



## Legislation Text

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### Fiscal Note

The 2018 adopted capital budget includes \$41,791,659 for construction of the Judge Doyle Public Parking Structure (MUNIS project #11471), \$1 million for a bicycle center (MUNIS project #11160), and \$1.3 million for city fleet stalls in the public parking structure (MUNIS project #11319). Total funding authorized for the project, including funds already expended, is \$45,965,112. This includes \$19.1 million from Parking Utility Reserves, \$24 million from TID 25, \$2.3 million GO debt and \$565,322 from a federal TIGER grant. Based on accepted bids for the public parking garage and the estimated cost of building out the bicycle center, the total cost for the project is estimated at \$39,411,061. As such, approximately \$6.6 million of expenditure authority remains unused in the project budget. The unused expenditure authority could increase depending on the amount of the construction budget contingency (\$2.4 million) that might be utilized in constructing the public parking structure and bicycle center.

As of December 31, 2016, the Parking Utility had reserves of \$34.4 million. The Parking Utility is adding approximately \$5.5 million to its reserves annually. Construction of the Capitol East Parking Garage and the Judge Doyle Parking Garage, including the amount proposed to be appropriated in this resolution, will reduce Parking Utility Reserves by \$27.1 million (\$3.6 million for Capitol East and \$23.5 million for Judge Doyle).

Under this resolution, \$4.4 million would be appropriated from Parking Utility reserves to increase the total project budget to \$50.4 million. The \$4.4 million would be added to the estimated unused expenditure authority in the project of \$6.6 million, to provide a total of approximately \$11 million. The estimated hard and soft costs of completing first floor retail space, two above-grade parking decks and associated access ramps, as well as a load transfer slab on top of the structure (together called "the podium") that can serve as the foundation for future development (e.g., office, apartment), is \$11 million.

According to the City's Development Agreement with Beitler Real Estate Services (see Exhibit B - Ground Lease Agreements Term Sheet - of the Development Agreement), Beitler will pay \$755,000 to lease Blocks 88 (\$180,000) and 105 (\$575,000), with these amounts escalating by 5% every 5 years. In addition, the Parking Utility could realize net revenues of approximately \$300,000 annually from retail leases and the above-grade parking stalls. Under this resolution, these revenues are dedicated to replenishing the \$11 million allocated for the cost of constructing the podium that was to have been paid by the developer. Based on this revenue stream, the \$11 million would be repaid to the parking utility Reserve Fund in approximately 12 years, assuming an interest rate of 2.5%. The repayment approach proposed in this resolution is similar to that approved by the Council in March 2017 (see RES-17-00214 - Legistar #46425).

### Title

SUBSTITUTE - Authorizing an Amendment to the 2018 Capital Budget to Design and Construct the Above Grade Parking, Retail and Slab ("the Podium") on the Block 88 Public Garage and Directing Further Actions as a Component of the Judge Doyle Development Project.

### Body

WHEREAS, on April 19, 2016, the Common Council adopted RES-16-00317 to approve the selection of Beitler Real Estate Services LLC (the "Developer") as the Judge Doyle Development Team with which to commence negotiations on proposal version B (underground public parking garage, retail space, bicycle center and apartments on Block 88, and a hotel and apartments on Block 105) (the "Project"), and directed the Judge Doyle Negotiating Team to immediately initiate negotiations with the selected development team and to report back to the Board of Estimates by June 27, 2016; and

WHEREAS, on July 5, 2016, the Common Council adopted RES-16-00510, to authorize the Mayor and City Clerk to execute the Development Agreement with the Developer for the Project; which was executed by the parties on July 12, 2016, and

WHEREAS, the City and Developer worked together to plan and coordinate the development of the Project during 2016 and 2017 including the preparation of a land use application to rezone the sites, which was approved by the Common Council on May 1, 2017; and

WHEREAS, the City of Madison prepared plans and specifications for the public garage and bicycle center, issued plans for the construction of the garage and bicycle center and awarded the construction to JP Cullen Construction, the low bidder, on September 5, 2017, for which construction started in October 2017; and

WHEREAS, the Developer continued to develop the plans for the above grade apartments, retail, and private accessory parking including updated pricing from JP Cullen Construction which identified substantial increases in construction costs from earlier estimates; and

WHEREAS, the Developer has informed the City that it will not proceed with Block 88 development at this time without significant cost reductions to the Developer, and requiring the City to assume the cost of accessory parking, retail and load transfer slab (together the "Podium"); and

WHEREAS, development options have been analyzed by the City to determine the best course of action to complete the municipal garage and cap the ramp to preserve future development options by the Developer or others, and maintain the Common Council desire to maximize the above-grade land use and increased tax base options, as expressed in RES-16-00317, adopted on April 16, 2016; and

WHEREAS, the City has estimated the cost to construct the Podium as a City asset to be approximately \$11 Million, of which approximately \$6.6 Million is available from the authorized funding for the project in the 2018 Adopted Capital Budget; and

WHEREAS, operation of the approximately 160 stalls of parking and approximately 8,000 square feet of retail space in the Podium will generate additional revenue streams for the Madison Parking Utility, and the revenues to be created by the Judge Doyle project's public-private venture creates a unique opportunity to cover the additional cost with interest by using the early years' ground lease payments from Blocks 88 and 105;

NOW, THEREFORE BE IT RESOLVED that the Common Council does hereby authorize an amendment to the 2018 Capital Budget to increase the funding authorization by \$ 4.4 million from Parking Utility Reserves for the Judge Doyle Parking Garage Project to design and construct the Podium to be repaid to the Parking Utility with interest at the earnings rate in the city investment pool using ground lease revenues paid by the developer, net revenue from lease of the retail space and net revenue from the above-grade parking stalls.

BE IT FURTHER RESOLVED, that the Common Council does hereby direct City staff to execute an amendment to the Judge Doyle Garage Design Services Agreement with LVDA, the City's Judge Doyle Garage architect, in an amount not-to-exceed \$700,000, to design the Podium and prepare construction specifications for the Podium and the demolition of the Government East Ramp for the City of Madison.

BE IT FURTHER RESOLVED, that the Common Council does hereby direct the City's Judge Doyle Project Negotiating Team to continue to work with the Developer on amendments to the executed Development Agreement and Developer Services Contract between the City and Developer to include a significantly reduced time for the start of the private development of blocks 88 and 105 on block 105 and an even more significantly reduced time for the start of the private development on block 88 **and negotiate to remove Section 11.12 from the Development Agreement**, to conform those agreements to the actions taken by this

resolution, and to report back to the Common Council with a proposed Amended Development Agreement for consideration by November 15, 2018.