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Commercial & Industrial Real Estate Development & Management

EXECUTIVE MANAGEMENT, INC.

1245 East Washington Avenue • Madison, Wisconsin 53703 • Telephone (608) 255-4519

June 6, 1984

Mr. Keith Moyer
Salvation Army
630 E. Washington Avenue
Madison, WI 53703

Re: Pattern Storage Building
100 S. Baldwin St.
Madison, WI 53703

Dear Keith:

This is to confirm our conversation regarding the various alternatives available to convert the subject building to a residential facility which could be used by the Salvation Army as a solution to the closing of the downtown YMCA residential facility.

The first scenario which we envision would be as follows:

- 1) We could remodel the building per plans and specifications as provided by the Army.
- 2) A long term lease involving the Army, City of Madison and the owner would have to be negotiated. This is necessary in order to provide the security to the lender for financing purposes.
- 3) The lease could provide for an option to the City and/or the Army to purchase during the term of the lease.
- 4) Owner of the building could have favorable tax status for investment credit and ACRS deductions which would enable the rental and option to be favorable for the City and/or the Army.

Mr. Keith Moyer
Salvation Army

June 6, 1984
Page 2

The second scenario could involve the attributes above but would gift or sell the land early to take a tax deduction for the benefit of the owner.

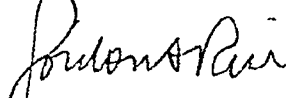
A third scenario might be a lease to the City with the City doing the remodeling using community development block money. The City could then release to the Army for the operation of the residential facility. It's possible under this scenario that real estate taxes on the improvements could be excluded somehow which would allow lease costs to be reduced.

It becomes obvious as you analyze the various alternatives which are available to make this a viable project that without the blessing and full financial support of the City of Madison, the project may not become a reality. It would seem to us that a meeting with the Mayor and key alderpeople would be in order to determine the levels of support that could be made available to the project.

We are pleased to have the opportunity to work with you and the Army on this project. Please let us know if you have any other thoughts on how the project could be structured other than outlined above.

Very truly yours,

EXECUTIVE MANAGEMENT, INC.



Gordon A. Rice
GAR/kr

Temple Beth El 2702 ARBOR DRIVE 238-3123 MADISON, WISCONSIN 53711

March 14, 1985

Prof. James Graaskamp
School of Business
University of Wisconsin
1155 Observatory Dr.
Madison, WI 53706

Dear Prof. Graaskamp:

First, thank you for a marvelous presentation to Downtown Rotary on March 13. I was particularly pleased with your emphasis on the ethical implications of business, in general, and real estate in particular.

Second, I appreciated the "one-liners" and other humor which you injected into the talk. Sometimes, the talks after lunch are pretty deadly. Yours was certainly not.

Finally, and much more to the point, I spent a good half-hour after the talk with one of my colleagues, Father William Wiedrich of the Grace Episcopal Church on the square. Both Bill and I were lamenting our almost-complete ignorance of the issues concerning the management of religious buildings, particularly in the larger context, as you suggested in your talk. We also agreed that most of the members of our boards of trustees are equally unprepared to make good decisions about our facilities. Brainstorming with Bill, I thought that it might be a possibility to hold a seminar for a day next fall for clergy and lay leadership of large congregations, with the idea of helping them develop a model for decision-making with regard to religious facilities. I am sure that the criteria would be different from those applied to wilderness areas, small towns and agricultural areas, and even other facilities within an urban environment, especially those which are operated on a "for profit" basis.

I do not know whether this proposal has any interest for you, but I would be glad to hear your thoughts and to spend some time with you, if you thought it appropriate in ascertaining whether there is a future in the idea. We operate multi-million dollar physical plants but on a very unsophisticated basis. Perhaps you and your colleagues can help us become more skilled.

With very best regards and, again, appreciation for an enlightening and enjoyable presentation, I am,

Sincerely yours,



Kenneth D. Roseman, Rabbi



KDR:vms



The Reservoir, a cooperative, which provides affordable housing in the Old Market Place Neighborhood was built in 1987. James A. Graaskamp was an advisor to Susan Hobart, the director of Madison Mutual Housing Association which was the developer of the project. The sign which was placed on the old buildings at the beginning of the project gives special thanks to many people who supported this project; among the many names is that of Professor James Graaskamp.

Milwaukee Road to sell depot

By Thomas W. Still
Of The State Journal

The Milwaukee Road will sell its depot and about 25 surplus acres along West Washington Avenue in downtown Madison, a spokesman for the Chicago-based railroad said Wednesday.

Richard Ogilvie, former Illinois governor and trustee for the bankrupt carrier, said he will take bids soon from "developers and other interested buyers" because the slimmed-down railroad no longer needs its downtown depot and adjacent yard.

The sale will not alter service to Milwaukee Road customers in Madison, Ogilvie said, because most of the downtown yard's functions have been consolidated or switched elsewhere.

However, the sale will have a dramatic effect on Madison's Isthmus,

where the sudden availability of 25 acres of undeveloped property could touch off a miniature "land rush" and a major public-policy debate.

"It's going to free up some very valuable land," acknowledged William Bickley, director of corporate relations for the Milwaukee Road. "There have been a number of people expressing interest in it (the land)."

There has been widespread disagreement among public officials and private developers about how land in the downtown rail corridor should be used — if and when it came on the market.

Among those who anticipated the sale was Dane County Executive Jonathan Barry, who proposed 2½ months ago that the county buy all railroad corridors within its borders to preserve them for future freight and passenger rail transportation.

