



# City of Madison

City of Madison  
Madison, WI 53703  
www.cityofmadison.com

## Meeting Minutes - Draft JUDGE DOYLE SQUARE COMMITTEE

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Monday, October 28, 2013

5:00 PM

Madison Municipal Bldg., Room 260  
215 Martin Luther King, Jr. Blvd.

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### CALL TO ORDER / ROLL CALL

**Present:** 8 -

Shiva Bidar-Sielaff; Michael E. Verveer; Bradley A. Cantrell; Ann E. Kovich; Sandra J. Torkildson; Adam J. Plotkin; Annette Miller and Gregory O. Frank

**Absent:** 1 -

Megan E. Christiansen

### 1. APPROVAL OF MINUTES: October 14 and 16, 2013

A motion was made by Kovich, seconded by Bidar-Sielaff, to approve the Minutes of the meetings of October 14, and October 16, 2013. The motion passed by voice vote.

### 2. PUBLIC COMMENT

Chairperson Adam Plotkin asked if any members of the public wished to address the Committee. There wasn't any public comment.

### 3. DISCLOSURES AND RECUSALS

There weren't any disclosures or recusals under the City's Ethics Code by members of the body.

### 4. [32054](#)

Presentation by Tom Hazinski, HVS, Consultant to the City of Madison, regarding Financial Benchmarks for Conventional Hotel Transactions

Tom Hazinski presented a hotel market analysis for the Judge Doyle Square Project in the form of a PowerPoint presentation (attached). The market analysis included a review of the historical performance of a competitive set of hotel properties and analysis of how a full-service hotel at Judge Doyle Square would penetrate the commercial, leisure and meeting and group market segments. The HVS analyses determined there was pent-up demand in the downtown hotel market among the competitive set that would allow the market to absorb additional supply, without causing long-term declines in hotel rate and occupancy. Consequently, it is an opportune time to bring in a product at Judge Doyle Square, HVS estimates that a full-service hotel could generate nearly 75,000 new room nights in the downtown Madison market by: 1) allowing currently unaccommodated room

night demand into the market, 2) increasing the room night generated by Monona Terrace, and 3) inducing new in-house meeting and group demand. With the proposed hotel, rooms revenue in the competitive set would grow from \$46.5 million to \$56.2 million. The competitive set share of room revenue would decrease by \$3.2 million temporarily as the new demand is absorbed.

Mr. Hazinski also presented a typical pro-forma for both a 300- and 350-room hotel. HVS had reviewed the hotel operating pro-formas presented by the respective development teams in their RFP responses. In HVS' opinion, the proposal assumptions (where available) regarding occupancy and average daily room rate were reasonable.

In response to the Committee's questions, he was asked to 1) examine the Hilton Monona Terrace's impact on the competitive set after it opened in 2001, 2) to comment on the mix of Monona Terrace and the In-house groups that would use the new hotel to better understand the extent to which the new hotel would compete vs. compliment with Monona Terrace's operation, and 3) explicitly show that the opening of the Edgewater Hotel and the Hampton Inn downtown were factored into the competitive set analysis.

5. [32066](#)

Presentation by the City Staff Team Regarding the Financing Plans for the Judge Doyle Square Proposals

Aaron Olver, City of Madison Director of Economic Development, presented with a power point presentation the City Staff Team's preliminary financial analysis of the RFP responses (attached). The key preliminary findings are:

- More information is needed - The City will require more information to make a full evaluation and comparison of these projects, especially from JDS.
- Basic comparison of proposals - Journeyman is delivering more tax base, more hotel rooms, and more parking than JDS, but requires a larger city investment.
- Hotel Proposals - Generally, the hotel pro formas for both proposals appear to be consistent with industry standards.
- Key cost driver - Above-ground vs. underground parking. Ground floor land uses and density impact parking, resulting in cost implications. Also, allocation of above-ground vs. underground parking costs a key issue for level of Parking Utility contribution.
- Limited equity participation - It is unclear how much net equity the developers are actually investing. This remains a critical issue for both proposals.
- Rate of return assumptions - It appears that JDS will accept a lower rate-of-return than Journeyman. This could be an advantage or signal a potential issue.

Following an overview of the extensive financial elements of the proposals, Mr. Olver indicated that the following questions were posed of the respective developers with written responses due by November 8, 2013.

Both developers:

- Provide more detail on equity contribution, including specific amounts. Are

- developer fees being contributed or is all equity cash or cash equivalent?
- Show sources and uses of tax credits.
- Show developer fees to be collected from the project. [Each of these elements (equity, tax credits, developer fees) needs to be allocated to each specific portion of the project.]
- Provide a specific response on city proposal regarding the room block agreement.

JDS Development LLC:

- Explain the need to rely on 100% support from the Madison Parking Utility for all parking costs including those associated with hotel and residential development
- Provide specific information on gross square feet in each element of the project (i.e., hotel, parking structures, retail, commercial and residential)
- Explain the rate-of-return assumptions for the project.

Journeyman Group :

- Explain the reason for the city lease of hotel meeting space.
- Explain the allocation of parking costs between the private uses and the Madison Parking Utility.

**6. Presentation by Ald. David Ahrens Regarding the Need for a Second Headquarters Hotel**

At the invitation of the Committee, Ald. David Ahrens made a presentation in a power point format challenging the rationale for a second headquarters hotel, citing the Monona Terrace operating model, economic and employment effects and the hotel market, concluding there wasn't any evidence to support a second headquarters hotel associated with Monona Terrace.

**7. [28055](#) Judge Doyle Square Staff Team Report**

Staff reviewed the Committee calendar. At the next Committee meeting on November 11th, the sole item on the agenda will be the invitation for public comment on the Judge Doyle Square Project. The Mayor's Office will disseminate a notice and press release inviting public comment. The full staff report on the RFP responses will be presented at the meeting of November 18, 2013. Deliberations can begin that evening and at the meeting of November 25, 2013. The Committee added Monday, December 2, 2013 from 4 to 6 pm as an additional meeting date, if needed. The Committee requested that the HVS and staff presentations be added to Judge Doyle Square website.

**8. ADJOURNMENT**

**A motion was made by Bidar-Sielaff, seconded by Kovich, to adjourn. The motion passed by voice vote. The meeting was adjourned at 7:05 p.m.**