

Madison Public Market UPDATE ON PROCESS AND CAPITAL FINANCING PLAN

Prepared by: City of Madison Economic Development Division
Updates for Q3 and Q4 of 2019 – Submitted: 12/5/19



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The purpose of this report is to provide updates on process and next steps with the capital financing, design, and approval process for the Madison Public Market. This report does not delve into the operating plan, the MarketReady Program, vendor selection process, the Racial Equity Analysis, economic impacts, or other aspects of the project. Those topics have been covered in previous reports. For more information, please contact the project team.

This report includes the following sections:

- *Summary Project Background*
- *Part 1: Capital Financing Plan*
- *Part 2: Ownership Structure*
- *Part 3: Design, Bidding, and Construction Process*
- *Part 4: Land Use and Construction Approvals*

SUMMARY PROJECT BACKGROUND

The Madison Public Market is multi-year effort that has engaged thousands of community members. The Madison Public Market is included within the City's 2020 Capital Budget, and is identified in several city plans including the Capital Gateway Corridor Plan, the Emmerson East/Eken Park/Yahara Neighborhood Plan, and the City's Comprehensive Plan. The City completed the City's Racial Equity Impact Analysis of the project in 2015 and is updating that analysis this year. A combination of City Staff, appointed members of the City's Public Market Development Committee, and community leaders with the Public Market Foundation are collaborating on the efforts to complete the project.

The vision for the Madison Public Market is a year-round destination featuring a diverse mix of merchants offering fresh local food, culturally eclectic prepared food, and locally made handcrafted goods. The project aims to lower barriers to entry for diverse entrepreneurs launching new business. Additionally, the market will be a community gathering space that highlights local artists, hosts community events, and supports a range of activities for residents and visitors alike. The location for the project is the soon-to-be-vacated Fleet Services Garage located at 200 N. First Street. For more background information about the project, please visit the following links:

- [The Madison Public Market Foundation's Website](#)
- [City Engineering's Public Market Project Page](#)
- [City Economic Development's Public Market Project Page](#)
- [Previous Public Market Quarterly Reports](#)
- [MarketReady Program Project Page](#)

PART 1: CAPITAL FINANCING

The total cost to complete the Public Market will be \$13 million. The capital cost project will be funded through several sources. The following chart and the subsequent sections of this report summarize each source of funding for the project and the next steps to secure these funds.

Source	Amount	Process and Next Steps
City of Madison Capital Budget / TID #36	\$7 million	<ul style="list-style-type: none"> • Amend TID #36 Project Plan • Seek approval from the Joint Review Board for Amendment • Seek Finance and Common Council Approval
Private Donations to the Public Market Foundation	\$3 million in capital and \$1 million in operating reserve	<ul style="list-style-type: none"> • Continue Capital Campaign (\$1.2 million raised so far)
New Markets Tax Credits Equity	\$3 million	<ul style="list-style-type: none"> • Partner with Community Development Entities that secure allocation • Work with the Community Development Authority (CDA) on ownership structure • Manage closing process
Potential Additional State/Federal Grants	TBD	<ul style="list-style-type: none"> • Monitor potential grant opportunities and prepare applications when appropriate.
TOTAL	\$13 million in capital plus \$1 million in working capital	

City of Madison Capital Budget / TID #36

The City's 2020 capital budget commits \$7 million in city funding to the Madison Public Market. The source of this funding is proceeds from Tax Increment District #36 (TID 36). The Public Market project is located within the TID 36 boundary, which includes portions of both sides of East Washington Avenue between Blair Street and First Street. The City created TID 36 in 2005 and it is set to expire in 2032 with the ability to make expenditures until 2027.

When the TID was established in 2005, its total taxable value (base value) was \$97,652,400. The current value of the district is \$424,702,800 resulting in an increment value of \$327,050,400. The tax revenue generated by this incremental increase in tax value is currently being expended on debt payments for various investments the City has made in this district since 2005. This past investments included public infrastructure projects like improvements to Breese Stevens Field and the construction of the Livingston Street Parking Garage, as well as private investments in projects including the "Constellation" building, the "Galaxy" building, and StartingBlock Madison. With the large amount of tax increment that has been created within TID 36, the district is projected to pay off its current obligations as well as the \$7 million cost of the Public Market within the next 3 years. As such the entirety of the City's financial commitment to the Public Market will be funded by previous tax base generated in the East Washington Avenue corridor using cash flow into the district.