It would take an estimated \$12.5

million to \$20.8 million to buy up the rail corridors — an amount that may yet prompt a partnership between the city of Madison, private developers and the county. Of the 155 miles of railroad track in Dane County, roughly one-third are in Madison.

The Dane County Regional Planning Commission voted last week to seek about \$18,500 in state money for a comprehensive inventory of the county's rail corridors.

The study is needed, Barry and RPC members have said, to determine whether the county can afford to buy the land through the sale of bonds and recoup the investment by leasing tracks to railroads and selling surplus land.

"I knew it was imminent," Barry said Wednesday when told of the Milwaukee Road's plan. "I knew it was

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possible we could lose some parcels before we could pull this plan together.

City planners have kept a watchful eye on the West Washington and East Wilson rail corridors for years. Most recently, a city consultant made his recommendations on the future of the East Wilson corridor (March 6) and the West Washington tracks (June 9).

Those recommendations by James Graaskamp, a University of Wisconsin-Madison real estate professor, prompted Barry to call for a countywide rail corridor study.

Earlier this week, a prominent Madison developer urged public officials to earmark at least part of the downtown rail corridors for cross-

town roads that would relieve traffic congestion on other Isthmus streets.

"This is so important to overall city development that it shouldn't be ignored anymore. We have a terrible (traffic) situation in the city," developer David Carley said.

"It's time Madison took a look at the big picture. The city refuses to have a metropolitan transit plan that incorporates cross-town traffic, as if they're ignoring auto traffic and hoping it goes away," Carley added.

Bickley, the Milwaukee Road spokesman, said the railroad would "retain enough trackage" in the downtown to "permit efficient operations while continuing to serve industries located on spur lines."

That probably translates to one Milwaukee Road track on the West Washington corridor, he said.

MADISON METRO

UW Land Expert Says Rail Corridor Has Good Potential

by Betsy Wing

A UW real estate expert who studied the West Railroad Corridor for the city says he can't imagine any circumstances under which he would support the university's plan to build a 15,500-seat arena and convocation center on the land.

"I don't think it would be in Madison's long-term interest," James Graaskamp said in an interview last week. Graaskamp chairs the UW School of Business' Department of Real Estate and Urban Land Economics. He is also president of Landmark Research Inc., the Madison consulting firm hired by the city to study the rail corridors.

Graaskamp said the 14-acre tract is an excellent site for office space and a research park because of its proximity to the university campus and various hospitals and medical-related facilities. Madison General, Methodist and St. Marys hospitals are all clustered within a mile of the site.

The land was rezoned by the city for office space and a research park earlier this year upon Graaskamp's advice. Construction of the arena and convocation center could proceed only if the city agreed to change the zoning again.

In a separate interview, Harry Peterson, an aide to UW Chancellor Irving Shain, said if the location really is ideal for a research park, it would be possible to develop seven of the 14 acres into a research park and the other seven into an arena and convocation center. The arena would be used for basketball, graduations and "large academic conferences," Peterson said.

Shain announced on November 30 that the UW Foundation plans to exercise an option to buy the land. The option was purchased from Dennis Gonyea of Minneapolis, for whom Graaskamp's firm acted as marketing agent during most of the six months Gonyea had the option.

Graaskamp said there were more than a dozen people interested in the site, and prospects included one 50,000- to 60,000-square-foot building and a 6,000- to 10,000-square-foot clinic. He would not name the interested parties.

Graaskamp said Gonyea's plans for marketing the land were blocked not because there was no interest, but because he could not get an extension on his option on the land. Gonyea decided to sell his option to the UW Foundation, Graaskamp said, and the UW Foundation was then

under the same pressure to make a decision on buying the land before December 3, when the option expired.

If Gonyea had been able to keep control of the land without having to pay nearly \$2 million to purchase it while resales in smaller parcels were being negotiated, Graaskamp said, "within two years the major projects would have been underway or completed."

Graaskamp said he is convinced the land should be used as a research park. "If the university is capable of raising \$20 million to build an arena, one has to ask why it isn't

capable of using that money to...help develop that as a research park," he said.

Peterson said that raising money to build an arena will be only one part of a UW Foundation fund-raising effort to be announced this summer or fall. Most of the money will be for "strictly academic purposes," and some will be for additional housing, he said. "I think it is possible that there are people who will be supportive of a convocation center who might be less interested in strictly academic projects," Peterson said.

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Metro

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Peterson said that splitting the land between an arena and a research park would be possible only if businesses were interested in it, that he doubts whether the land is "ideal" for a research park. "Most research parks are several hundred acres," he said. Peterson referred Isthmus to Robert Brennan, the executive director of the Greater Madison Chamber of Commerce.

Brennan said he has talked with a number of "high-tech" firms and found no one interested in the seven acres closest to the corner of Regent and Murray streets, where the UW wants to build. "They are worried about security, concerned about noise, and most of the people I've talked to want elbow

room," he said.

Peterson also responded to Mayor Joseph Sensenbrenner's comment last week that if the UW built an arena in that location it would be expanding beyond "generally agreed upon" campus borders, and that the university would have to make concessions in other areas. For example, Sensenbrenner said, the university could build additional student housing or burn refuse-derived fuel (RDF) from the city's money-losing recycling plant.

Peterson said the university is already planning additional student housing, although no more high-rise dorms are on the horizon. He also said adapting the UW's Charter Street plant to burn the city's RDF is "something that ought to be thoroughly investigated and is being thoroughly investigated on its own merits"—not in connection with any UW arena proposal.

