishing both the general and specific characteristics of supply chain development. With this background in mind, the ACDS, LLC project team will dedicate its initial efforts to creating a comprehensive demand outlook that is both broad enough to identify regional opportunities and specific enough to target neighborhood level development potentials. Within this context, ACDS will follow a well-documented and iterative research process that includes an analysis of consumer purchasing patterns by channel, consumer basket composition, technology utilization, spending potential, and meal preference patterns.

The next step in developing the demand analysis is to profile the retail, processing, and wholesale sectors within the study area. This analysis begins with inventorying and categorizing retailers (including farm direct retail), restaurants, and wholesalers. Retail and restaurant market conditions will be analyzed relative to consumer demand conditions to identify areas with surplus or latent demand potential. As well, retailers will be surveyed to assess the existence of, or potential for, local food programs. Non-retail elements of the food supply chain will be similarly profiled and indexed. To the extent possible, the data gathered will included in a buyer matrix that highlights information such as location, sales, employment, product mix, volumes, and market entry requirements such as specific grade standards, sizing, packaging, label of origin, food safety requirements, and others as deemed relevant. Where data is available and geo-coded, ACDS, LLC will provide data to the City of Madison in order to map the location of the various retail and wholesale businesses relative to key demographic and agricultural production trends. ACDS expects that City of Madison or one of its regional partners will provide the mapping capability.

Once this market profile has been developed, phone and in-person interviews with 25 to 30 key players in the local and regional food system will be conducted to determine:

1. Strengths and weaknesses in the local food marketing system to determine how to build upon the strengths and how the weaknesses may be addressed through investment in market systems and infrastructure and policy.
2. Level of demand for locally produced products.
3. Ability to accommodate seasonality of local products
4. Market entry requirements such as specific grade standards, sizing, packaging, label of origin, GAP, HACCP and others.
5. Pricing profiles within the wholesale marketplace.
6. Logistics and distribution requirements.
7. Interest in marketing coalitions, collective purchasing organizations, and cooperatives.
8. Other unique elements of the local market.

Task 2.3 - Regional Capacity Outlook

Starting with the data collected to complete the food hub report, ACDS, LLC will use existing data bases to profile the regions capacity to produce the products identified in Task 2.2. Data will be collected from relevant and reliable sources, including, but not limited to: U.S. Department of Agriculture; University of Wisconsin-Extension; Wisconsin Department of Agriculture, Trade and Consumer Protection; U.S. Economic Census; state-wide commodity and trade associations; and national organizations such as the Produce Marketing Association, Food Marketing Institute, National Food Processors Association, and others. The project team will also look to previous studies to identify patterns and trends in the industry to assess farmer demand for such facilities, as well as their ability to meet the demand criteria identified in Task 2.2. Data will be gathered for targeted production sectors to include, but not be limited to, dairy, produce, meat, horticultural and organic products.

ACDS, LLC will validate data through interview and focus groups with farmers. These interviews will also be used to test market development concepts as well as gather information on grower interest in concepts such as value-added processing, farmer-to-farmer exchanges, cooperative marketing, and others that may be important to the successful outcome of the project. Personal interviews and focus groups will be held with farmers who sell at the local farmers' markets in the study area to identify the role a terminal market may play in augmenting direct to consumer sales. In addition, to support the demand and supply analysis, farmers' customers will be interviewed along with telephone interviews of management of commodity associations.

The above interviews will be used to collect information to identify and forecast the following:

a) Product types, 10-year forecasts;
b) Product trends, 10-year forecasts;
c) Product sources, including local or regional processors;
d) Sales volumes, including any characteristic or seasonal behavior, 10-year forecasts;
e) Market demand forecasts;

f) Post-harvest handling requirements;
g) Facility requirements and size;
h) Acreage requirements;
i) Transportation infrastructure requirements;
j) Growth rate and future expansion requirements;
k) Financial assistance requirements;
l) Research and development needs; and
m) Key business development/growth issues.

From the supply side analysis, alternative development options may surface. As they do, these options will be identified and compared in terms of greatest economic impact, growth potential and value relative to the proposed terminal market option.

The outcome of the supply side analysis will be an assessment of production capability as well as an integrated assessment of farmer interest in proceeding with such a project. In the event that farmer interests run counter to the stated goals of this project, the ACDS, LLC project team will notify the client and recommend any necessary changes in scope or public outreach methodologies.