Next Steps

The City's 2020 Capital Budget, including the Public Market, has been approved. The City will be required to amend the TID 36 Project Plan to create the authority to use the TID as a source funding for the project. The TID Project Plan is an official document that describes the projects the TID will be used to fund. Amending the Project Plan requires a series of public notices and hearings with approval by the Joint Review Board (JRB), the City's Finance Committee, Plan Commission, and the Common Council. The City's Office of Real Estate Services Staff will manage this process.

Public Market Foundation Contribution

The Madison Public Market Foundation is a partner with the City of Madison on the Public Market project. The City selected the Foundation to be the fundraising entity for the Public Market and to become the market's operator. The City and the Foundation formalized their partnership with a "Collaboration Agreement" that was created and approved by the Common Council in 2018. The Foundation is leading a campaign to raise \$4 million for the Public Market. Of this, \$3 million will be provided to the project as a capital grant to the City contributing to the construction cost. The remaining \$1 million will be held by the Foundation as a reserve fund to cover working capital costs during the Market's first years of operations.

The Foundation is a 501c3 non-profit that is led by a volunteer Board of Directors and an Advisory Council. The Foundation has staff support from a fundraising consultant and a part-time project coordinator. The organization expects to hire a permanent Executive Director in 2020.

Next Steps

The Public Market Foundation has raised approximately \$1.2 million towards its \$4 million goal. The Foundation has a plan in place to secure the remaining funds over the next six to nine months. Several of the donations to the capital campaign will be in the form of multi-year pledges. As such, the Foundation is in the process of securing a "bridge loan" to cover the Foundation's grant to the project. This is typical for non-profit capital campaigns for physical buildings.

New Markets Tax Credits

New Markets Tax Credits is a federal program that uses tax credits to encourage investment in lower income communities. The Public Market is located within an area that is eligible for this program. The City has been executing a plan to secure these credits for the Public Market. The project is well positioned to secure a tax credit allocation in 2020. Organizations called Community Development Entities (CDEs) are the conduits to these tax credits. CDEs apply for an allocation of credits from the US Department of Treasury through an annual competitive process. Once Treasury awards an allocation, the CDEs work with specific projects to deploy their credits to financially support projects.

Next Steps

Several CDEs have expressed support for the Public Market and have identified the project as a priority in their applications for credits. The allocation awards will be announced in spring of 2020, at which point the City will follow up with awarded CDEs to begin the process of closing on the financing. That closing will take place in the third quarter of 2020. At the closing, the NMTC equity will be blended with the other sources of capital to create the overall project fund that will be used for construction. NMTC transactions are complicated

structures. The City is currently working with outside counsel and a consultant to assist this process. Approvals from the Finance Committee, Community Development Authority, and Common Council will be needed to approve the final NMTC transaction.

PART 2: OWNERSHIP STRUCTURE

The Public Market will be created by repurposing the City's existing Fleet Services garage located at 200 N. First Street. Fleet Operations will vacate this building when they relocate in 2020. The site and building will remain in public ownership during and after its transformation into the Public Market. The Madison Public Market Foundation will be the entity that manages the operations of the Public Market. As noted previously, the Foundation is a 501c3 non-profit that was formed to lead the private fundraising for the project and become the operator, and the City is formally partnered with the Foundation on the project (Resolution Files #51091 and #54228).

After Fleet Operations relocate from 200 N. First Street, ownership of the property will transfer to the City's Community Development Authority (CDA). CDA ownership of the property is necessary to facilitating the New Markets Tax Credits financing structure for the project. The CDA is a public body that is independent from the City but overseen by a commission that is appointed by the Mayor. CDA staff is housed within the City's Planning & Community & Economic Development Department. Ownership by the CDA is a means to maintain public control of the site and building, but transfer ownership to an independent public body equipped to own commercial property with private sector tenants. The Village on Park property on South Park Street is another example of a CDA-owned property with various third party private sector and non-profit tenants.