DOWNTOWN MADISON, INC.
Board of Directors Minutes
January 5, 1988

The Downtown Madison, Inc. Board of Directors met in regular session on Tuesday, January 5, 1988, in the DMI board room at 615 E. Washington Avenue, Madison, Wisconsin. Present were:

Martin Rifken, Chairman
Susan Springman, Secretary
Randall Alexander
Timothy Anderson
J. Anthony Cattelino
Janice Durand
Albert Goldstein
Richard Lehmann


Fred Mohs
Bruce Neviaser
Michael Powers
Fritz Ragatz
John Scharer
Gail Selk
Joseph Silverberg
William Steinberg


Also present were staff members William Belden, President; Susanne Voeltz, Director of Marketing and Public Relations; and Joan Babcock-Cooper, Executive Secretary.

Absent were Board members John Potter, Treasurer, Orville Arnold, Joseph Hildebrandt, Roth Judd, Mary Lang-Sollinger, Elmer Lemon, Victor Mondry, Jerome Mullins, Dale Nordeen, Kenton Peters, Harvey Temkin, Larry Thomas, Richard Zillman, and ex officio members Robert Brennan, Richard Engel, John Larson, Michael Ley, Harry Peterson, Lynn Russell, Ralph Sandler, Gerald Whitburn and F. Joseph Sensenbrenner, Jr..

Chairman Rifken called the meeting to order at 8:05 a.m. Minutes of the December 1, 1987 Board of Directors meeting were approved. There were no communications and no Treasurer's report.

Winter Carnival Ms. Voeltz introduced Petie Rudy, Chair of the 1988 Winter Carnival. Ms. Rudy then introduced Margaret Card and Joseph Silverberg, cochairs of the raffle. Mr. Silverberg and Mrs. Card reported that all prizes were donated for the raffle and the printing of the tickets underwritten. If everyone helps sell tickets to top the goal and the proceeds will greatly benefit DMI. Mrs. Rudy urged Board members and their business associates to buy tickets to the Frostiball. Almost every event is being underwritten by local businesses.

 West Rail Corridor Project Randall Alexander introduced his associate, James McFadden, who explained the proposed development of the west rail corridor property bounded by Regent Street and West Washington Avenue. At the end of this presentation, Mr. Alexander distributed and explained an Executive Summary prepared as informational support to the development project. He then read the following resolution:



Re: Lot 3, West Rail Corridor

1. Whereas, the Board of Directors for Downtown Madison Inc. have reviewed the Planned Unit Development proposal for Lot 3, West Rail Corridor, and hereby endorse same as being economically and aesthetically positive for downtown Madison. The Board further believes, that its use as presented will enhance existing and proposed office and retail use in the immediate downtown area.

Parking/Transportation Committee Mr. Belden noted there is nothing to report.

Isthmus Transportation and Parking Policy Task Force Mr. Belden reported that a draft has been put together on task force activities and that they will be meeting with the Transportation Committee on January 12 to give the city an idea of progress to date.

Convention Center Referendum Mayor Sensenbrenner has been serving as head of the 1988 Coalition for Madison's Future and three meetings have been held to date in preparation for the possible referendum.

Mr. Lehmann suggested we host a meeting to have county executive candidates explain their views on downtown issues.

There being no further business, the meeting adjourned at 9:37 a.m.

Respectfully submitted,

Susan A. Springman, Secretary

January 22, 1988

George Austin
Director of City Planning
City of Madison
Municipal Building
210 Martin Luther King Blvd.
Madison, WI 53701

RE: WEST RAIL CORRIDOR OFFICE PARK PROPOSAL

Dear George:

It has come to our attention that the office park proposal and zoning modification requested by the Alexander Company, Inc., has been criticized as a potential threat to recently developed downtown office buildings. Such criticism ignores both the highly segmented nature of the Madison office market and the primary reasons for the drift of office tenants to the suburbs. It also ignores that the public purpose of subsidizing Isthmus office space is to hold employees in the area to support housing diversity, retailing, and restaurants especially during the noon hour. As you will recall, Landmark Research did the original market feasibility studies and planning concepts for the West Rail Corridor and continue to be active in office market research and appraisals in Madison. Therefore, we feel qualified to comment on the West Rail Corridor proposal as it relates to competitive office space.

The primary motivations for the tenant drift to the suburbs are the cost of occupancy and the cost of ramp parking. To combat the price advantage of low rise frame construction and no parking aggravation on the far West side or the far East side, we had proposed two-or-three story suburban buildings in a downtown setting on the West Rail Corridor site. The expected market for this site would have been a recapture of tenants who had relocated to the suburbs and then regretted severing their convenient ties to downtown linkages. A secondary market would have been tenants in downtown buildings who were about to go to the suburbs.

Currently there are a number of location determinants also influencing downtown tenants, such as:

1. Tenants realize that significant concessions in terms of free rent and special tenant improvements will eventually be paid for by the tenant with future rent increases. The cost of parking in a ramp means either that the amenity is limited to a few managers and becomes a source of friction with other employees, or is available to all employees as an expensive indirect benefit and wage cost. Reserved parking stalls are only a partial solution and generally an increased aggravation to both the landlord and the tenant.
2. There are significant tenants downtown who are still considering relocating to the suburbs or building their own facility. When their current leases expire they will relocate and remove further employee retail support from the Isthmus. Net cost of occupancy at the Manchester Building, the Tenney Building, Lake Terrace, or the new Penney's conversion would not be competitive enough to hold these tenants downtown or attract tenants back from the suburbs.