Any farmers expressing an interest in new marketing systems during this process will be identified for further outreach, if the project moves forward.

Task 2.4 – Tenant and Vendor Needs Analysis

The terminal market, as proposed, must be tenanted with market intermediaries for the model to be successful. ACDS will work with the City of Madison project team to identify and conduct in-depth interviews with potential tenants to discuss and catalog their specific needs. ACDS will conduct this research with the objective to establish a terminal market that adopts state of the art processes and equipment that meets all international standards to ensure market access and fulfill the highest standards for food safety. Facility and equipment needs may include:

- Grading/packing/shipping facilities;
- Grading lines with product washing/waxing capabilities;
- Packaging equipment;
- Precoolers (forced air, vacuum coolers, hydrcoolers, and/or ice machines);
- Cold storage (2 unit's minimum per facility). Different high-value commodities have different cold storage needs/requirements;
- Material handling equipment;
- Truck washing facilities;
- Refrigerated intermodal container transfer;
- Sanitary and waste management facilities;
- Food waste recovery and recycling facilities;
- Alternative energy facilities;
- Computer and telecommunications; and
- Other equipment deemed necessary.

The outcome of this subtask will be used to inform design discussion and create a list of priority capital improvements and capital assets that must be in place for the proposed market to be acceptable to prospective tenants. Conceptual plans describing product flows, i.e. receiving handling, storage and shipping and a facility layout, incorporating handling and packaging equipment, offices, coolers, utilities, etc. required for operation of market will be provided.

Interviewees expressing interest in new facilities will be put on a prospect list to be given to the City's DPCED Economic Development office.

Task 2.5 - Competitive Assessment

Because terminal markets are highly specialized real estate assets, it will be important to understand its role in both the local real estate market as well as its function within the broader food distribution market. ACDS will augment data gathered in all prior tasks with interviews of produce industry distributors, food brokers, terminal market managers, grower-shipper alliances, third-partly logistics providers, and other industry specialists to identify the particular niche that the terminal market may fill and to validate its role within the niche. The importance of this analysis is to determine if the proposed facility can offer a truly competitive trade environment for its tenants.

The ACDS team will also interview commercial and industrial real estate specialists to understand the competitive fit of the market as a viable commercial offering within the existing mix of commercial real estate. This will require an examination of the full costs of occupancy in various commercial and industrial environments that are currently on the market to ensure that the projected costs of occupancy in the proposed terminal facility are in line with the local market.

Task 2.6 (Former Task 2.12) - General Feasibility Notes

Based on the information gathered by the project team, ACDS will provide a memo commenting on the general observances about the feasibility of the project. This task, like the risk management task, will highlight areas of concern and suggest a framework for monitor program and project success.

DECISION POINT: "Go" or "No-Go"

Phase 2: Business Plan and Community Impact

If the feasibility analysis indicates sufficient justification to proceed, the project team will work with the City of Madison to complete the following scope.

Task 3 – Business Plan

The following outlines the iterative business planning process that ACDS proposes to use to complete the project.

Task 3.1 (Former Task 2.6) – Business Model Assessment

ACDS will work with the City of Madison project team to identify up to two ownership and operating models for the proposed terminal market. These models will include an entirely public ownership and operating scenario, as is the case in San Francisco; a public-private partnership, as is the case in New York City; a grower-based organization, as is the case in the Northern Neck Market in Virginia; and a pure private market, as is the case in Chicago. As part of this analysis, ACDS will provide case studies and a decision matrix for presentation to the City of Madison project team and other stakeholders to inform a decision process that ultimately selects the model that is best suited to the local conditions.

Once the model is selected, ACDS will proceed with further development of the business plan.

Task 3.2 (Former Task 2.7) – Marketing Plan

Terminal markets require a carefully curated mix of company types and products to generate sufficient liquidity to attract both tenants and buyers. This task will identify the marketing, advertising, and sales techniques needed to make the market attractive to both of the aforementioned groups and as a result may create two separate but related marketing strategies. Embedded in both strategies will be product, service, and program descriptions designed to attract the targeted business activities as well as pricing, promotions, and placement strategies. The preceding will be accompanied by a marketing budget and implementation timeline. A list of target companies will be developed by ACDS for use in carrying out the marketing strategy.