In order for the CDA to own the property, it is required to be located with a defined redevelopment district with an associated redevelopment plan. The City and the CDA will develop and approve that plan over the next several months.

PART 3: DESIGN, BIDDING, AND CONSTRUCTION

The final design process for the Madison Public Market is underway. In 2018, the Common Council approved engaging Minneapolis-based architect MSR along with local firms Ken Saiki Design and Vierbicher to be the project's design team (Resolution File #54211). MSR is now working with the City's Economic Development Division and Engineering's Facilities Management team to finalize design work. The Public Market Development Committee in collaboration with the Public Market Foundation, the MarketReady Program, and other stakeholders, are overseeing this design process work. The City conducted several public meetings to gather input on the Public Market's design.

The design team has completed the design of the Public Market. The architecture and engineering documents have been submitted to the City's Engineering Facilities group. Engineering is in the process of gathering final analysis and feedback on the technical design. Once that feedback has been collected, the architect/engineering team will shift to creating Construction Documents, which will be completed in Q1 of 2020. Once the Construction Document are completed, City Engineering will develop bid documents and seek approval from the City's Board of Public Works and Common Council to put the project out to bid. The project will follow the City's state-regulated public works bidding process and

ultimately award the bid to a contractor. City Engineering, working with MSR and the contractor, will manage the construction process.

PART 4: LAND USE AND BUILDING APPROVALS

The Madison Public Market project will go through all the required city approval processes to ensure compliance with all site and building requirements and appropriateness with the City's design standards and plans.

In terms of zoning, the City intends to pursue a Planned Development zoning for the project. Given the unique nature of the building and the mix of uses that will take place at the market, this approach is most appropriate and will provide maximum flexibility to the operator.

The City will submit the land use application for the project on December 18. The project will go before the Urban Design Commission on February 12, the Plan Commission on February 24, and the Common on March 3.

Below is a summary and estimated timeline for all anticipated review and approval actions in 2020. The Public Market Project will commence construction once all the approvals are completed and financing secured. The City anticipates starting construction in late 2020 and opening the market in late 2021.

Summary of all Anticipated Review and Approval Actions by Public Bodies		
Approval Body	What will be approved	Meeting date or approximate timeline
Public Market Development Committee (PMDC)	The PMDC meets monthly to discuss progress on the project. All resolutions will likely include a review or update to the PMDC	Generally meeting first Thursdays of the month
Urban Design Commission (UDC)	The Urban Design Commission will review and approve the design of the building and the signage	Tentative: 2/12/20
Plan Commission	As part of the rezoning process, the Plan Commission will review the project. Plan Commission will also approve the TID project Plan Amendment	Tentative: 2/24/20 for land use approval and Q1 for TID project plan
Site Plan Verification Staff Team	A multi-agency staff team will review the site plan to for public safety, stormwater management, traffic flow, etc.	Q1 2020
Department of Safety and Professional Services (DSPS)	The City will work with Wisconsin DSPS to review city facilities projects for building code compliance	Q1 2020
Board of Public Works (BPW)	The BPW will review and approve the release of the construction bid and the award of the contract	Q2 2020
Joint Review Board (JRB)	The JRB consists of representatives from all taxing jurisdictions (City, County, School District, Technical College) and approves all Tax Increment District Project Plan amendments	Q1 2020
Finance Committee	The Finance Committee will approve all actions involving expenditure of City funding include the TID amendment, acceptance of Public Market Foundation contribution, and New Markets Tax Credits structure	Q1 2020 for TID project plan and Q2 2020 for NMTC transaction
Community Development Authority Board (CDA)	The CDA will approve the ownership structure of the project	Q1 2020

Common Council	The Common Council will take action on the rezoning, the bid release, the TID project plan amendment, and likely additional matters related to the funding of the project	Rezoning approval: 3/3/2020. Additional approval in throughout 2020
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