The Alexander Company is planning net rents at a base of \$9 per square foot of leasable area plus pass through operating costs of about \$4.50 per square foot for 1989 occupancy, for a total rent of \$13.50 per square foot. This rent is slightly above the \$11.50 per square foot average of class A suburban space with free parking for staff and customers, and below the \$15.50 per square foot plus average parking fees for downtown highrise space. We suspect that the four story building planned by the Alexander Company with light steel and basement parking will be at \$13.50, but that suburban competition will require at least one of the other two buildings to be two or three story frame just as we proposed in our original program for the West Rail Corridor site. Many of these tenants will also be attracted by the proximity of the Medical Complex at Park and Regent or the University, two linkages which are simply not available in downtown buildings.

Office space markets are highly segmented by building type, parking, price, and linkage requirements of tenants to one another and to other establishments and transportation systems. If Madison is to hold critical masses of employment in the Isthmus to support housing, strong retail, and public transit, it must encourage a diversity of office space products and services. The fiction of a single office market for the Isthmus does not exist. A change of location of two or three blocks significantly alters the appeal and fit of the product to alternative tenant groups. For example, a trade association involved in lobbying would never find a site at West Washington and Regent convenient for regular interaction with the legislature. On the other hand, a medical team would never find the Square a useful location for its own staff or the majority of its patient load.

George Austin
Page 3
January 22, 1988

Concern of downtown Madison development groups is seldom tempered by careful market research since many developers fail to use adequate research for their own projects, let alone matters of thoughtful public policy. The railyard has long been a blight on the Isthmus that might have been eliminated had previous city administrations been willing to make a small investment in a land bank in exchange for greater control of development alternatives. The cost of subsidy necessary to correct this blight today is the opportunity cost of previous public policy failures. Isthmus planning is not the private province of a few property owners on the Square.

Thank you for the opportunity to comment.

Sincerely,

James A. Graaskamp, Ph.D., SREA, CRE
Urban Land Economist

JAG:bam

cc: William Belden
Randy Alexander



P.O. Box 71
615 East Washington Ave.
Madison, WI 53701-0071
(608) 255-1008

TO: DMPI Ad Hoc Committee on West Rail Corridor

FROM: Bill Belden *B.*

SUBJECT: Working Draft of Committee Comments
on West Rail Corridor Development

DATE: February 18, 1988

Enclosed for your review and modification is the above draft document. Also enclosed are extensive comments I received from Tom Neujahr. Further use of the latter should be cleared with Tom first.

While Randy is not yet aware of the specifics contained in this draft nor Neujahr's epistle, I have told him that the DMPI committee will meet with him to discuss its comments prior to making public its views to either DMI or DMPI Boards, the city or anyone else.

The most difficult task in all of this is clearly the definition of what are deemed to be acceptable office tenants. It is a very subjective issue as all of you well know.

From discussions with George Austin, I know the city is leaning towards making TIF funds available for such public improvements as highway and turning movement access to the site as well as corrections relating to existing on-site conditions.

Good luck.

/jbc
Enc.

CONFIDENTIAL

DRAFT REPORT

DMPI AD HOC COMMITTEE ALEXANDER COMPANY WEST RAIL CORRIDOR DEVELOPMENT

Background

At Randall Alexander's request, he presented his plans for the West Rail Corridor to the DMI and DMPI Boards of Directors on January 5 and 11, 1988, respectively.

On January 25, 1988, members of the DMPI Ad Hoc Committee (Mohs, Campbell, Springman, Lehmann, Belden) met with Tom Neujahr, Bob Blettner, Gary DiVall, Randy Alexander and George Austin to discuss the project. Following this, on February 3, 1988, the DMPI committee met to determine its recommendations.

The following describes the committee's findings and observations:

1. Proposed land uses (office and retail) and densities are appropriate and therefore acceptable.
2. It is the committee's recommendation and development philosophy that high density development must be encouraged within a geography of two to three blocks of the Capitol Square. The reason for this is to foster and encourage pedestrian access to the Square, State Street, cultural activities and downtown residential areas. Any development activities desirous of obtaining public subsidy, including TIF, not located within the above geography and which would potentially compete with development therein requires particular scrutiny to assure it will not compete for tenants who might otherwise locate within the high density area.
3. Given the foregoing, the committee recommends the following:
 - a. It is appropriate for the City of Madison to expend TIF funds for public improvements such as highway and access upgrading to assist this development. This does not include such on-site corrections as soil or subsurface conditions.
 - b. All other TIF funds should be made available contingent upon acceptable tenant occupancy of the project. While the committee did not define this in detail, it did note that unacceptable tenant occupancy from the standpoint of receiving public subsidy would include the following:
 - i. Office tenants currently located within the designated high density area would not be acceptable.

- ii. Office users typically desirous of locating within the high density area and most particularly adjacent to the Square. These include, but are not necessarily limited to, attorneys, units of government (except university), lobbyists and trade associations, insurance companies, accountants and securities firms.

Some determination will have to be made regarding tenant approval if this approach is taken. Without doubt, this could be cumbersome and subjective. This might take the form of a small committee with representation from the city and DMPI.