ACDS will also work with the City of Madison project team to create a media strategy to track the progress of the project from initial feasibility through the final development phases. The strategy will include both traditional and nontraditional media outlets and video content.

Task 3.3 (Former Task 2.8) – Organizational and Management Plan

The overarching organizational structure and staffing requirements for the management team will be developed during this task in conjunction with the City of Madison project team to include recommendations for organizational structure, corporate form, governance structure, fiduciary standards, board development, key staff qualifications, staff development, and staff recruitment. With regard to operations and sales, a combination of management scenarios will be evaluated from multiple to single tenant operations. The management plan will also include developmental benchmarks and goals to ensure that the appropriate oversight is provided in meeting the mission, goals and objectives of this project.

Task 3.4 (Former Task 2.9) – Financial Plan

This task will examine the potential financial impacts of the proposed terminal market as identified in the request for proposals. The financial analysis portion of the project will include a: (1) Cost Analysis, (2) Revenue Analysis, (3) Cash Flow Analysis and (4) Financial Sources and Uses Analysis and (5) a Funding Strategy.

The cost analysis will provide order-of-magnitude capital and operation cost estimates. Projections of potential revenues will be based on the demand forecasts developed for the terminal market, related capital assets, and program operations. Where possible, these revenue projections will be based on existing practices. The Cost Analysis and Revenue Analysis will both examine traditional means of financing infrastructure development projects and generating revenues but will also identify and examine potential innovative financing and revenue generating techniques that could positively impact the financial outcome of the terminal market such as colocation of combined heat and power projects using recovered food waste as the energy source.

Cost Analysis – ACDS will work with the City of Madison project team to examine the capital costs of developing the required facilities as well as the estimated costs of operating and maintaining those facilities.

Revenue Analysis - ACDS will work with the City of Madison project team to conduct a revenue analysis and develop estimates of annual revenues that could be generated based on the operating model, and phasing strategy, as well as service and programmatic activities. All viable sources of revenue generation will be identified, and their near-term and long-term estimated revenue streams will be quantified.

Cash Flow Analysis – ACDS will work with the City of Madison project team to conduct a cash flow analysis that will identify the overall feasibility of the recommended project based on the liquidity requirement identified in the Cost Analysis and the Revenue Analysis. The Cash Flow Analysis will compare the overall estimated costs of the development, operations, and maintenance of the shipping point market system to the anticipated revenues generated by the activities/services provided.

Sources and Uses Statement – ACDS will work with the City of Madison project team to develop a sources and uses statement for the capital development period of the project that will focus on realistic financing scenarios. The sources and uses statements will follow several pro forma development models beginning with a baseline private sector model. The baseline pro forma will estimate how the project will perform economically and financially without subsidies. Additional pro formas will be developed to analyze the degree to which various amounts and types of public subsidies /investments will affect the *financial feasibility and fundability* of the project.

Funding Strategy - ACDS will work with the City of Madison project team to develop a funding strategy suitable to the business model selected to include all traditional types of debt and equity available to public and/or private the start-up entities. The strategy will also identify grant and philanthropic finding sources to support soft and hard costs of development, capital asset acquisition, start-up operations, and special programming needs. The funding strategy will be timed to meet the needs of the project and the phasing of growth and facility development.

Task 3.5 (Former Task 2.10) – Regulatory and Risk Management Plan

Any start-up comes with inherent risks, many of which can be managed, if recognized. ACDS will work with the City of Madison project team to identify risks by impacts, estimate impacts, and put

contingencies in place. The intent of the plan will be to explain the risks in a way that enables the team to avoid, control, mitigate, and manage possibilities. Risks will be categorized into operational and development risks.

A regulatory plan will accompany the risk management plan with the intent that the market, as a whole, is able to meet the highest standards for health, workforce safety, transportation, and sustainability. Initial focus of the plan will be on accommodating federal and industry requirements for food safety as represented in both USDA and FDA regulations, as well as GlobalGAP, SQF (Safe Quality Foods), and the BRC (British Retail Council). The plan will also look at the need to extend food safety programming to the farmers who may need the assistance with federal food safety requirements. The notion would be to develop a Group GAP program to be managed by the market. Additional regulatory issues will be explored, as needed.

