

**Report of
Central Library Surplus Property Criteria and Selection Committee
on the
Disposal and Redevelopment of the Central Library**

May 19, 2009

The City of Madison (the "City") authorized the solicitation of proposals from developers with demonstrated experience in the redevelopment of urban properties for the purchase and redevelopment of the current Central Library parcel and the sale of a condominium unit within a new redevelopment project for a new Central Library.

The Mayor appointed a Central Library Surplus Property Criteria and Selection Committee (the "Committee") which was charged with: 1) the development of a Requests for Proposals (the "RFP") to solicit interest from developers, 2) the establishment of proposal selection criteria, 3) the evaluation of proposals, and 4) the recommendation of a proposal to both the Library Board and the City's Common Council, which will then take final action to accept a proposal.

The RFP developed by the Committee required that proposals submitted provide the following:

- A "signature" building with urban design elements that provide a strong visible sidewalk presence for a new Central Library.
- A design that is responsive to the needs of a 21st Century library;
- Inclusive and fully accessible Central Library space that reaches out to all members of the community.
- A financially sound proposal that provides for the acquisition of the current Central Library and the sale of a condominium unit for a new Central Library.
- Demonstrated experience and capacity to implement and complete the proposal as submitted, including qualified experience in sustainable design and LEED certification.

Response to RFP

The Committee received two proposals in response to its RFP (collectively, the "Proposals") from T Wall Properties and Fiore-Irgens. These proposals are summarized below:

T. Wall Properties

Proposal calls for the acquisition of the current Central Library, the demolition of the building and the development of a new mixed-use building on the site. The new building would be approximately 240,000 square feet and include retail and office space and an approximately 100,000 square foot "grey box" condominium unit that would be purchased by the City for a new Central Library. The City would be responsible for the build-out (tenant improvements) of the interior space of the condo and the furniture, fixtures and equipment for the new Central Library. The proposal would require the temporary relocation of library operations and collections during the construction of the new building. The proposal will result in two moves for the Library (a move to a temporary location during construction and a move into the new Central Library condo unit). The Library would have an option to acquire additional space within the new building for future expansion.

Fiore-Irgens

Proposal calls for the relocation of the Central Library to a new, free standing "grey box" condominium building located at the corner of West Washington Avenue and Henry Street. The proposal includes the acquisition and relocation of the current Central Library and the phased redevelopment of the site into a mixed-use development that would include a 250-room hotel, retail space and structured parking. The City would be responsible for the build-out (tenant improvements) of the interior space of the condo and the furniture, fixtures and equipment for the new Central Library. The Central Library would continue to operate at its current location until the new Central Library is completed. Expansion rights are not included as part of this proposal. However, the Library would be provided an opportunity to discuss future expansion into the adjacent Network 222 building.

Rehab Options

In addition to the Proposals, the architectural firm of Hammel, Green and Abrahamson, Inc. ("HGA") evaluated the current Central Library building and developed rehab options to provide the Committee cost and financing comparisons with the Proposals. HGA provided the Committee with the following rehab options (collectively, the "Rehab Options"):

Rehab Option 1

Minimal deferred maintenance, code and life safety systems improvements and modest functional accommodations. Relocation of some library functions and staff to another location to allow for more programming and meeting space.

Rehab Option 2

In addition to Rehab Option 1, additional upgrades to HVAC/electrical/telecommunications systems and interior finishes to prepare the Central Library for its next 20 years. Eliminates the current outdoor plaza entrance and replaces it with an enclosed glass atrium entrance. Cleans the facade and adds large window on south end of building.

Rehab Option 3

In addition to Rehab Options 1 and 2, upgrades to the exterior envelope, including roof, windows and facade to address thermal performance issues and improve the building's aesthetics to align with that of a key civic building in an important cultural neighborhood (proximity to Overture Center). Includes a rooftop expansion to provide meeting and function rooms and creates an outdoor function area. This option would cause the least relocation of current library functions and staff.

Costs and Funding Implications of the Proposals and Rehab Options

The Committee developed a side-by-side comparison (the "Comparison") (attached) of the respective costs and funding implications of the Proposals and two of the Rehab Options (the Committee eliminated Rehab Option 1 as a viable option).

The T. Wall proposal has a total project cost of \$38 million that is offset by project income of \$4.320 million (proceeds from the sale of the current Central Library site and interest earned on the proceeds during the construction of a new building). This will require additional project funding (public and private) of \$33.837 million. After deducting a \$3 million contingent funding pledge from T Wall and the \$16 million anticipated to be received from the City there would remain a funding gap of \$14.837 million. The Comparison anticipates that private funds would provide \$7 million of this gap resulting in a remaining funding gap of \$7.837 million.