- 4. Conditions for release of TIF funds to the developer that are available after funds for public improvements have been allocated are as follows. These represent various approaches and ideas generated by the committee at its meeting on February 3.
 - a. Developer receives all available TIF funds initially. Should space be leased to a non-eligible office tenant, then the developer returns to the city on a square foot prorata allocation basis the appropriate amount of funds.
 - b. City makes a market rate loan (or below market rate if deemed appropriate) to developer. For every eligible office tenant leased to that portion of the loan again on a prorata basis is forgiven and becomes a grant.
 - c. TIF funds are held in a segregated fund and released as a grant on a square foot prorata basis as eligible office tenants are leased space.
- 5. All unused TIF funds resulting from leasing to non-eligible office tenants go into a segregated fund to be made available for residential development within the TIF district. This presumes district boundaries are such that potential residential areas are included.



Urban Land Interests

February 10, 1988

Mr. William Belden
Downtown Madison, Inc.
615 East Washington Avenue
Madison, Wisconsin 53703

Dear Bill:

Enclosed are the comments I promised concerning the Alexander west rail corridor TIF proposal. I have thought a lot about this and have come to these conclusions:

1. The proposed development would be directly competitive with the downtown office market, which is significantly overbuilt at present.
2. While one might try to eliminate that direct competition by imposing controls, it is doubtful that controls would actually be workable.
3. There is no assurance that the controls would not be lifted in the near future because they don't work.
4. The natural control is strength of market. If there is truly enough demand to support this development in the face of all the vacant office space on the market, then the project should be financeable through conventional mortgage lenders. If it can't be, it shouldn't happen now. By coming in with TIF funds, the City would be over-riding the natural controls of the market place, exacerbating an overbuilt situation and seriously threatening the downtown office market.
5. There is no clear showing of economic necessity in the west rail corridor TIF request. Even without TIF, the economics of developing the rail corridor are far easier than dealing with a built-up environment around the Square, where land costs are 15 to 20 times more expensive.
6. If the city is willing to grant a subsidy to deal with office tenants leaving downtown for lack of adequate affordable parking, the best place to focus that subsidy is near the Capitol Square, rather than subsidize a competitive office park nearly a mile away.
7. The "blight" this project proposes to eliminate is nothing compared with the blight that would be caused by removing a significant part of the office market from around the Square.

Urban Land Interests

Mr. William Belden

Page 2

February 10, 1988

The Alexander Company has made some very important contributions to the health of downtown Madison, chiefly in the development of housing. If a good housing development were being proposed here, the city should give all the assistance necessary to make it happen successfully. As for the proposed office development, the city may choose to approve the land use but it should not assist it financially in any way.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tom Neujahr".

Thomas M. Neujahr

TMN:rki
Enclosure

NOTES REGARDING THE ALEXANDER TIF PROPOSAL FOR THE WEST RAIL
CORRIDOR

The chief question that this TIF request raises is how it would affect downtown. The downtown office market is significantly overbuilt. With Foremost Guaranty moving out of James Wilson Plaza and 217 South Hamilton this spring, and with the Verex retrenchment probably putting another 25,000 square feet on the market, there will be approximately 182,000 square feet of rentable area vacant in the 14 best, largest private office buildings downtown by May:

Verex
M & I Bank of Madison
Anchor Savings & Loan
First Wisconsin Plaza
Tenney Plaza
National Guardian Life
Lake Terrace
100 North Hamilton
44 on the Square
Valley Bank Tower
James Wilson Plaza
217 South Hamilton
Manchester Place
One East Main

This represents a vacancy rate of 14.8 percent. (The Alexander TIF proposal, incidentally, understated the vacant unleased space in One East Main by over 30,000 square feet.) In class B and C buildings the vacancy problem is going to be even worse. The downtown office market is not seeing many new tenants moving in. Its health depends upon the retention and growth of existing tenants. A city-subsidized competing office development in the rail corridor would threaten that retention.

Conceivably there are office uses that could be attracted to the west rail corridor that might help the Capitol Square area (or at least not hurt it). That would almost have to be evaluated on a case-by-case basis, however, and no one is going to set up a tenant review board for this development.

Although there are some differences of opinion concerning the ideal land use for this parcel, the city appears prepared to approve the office/retail use. The choice is whether to deny the TIF and let the developer proceed without controls on its tenancy or to grant TIF and attempt to get some control over its tenancy.

The developer has said it would solicit only tenants who are considering a move from the downtown area. Many downtown tenants consider moving away from the downtown and end up remaining near the Square. Technically such tenants would be open to solicitation by Alexander, so this is no effective control.

One possible form of control would be to require that if the development is financed with TIF funds it could not rent or sell to tenant types that are the life blood of downtown:

- attorneys
- units of government (except the university)
- public utilities
- financial institutions
- lobbyists and trade associations
- insurance companies
- accountants
- securities firms

Another possible solution would be to disallow any direct movement of a tenant from downtown to this site.

The problem with these is that the buildings in the development might not be financeable with these kind of restrictions. There is also the prospect that the developer might become so financially pinched by the restrictions that he might come back to the city for relief from the restrictions, after the TIF money has been received and spent. The development would then be a full-fledged competitor with the downtown office market on a subsidized basis without any controls.

If some form of control could be found that would not be subject to greater leniency by the common council at a later date, there is still a question of how the control would be enforced and against whom. If a building within the development were sold to a party who subsequently leased space to a major downtown tenant, who pays the penalty? If a research firm moved in, stayed for 5 years and left, and if its space were then leased to a downtown tenant, who would pay any penalty? If the Alexander Company were to disappear, who would pay?