Task 3.6 (Former Task 2.11) – Strategic Development Milestones and Phasing Decisions

It is imperative that the process move forward through a well thought out strategic action-oriented plan that includes critical milestones and phasing decisions. This plan will include a project timeline, identification of funding thresholds, required strategic alliances to move the project forward, and key farmer participation metrics.

The plan of action will serve as a tool to communicate the potential economic development impact of terminal market to leaders with a vested interest in the food and agriculture economy of the City of Madison and the State of Wisconsin. This strategic plan will provide a tangible means to engage industry and political leadership.

Task 4: Comparative Site Analysis and Real Estate Overview

While in Madison for the kick-off meeting, the project team will visit the Oscar Mayer site and do a tour of additional possible sites with members of the local team. A decision matrix will be developed that identifies key site and facility requirements that will ensure the success of the proposed cross-docking facility. Potential sites will be screened using the decision matrix. The sites will be evaluated and prioritized based on access, location, lease costs, utilities (water and electricity), transportation network and environmental issues. The City of Madison will engage with the architectural and engineering staff at the United States Department of Agriculture's Alternative and Wholesale Markets Division to assist with this process.

Decision Matrix criteria will include:

- Distance from existing farmers' markets and wholesale activities to ensure the local markets are not negatively impacted.
- Market environment and setting that compliments the existing activities
- Compliance with food safety requirements under the Food Safety Modernization Act and similar requirements.
- Competitive proximity to grocery stores and related businesses.
- Access to public utilities (water and sewer) and public safety.

- Equitable consumer access for both high- and low-income communities. This highlights the need for good access roads and public transportation to the market.
- Controlled atmosphere building with sufficient number of vendor stalls and other specialized space(s), as needed.
- Designated open area (green space) for promotional activities, special functions and entertainment that is central to community integration.
- Sufficient number of well lighted safe parking spaces within close proximity to market complex for customers and employees.
- Separate parking lot needed for trucks and truck staging.

To the extent possible, the prioritized data identified in the market research as well as the tenant and stakeholder identification tasks will be mapped to illustrate the geographical relationships among producers, buyers, and communities. The mapping will serve to support the siting/location of the shipping point markets. In addition to the Oscar Mayer site, additional prime locations (to the street level of detail) will be identified and prioritized based on this process. The sites will be evaluated and prioritized based on access to production and farmer associations, location, cost, utilities (water and electricity), transportation network and environmental issues.

Once site selection and facility requirements are established, ACDS will work with the City of Madison and local officials to identify greenfield and adaptive re-use candidates for review. Upon review, ACDS will help the City of Madison refine a list of finalist sites. The purpose of this exercise is not to select a final site, but to establish the basis for an Expression of Interest from landowners.

Task 5: Economic Impact Assessment

The proposed terminal market has the potential to create additional benefits to the city, regional, and state economy. These benefits can be measured in direct sales, onsite employment, increased tax base, and other value-added services. Additional benefits will come from increases in agricultural production generated by expanding market access. Beyond these direct impacts, additional indirect and induced impacts will be created in the economy. ACDS, with the assistance from economic development officials and academic institutions, will work with the City of Madison to use existing data sources and models to conduct the impact assessment. The appropriate benchmarks for the economic impact assessment will be determined during the initial phases of the project.

Task 6: Community Benefit Assessment

Task 6 differs from Task 5 in its focus on community benefits that are not directly measured in economic terms so include social equity, food access, and food security. Terminal markets have a long history in urban America of supporting such objectives in myriad ways such as providing low cost supplies to value-based resellers and food recovery companies to being among the largest donors of food to food pantries, food banks, and emergency food programs.

Work on this task will start with identifying the gaps in food security and food access using existing data and reports. ACDS proposes to extend this analysis by examining additional factors in food access and

food waste recovery to include examining the role of the proposed terminal market in emergency response as well as its capability to extend the nutritional benefits of recovered foods through the shelf stabilization of perishables.

The ACDS, LLC project team will evaluate the methods to monetize or extend food waste recovery using the terminal market as a hub of activity to increase its value as a recovered and available product. To do this, the project team will interview those active in the sector in the market area as well as examining best practice case studies such as DC Central Kitchen, Soul Food, and Hungry Harvest, LLC.
To the extent practical, the potential benefits will be benchmarked to measurable outcomes.