The Fiore-Irgens proposal has a total project cost of approximately \$43.6 million that is offset by project income of \$4.5 million (proceeds from the sale of the current Central Library site). This will require additional project funding (private and public) of \$39 million. After deducting the \$16 million anticipated to be received from the City there is a funding gap of \$23 million. The Comparison anticipates that private funds would provide \$10 million of this gap resulting in a remaining funding gap of \$13 million.

The HGA Rehab Option 2 has a total project cost of \$17 million that is not offset by any project income. After deducting the \$16 million anticipated to be received from the City this Rehab Option has a remaining funding gap of \$1.186 million. The Comparison anticipates that private funds could be raised to cover the remaining funding gap.

The HGA Rehab Option 3 has a total project cost of \$19.8 million that is not offset by any project income. After deducting the \$16 million anticipated to be received from the City this Rehab Option has a remaining funding gap of \$3.8 million. The Comparison anticipates that private funds could be raised to cover the remaining funding gap.

Property Tax and Hotel Room Tax Comparison of the Proposals and Rehab Options

The City Assessor provided the Committee with Value Estimates for each proposal to determine the amount of City property taxes generated by the proposed redevelopment projects. Two Value Estimates were provided for each proposal based on Existing Economic Conditions and Improved Economic Conditions. The T. Wall proposal would generate annual City property taxes of \$198,000 under Existing Economic Conditions and \$281,000 under Improved Economic Conditions. The Fiore-Irgens proposal would generate annual City property taxes of \$173,000 under Existing Economic Conditions and \$228,000 under Improved Economic Conditions. Under the Rehab Options the City-owned Central Library would continue to be exempt from property taxes.

The hotel component proposed in Phase II of the Fiore-Irgens redevelopment of the current Central Library site would generate estimated City room taxes of \$675,000 under Current Economic Conditions and \$798,000 under Improved Economic Conditions.

City and Public Library Budget Implications and Financing Options

Dean Brassler, City Comptroller discussed with the Committee the budget implications of the Proposals and financing options for a new Central Library. He stated that the Library is required to pay the debt service on any borrowing for its projects including a new Central Library. Currently the Library's operating budget has \$1.1 million in debt service. The \$16 million already planned to be borrowed for a new Central Library would increase the annual debt service to approximately \$2.25 million. The Proposals will require borrowing substantially more than \$16 million and the Library's debt service will increase relative to the additional amount borrowed. There may be some financing options available that the City could use that may reduce the amount of funds borrowed and repaid but the Committee did not explore these in depth.

Brassler stated that it was too early to discuss specific financing options to fund a new Central Library. He recommended that the Committee make its selection of a proposal and that the City would determine the type of financing that would be the most advantageous to the City to finance a new Central Library. He stated that federal Stimulus Funds could not be used for a new Central Library. However, to the extent Stimulus Funds were used to replace funds that are already budgeted in the City's Capital Budget, that it would free up funds that the Common Council could use to fund a new Central Library. There other funding programs that the City could explore for a new Central Library (e.g. New Market Tax Credits, Recovery Zone Bonds or Build America Funds). Any financing resources used by the City would not be project specific and could be used for either proposal.

Private Fundraising Feasibility

The Madison Public Library Foundation, Inc. provided the Committee with a "Fundraising Feasibility Report for Central Library Project" (attached) that it prepared to assess the amount of private funds that could be raised by a capital campaign for a new Central Library. The Foundation concluded that, given the current economic conditions, major gift donors will be hard to find and that even when the economy improves that a \$10 million capital campaign may be the most the community can support. It also concluded that it would need to plan for a 4-5 year capital campaign.

Proposal Selection Evaluation

The Committee developed and used the following Criteria to evaluate the Proposals:

1. Consistency with the goals for the new Central Library.
2. Development team qualifications and demonstrated capacity to implement and complete the proposal as submitted, including quantified experience with projects of similar scope and size and in sustainable and LEED-certified building design.
3. Project feasibility and soundness of financing plan including the financial strength of the Developer.
4. Development schedule
5. Proposed price and terms and conditions for the purchase of the existing Central Library and for the sale of a "grey box" condominium unit or stand-alone building for the new Central Library.
6. Conceptual design and plans.
7. Location.

Results of Committee's Evaluation of the Proposals

The results of the Committee's evaluation of the Proposals are as follows: the T. Wall proposal received 420 points out of a possible 600 points and the Fiore-Irgens proposal received 459 points out of a possible 600 points.

Committee Proposal Selection and Recommendations

Based on the results of its evaluations of the Proposals, the Committee selected and is recommending the Fiore-Irgens proposal. The Committee adopted the attached resolution on May 14, 2009 with Fiore-Irgens as its recommended proposal.

Respectfully submitted,

Central Library Surplus Property Criteria and Selection Committee