Proportionate penalties wouldn't be terribly meaningful. If 20,000 square feet were leased to a major downtown law firm, that might amount to only 8 percent of the total space to be created in the development. If the development had received

\$1,000,000 in TIF, it would be a trivial penalty for the developer to repay only \$80,000 of the TIF. Any landlord would readily give that up for a lease of that magnitude. Even a \$240,000 penalty might not dissuade the developer from such a lease. The fact that the TIF assistance would have been given up-front is very significant to the developer. It would get him up and running and competitive without having to meet any market test. He would not have to meet any of the pre-leasing requirements exacted by a conventional lender.

If the city genuinely wants to address the problem of inadequate affordable parking that is propelling employers out of downtown, the best way to do that is by financially assisting the provision of parking downtown, not by subsidizing an in-town office park cast from a suburban mold.

There is no proof of financial necessity in the application. At \$2.30 per square foot, the rail corridor site is only about 6 percent of the cost of land downtown. While there is reportedly remedial work to be done on the soils by the rail corridor, there are costs of demolition downtown. No TIF assistance is needed to be competitive with downtown. If the market is truly there, as the developer represents, then it could get the land and site improvements funded without TIF. If the market is not there, then a publically-subsidized office park on the door step of downtown would only spell trouble. With TIF the City would be inserting itself into a fragile market place. If it can't be privately financed, then it shouldn't happen.

Tax incremental financing has been chiefly to assist apartment development. Office space is expected to stand on its own. Only in the case of Ray-O-Vac has the city used TIF to assist an office development. In that case it knew exactly what it was getting, and it was a question of losing a major employer to another market area altogether.

There is no aesthetic imperative that his site be developed now. If the city is concerned about curing "blight" on the west rail corridor site, it should consider the blight it would introduce downtown if a city-subsidized development on this site pulled 100,000 square feet of office users away from the Square.

It is not even the city's best interest to cause development to occur on this site prematurely through subsidy. Eventually legitimate market demand will cause this site to develop. The city should have available land for development when true demand finally does arrive.

THE ALEXANDER COMPANIES

HAND DELIVERED

M E M O R A N D U M

TO: James A. Graaskamp *RPA*
FROM: Randall P. Alexander
DATE: March 7, 1988
RE: WEST WASHINGTON RAILROAD CORRIDOR

Enclosed please find Position Statement Proposal/DMPI Ad Hoc Committee for the West Rail Corridor Development.

As the author of the 1983 Railroad Corridor Study, will you please direct your comments at this noon's meeting to this position statement and to the market and the need for T.I.F.

RPA

nbb

Enclosure

POSITION STATEMENT PROPOSAL

DMPI AD HOC COMMITTEE ALEXANDER COMPANY WEST RAIL CORRIDOR DEVELOPMENT

Background

At Randall Alexander's request, he presented his plans for the West Rail Corridor to the DMI and DMPI Boards of Directors on January 5 and 11, 1988, respectively.

On January 25, 1988, members of the DMPI Ad Hoc Committee (Mohs, Campbell, Springman, Lehmann, Belden) met with Tom Neujahr, Bob Blettner, Gary DiVall, Randy Alexander and George Austin to discuss the project. Following this, on February 3, 1988, the DMPI committee met to determine its recommendations.

The following describes the committee's findings and observations:

1. Proposed land uses (office and retail) and densities are appropriate and therefore acceptable.
2. It is the committee's recommendation and development philosophy that high density development must be encouraged within a geography of two to three blocks of the Capitol Square and the commercial frontage along State Street and the King Street, E. Wilson Street corridors. The reason for this is to foster and encourage pedestrian access to the Square, State Street, cultural activities and downtown residential areas. Any development activities desirous of obtaining public subsidy, including TIF, not located within the above geography and which would potentially compete with development therein requires particular scrutiny to assure it will not compete for tenants who might otherwise locate within the high density area.
3. Given the foregoing, the committee recommends the following:
 - a. It is appropriate for the City of Madison to expend TIF funds for public improvements such as highway and access upgrading to assist this development. This does not include such on-site corrections as soil or subsurface conditions.
 - b. All other TIF funds should be made available contingent upon acceptable tenant occupancy of the project. While the committee did not define this in detail, it did note that unacceptable tenant occupancy from the standpoint of receiving public subsidy would include the following:
 - i. Office tenants currently located within the designated high density area would not be acceptable.

- ii. Office users typically desirous of locating within the high density area and most particularly adjacent to the Square. These include, but are not necessarily limited to, attorneys, units of government (except university), lobbyists and trade associations, insurance companies, accountants and securities firms.

Some determination will have to be made regarding tenant approval if this approach is taken. Without doubt, this could be cumbersome and subjective. This might take the form of a small committee with representation from the city and DMPI.

4. Conditions for release of TIF funds to the developer that are available after funds for public improvements have been allocated are as follows. These represent various approaches and ideas generated by the committee at its meeting on February 3.
 - a. Developer receives all available TIF funds initially. Should space be leased to a non-eligible office tenant, then the developer returns to the city on a square foot prorata allocation basis the appropriate amount of funds.
 - b. City makes a market rate loan (or below market rate if deemed appropriate) to developer. For every eligible office tenant leased to that portion of the loan again on a prorata basis is forgiven and becomes a grant.
 - c. TIF funds are held in a segregated fund and released as a grant on a square foot prorata basis as eligible office tenants are leased space.
5. All unused TIF funds resulting from leasing to non-eligible office tenants go into a segregated fund to be made available for residential development within the TIF district. This presumes district boundaries are such that potential residential areas are included.

