

Preliminary Feasibility Study for a Public Market for Madison, Wisconsin

Prepared for:

University of Wisconsin Center for Cooperatives

&

HomeGrown Wisconsin

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DISCLAIMER: The information in this report is the result of pre-feasibility research. A decision to pursue development of a public market should only be made after a business plan is completed.

Definition of a Public Market – Importance of Vision

The definition of a public market has changed over time. Traditionally, a public market was defined in the United States as a municipally owned and operated building in which vendors sold fresh food from open stalls. There are existing markets that match this definition. However, the concept of a public market has an even wider definition now. Public markets come in a variety of settings and shapes, offer a wide range of products, and are owned and operated by different types of organizations in a variety of management schemes.

In a nutshell, markets include vendors who meet regularly at the same location to sell their wares, a sponsoring entity that holds legal and financial responsibility and that oversees operations; and the structures or facilities in which market activity is housed.

Characteristics of public markets that distinguish them from other types of retail activity include public goals, public space, and locally owned independent businesses.

Market Models (public/private/non-profit)

There are many ways to organize and set up a public market. In researching public markets, we conducted interviews with eight public markets across the country. Each market has its own structure, way of operating and flavor. Here are a few examples:

- ◆ Main Street Market in Viroqua, Wisconsin is owned and managed by a family-owned progressive real estate developer. The market, which just opened in April 2004, serves a relatively small town of 4,000 people, and will potentially draw from the tri-county region of LaCrosse, Vernon, and Crawford Counties.
- ◆ Granville Island Market in British Columbia, Canada is owned, along with the entire island of Granville Island, by the federal government, as crown land. It is managed by an agency of the Canadian government called the Canada Mortgage and Housing Corporation.
- ◆ North Market in Columbus, Ohio is owned by the city of Columbus, but managed by a nonprofit called the North Market Development Authority.
- ◆ River Market in Little Rock, Arkansas is owned by the city of Little Rock, but managed by the Little Rock Department of Parks and Recreation. Previously, it was managed by the Downtown Partnership, which was a board of local businesses.
- ◆ The Cross Street Market, one of several public markets in Baltimore, Maryland, is owned by the city of Baltimore but managed by a quasi-public agency made up of private and local entities. The management agency is a 501(c)3 nonprofit agency. Originally, the market was owned and managed by the city of Baltimore.
- ◆ The Findlay Market in Cincinnati, Ohio was left to the city with the stipulation that it remain a public market. It is owned by the city of Cincinnati and until recently was managed by the city as well. Soon, it will be managed by a private nonprofit corporation.
- ◆ The Metro Market of Des Moines, Iowa was formed as a limited liability corporation, essentially a partnership between two individuals. Both partners own and manage the market in addition to having full-time jobs. One partner's wife also helps to manage the market. They were forced to have a mini security offering to raise capital for the construction. As a result, they have investors, but they are hoping to buy out the investors at some point so that it will be solely owned by the partners.
- ◆ Portland Public Market in Portland, Maine was created as a result of witnessing firsthand the success of several large public markets on the west coast. Elizabeth Noyce's longtime

friend and advisor, Owen Wells, suggested that they create a new indoor public market in Portland. In the fall of 1995, work was begun determining the feasibility of the project, and in May 1996, the decision was made to implement the project. It is owned by October Corporation, which is a nonprofit title-holding company of the Libra Foundation. The Libra Foundation is a Maine-based private charitable foundation created by the late Elizabeth B. Noyce. Libra Foundation makes grants to charitable projects in Maine or that benefit Maine causes. The market is managed by Agricultural Marketing, Inc. who took over management in 2001 from Market Ventures.

Key Market Components: Experiences of Selected Markets

Role and Involvement of Farmers

The markets interviewed had various roles and levels of involvement with farmers. Many public markets were affiliated with farmers markets in different arrangements. For example, the Granville Island Market has a truck market outside which serves as an incubator and farmers market. There are lots of other farmers markets on the island, but they compete with the public market and its truck market. Farmers typically use the daystalls and show up on a seasonal basis. The original intention was to have more farmers involved; however, they learned to back away from this hope because they found that farmers do not necessarily have the time to sell and farm. Farmers are allowed to wholesale their products to other market vendors.