Prof backs rail corridor aid

Public funds needed for revitalization, Graaskamp says

By **MARC EISEN**

Capital Times Staff Writer

The downtown developers opposing a city subsidy for the redevelopment of the west rail corridor are displaying "a very parochial, hang-dog view" of isthmus revitalization and also may be engaging in restraint of trade, says University of Wisconsin School of Business professor James Graaskamp.

Graaskamp, whose consulting company studied the revitalization prospects of the 15-acre tract in 1983 for the city, has written city planning chief George Austin defending developer Randall Alexander's request for \$2 million in tax increment financing for his proposed \$23 million project.

"Isthmus planning is not the pri-

On a percentage basis, the downtown's share of Madison office space has fallen from 57.7 percent in 1983 to 45.2 percent in 1988.

vate province of a few property owners on the Square," Graaskamp wrote, adding that the critics were ignoring the spin-off benefits of the new development for the central city.

Alexander's site plan calls for three low-rise office buildings, 30 apartment units, a retail-grocery center at the corner of Regent Street and West Washington Avenue, and a restaurant located in the old Milwaukee Road depot.

Some 850 parking stalls also

would be built, about a third of them underground. The availability of ample parking is viewed as a major draw for the project.

Alexander argues that the office space will appeal to firms wanting to be close to the UW campus or the medical complexes on the Triangle, but downtown office owners — who are saddled with the high costs of ramp parking — contend the space will steal tenants from the Square.

Downtown Madison Partners

Inc., a developer offshoot of the business group Downtown Madison Inc., already has come out against any TIF for non-public improvements, while the DMI board is scheduled to vote on the Alexander request on April 5.

Among the critics are some of the largest office owners on the Capitol Square, including Tom Neujahr of One East Main and 44 On The Square, Fred Mohs of Manchester Place and Robert Blettner of Tenney Plaza.

"I don't think there's any denying that this will represent major competition to a large segment of the downtown office market," Blettner said of Alexander's plans.

What sense does it make for the

Please see **OFFICE**, Page 15

Office

3/24/88

From Page 14

city to spend millions of dollars subsidizing office space on the Square, then undercutting that investment by subsidizing rival space on the rail corridor? Blettner asked.

But Graaskamp disputed his assumption, saying the Madison office market is "highly segmented" and that "the fiction of a single office market for the isthmus does not exist."

"For example, a trade association involved in lobbying would never find a site at West Washington and Regent convenient for regular interaction with the Legislature," he wrote Austin. "On the other hand, a medical team would never find the Square a useful location for its own staff or the majority of its patient load."

In an interview, Graaskamp added that in other cities, similar efforts by developers to curb a subsidy for what they deemed a competitive project have prompted restraint of trade lawsuits. He testified as an expert witness in one such case in Milwaukee, he noted.

Graaskamp, whose specialty is property appraisal, chairs the UW's department of real estate and urban land economics.

He argued that Alexander's office space will appeal to firms that are considering leaving the Square for cheaper space on the periphery as well as those that already have pulled out but now regret losing the proximity they had with other businesses downtown.

Alexander's market research shows that the downtown office market has slipped significantly in the past six years.

More than 2 million square feet of speculative space has been developed outside on the periphery compared to less than 500,000 square feet of new and rehabbed space downtown, his analysis shows.

On a percentage basis, the downtown's share of Madison office

space has fallen from 57.7 percent in 1983 to 45.2 percent in 1988, Alexander says.

According to Graaskamp, Alexander will be offering office space at \$18.50 per square foot compared to the \$11.50 per square foot found on the periphery and the \$15.50 per square in downtown high-rises, exclusive of parking.

"The railyard has long been a blight on the isthmus that might have been eliminated had previous city administrations been willing to make a small investment in a land bank (that would have purchased the site)," Graaskamp told Austin.

"The cost of subsidy necessary to correct this blight today is the opportunity cost of previous public policy failures," he said.

THE BADGER HERALD

Friday, November 3, 1989

AMERICA'S OLDEST INDEPENDENT STUDENT NEWSPAPER

Volume XXI No. 51

W. Washington project begins

By Jon Leonard
Herald Staff Writer

Development has begun at the corner of West Washington Avenue and Regent Street, for the construction of 20 store fronts, 260,000 square feet of office space, and 90 apartments to be built on the 12-acre site.

The project named City Station, will cost \$30 million and is not scheduled to be completed until 1992.

Project head, Randall Alexander, of the Alexander Companies said the West Washington Avenue area will benefit by linking the area with State Street and the Capitol Building, and could eventually facilitate one conglomerate downtown business and retail district.

Dave Keller of the Alexander Companies said the project is to be completed in phases with the current restoration of the Madison train depot nearing completion. Keller said the next phase will focus on construction of the City Station retail center, to be followed by the construction of office buildings. According to Keller, some of the retail stores will be open as early as fall of 1990.

The late James Graaskamp, head of real estate at UW-Madison, was commissioned to do a study by the city that showed the area to be a good prospect for development, according to Alexander.

The study was released while con-

troversy raged on whether the university should build a sports convocation center across from the Alexander development.

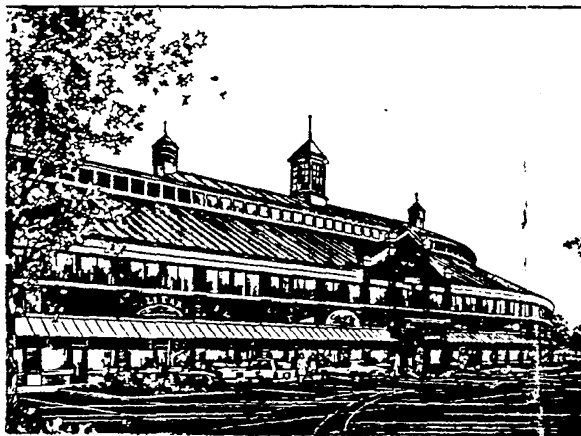
But the city of Madison "dragged its heels" on the development until the convocation center issue was cleared up, according to 9th District Alderman Andy Heidt.

In a May 1986 submittal to the city for the development of the Regent Street/Railroad Corridor, Graaskamp's proposal was combined with the university's convocation center proposal. Between the two sites, a 700 space parking structure was to be built along with a 250 space ramp.

According to Heidt, the Dayton Street site was held up because part of the land is not owned by the University. The city, if it gave up the land, would not be able to tax it but would still be responsible for policing and servicing the area, which held up negotiations.

The UW issued an athletic facilities study in February that portrayed the Dayton Street site as one of the top three locations for the convocation center. The other two sites were just north of Camp Randall Stadium and on the Dane County Fairgrounds. This issue has yet to be resolved.

One criticism of the Alexander project stems from the \$1.8 million of city money being used. Heidt said if public money is to be used then the development should be beneficial to the whole community,



The proposed design for the West Washington Ave. City Station will feature over 20 new store fronts and is designed to link the area with State Street and the Capitol Square.

since much of the development involves retail businesses most of the jobs being created will be low paying.

The jobs created could be good for college students but not for the people living across from the site, Heidt said.

"If we use public money we should provide jobs with good wages and benefits," Heidt said. He added that light industry could be developed there. This would provide jobs and a community atmosphere, and that the ultimate goal would be the re-

vival of downtown schools.

Heidt also expressed concerns that the project would take business away from other downtown areas, since it would not be in the city's best interest to relocate businesses from the Capitol Square.

According to Keller, "Businesses that are expanding and can't find space downtown now have the opportunity. One business that used to be located downtown and has been out on the Beltline is moving back."

UNIVERSITY OF WISCONSIN-MADISON

GRADUATE SCHOOL OF BUSINESS

1155 Observatory Drive
Madison, Wisconsin 53706



April 15, 1975

MEMORANDUM

TO: Richard Mahler

FROM: Prof. James A. Graaskamp

RE: Radio Interview on Single Family Home Market

1. What is good advice for those planning to buy a new home today?
 - A. Think small in terms of space requirements to avoid heating and lighting costs of unused space since energy bills will triple in the next 10 years.
 - B. Assume you will be using the automobile in 5 years only half of the time and distance that you use it now and pick a location which is convenient to daily needs without using the car.
 - C. Define your locational preference very precisely, outlying space needs realistically and then ally yourself with a single, reliable realtor.
 - D. Don't be impatient to invest on a Sunday afternoon compulsion. Play a waiting game until something suitable comes on the market, which is a close fit to original requirements. Just because the right house is not listed for sale at the moment, doesn't mean that an ideal unit will not appear on the market in the next several months.
 - E. Buy location and basic space, and expect to update, equip, and renovate one house over the years rather than hopping from one house to the next.
2. How and why is a single family home market changing?
 - A. The single family home market is changing, not only because of original cost but also because of energy costs, real estate tax policy, and changing life styles and objectives for young couples. They no longer dream of a home in the suburbs as their ultimate objective. For many reasons, people will buy smaller homes, or smaller parcels of ground closer to the existing city, and postpone that purchase longer than has been the case in the past.
3. Is adequate mortgage money available?
 - A. For the balance of 1976 there will be adequate mortgage money available but interest rates below 9% will only be available to those who can provide substantial downpayments.

- B. Wisconsin offers very favorable financing to state veterans, as low as 6 3/4%, through the State Department of Veterans Affairs.
 - C. On the other hand it is more difficult to buy a home subject to existing mortgages of favorable interest rates as lenders in recent years have modified loan terms so that a change in ownership may give them the option to renegotiate interest rates or retire the mortgage.
 - D. In those areas which continue to enjoy continued growth in the number of people aged 25-55, conventional suburban homes will continue to inflate in cost despite the trend toward smaller buildings. The energy crisis will put a premium on close-in sites or those with public transportation while construction of new housing will cost more due to escalator labor contracts and increasing requirements of municipalities imposed on developers to finance parks, schools, storm water drainage, and so on in the price of the lot. Increasing regulation of development and land use delays development and increases cost of planning and construction.
4. Are changing life styles affecting home buying today?
- A. Quite a few young couples are starting to acquire older, rundown properties in established parts of the city and renovating them, doing much of the work themselves. They reduce their dependency on the automobile and build equity by improving resale value of their homes through their own efforts.
 - B. It is still possible to buy a dream home in the suburbs but today it means that both husband and wife have been working and have sacrificed alternative luxuries such as travel, appliances, and big cars in order to create a considerable savings account which is adequate for the downpayment and for cash payment for landscaping, furniture, and so on. It is no longer possible to have both a fancy new home and all the other doodads which tempt the American consumer because rising property taxes, utility costs, and high interest rates will take more than the 25% of income a family was supposed to spend on housing. Today the suburban home may consume 40% of income and that requires sacrifice of other discretionary expenditures.