North Market also has an affiliated farmers market located outside of the public market. The farmers typically sell at the farmers market on Saturdays.

Like the North Market, the River Market has an affiliated farmers market, which is outside of the main public market building. They do not have any vendors who are farmers inside the market. Sometimes the farmers at the farmers market outside can cut into the profits of the vendors inside. Farmers are not often wholesaling to vendors inside, but the manager wishes they would.

Yet in Baltimore, the farmers markets are not connected to the public markets. In addition, the public markets do not typically have temporary vendors. There is one farmer vendor in all of the Baltimore public markets, but he is not at Cross Street.

The Findlay Market also has a farmers market outside of the public market. There is a shed, at which farmers back their trucks up on Saturdays. They have 24 tailgate stalls, and 30 vendors. Some are seasonal.

The Metro Market has quite a few farmers (five or six) who are permanent vendors in the public market. Farmers tend to do their own retailing and typically do not wholesaling to other vendors. One of the vendor stalls in the Metro Market, the One Stop Meat Market, is actually a cooperative, which is composed of six to seven meat producers. By acting as a cooperative, they subsidize rent and share staffing. There is a farmers market in the summer months in Des Moines, but it is not connected to the public market. Des Moines has one of the bigger farmers markets in the country with 200 outdoor vendors.

The Main Street Station, which just opened, hopes to have farmers involved. They even have a hydroponic farmer who will come in after the season is over to sell in winter. They have an Amish farmer also. There is a farmers market across the street, but it is not affiliated with the

Main Street Station. However, the farmers market attendees will be able to use the restrooms in the public market, bringing people in.

Market Users

In speaking with managers of public markets, it seems clear that the main users of public markets are local residents within a certain radius of the market. Most market managers thought that their customers were those living in the metropolitan area of the town in which the market was located. Many managers were adamant that tourists were not their market, because tourists typically do not buy unprepared food.

As for the market area, most managers felt that this was anywhere between 3 miles (Granville Island Market, British Columbia) and 30 miles (River Market, Little Rock, Arkansas). In terms of population, this varied from 4,000 people in the case of the Main Street Station in Viroqua, Wisconsin to over a million in the case of the North Market of Columbus, Ohio.

It is also important to remember that users of public markets include both retail users and wholesale users. Some markets, in addition to selling to the average resident, sell to larger-scale buyers, such as restaurants. Market vendors also have the potential to buy from each other.

Vendor Mix and Characteristics

Without vendors to sell items, a public market would not exist. Those wanting to open a public market need to think about what types of vendors they want to bring into the market. Generally, it takes two to three vendors with similar products to create a sense of competition and excitement in the market. While it is important to allow each vendor some unique niche or core product, this must be balanced with competing products for the market to succeed. In a public market setting, it is not ideal to have one-of-a-kind vendors, particularly in food categories (fish, meat, produce, dairy products, etc.) or to give any one vendor an exclusive right to a particular product.

The manager of the River Market explained some of the issues around choosing vendors for a market. When they first opened the market, they brought on vendors just for the sake of having vendors. Often these vendors did not promote the public market image. The image is of a “carefully crafted, intentional, and diverse medley of owner-operated shops, stalls, and/or daytables existing to fill a public purpose and reflecting that which is distinctive about a community while meeting its every day shopping needs.” Now, they are trying to weed out the vendors that do not fit the image, such as BBQ places, and find vendors that do. In their experience, they have found that there is a significant amount of turnover. Apparently, people think that they are pretty good cooks at home; however, in many cases, they do not know how to run a successful food business. They try their luck at the market and fail. As mentioned in *Public Markets and Community Revitalization*,¹ opening a public market with only inexperienced vendors greatly increases the probability of failure. A difficult decision is whether to rent stalls to less desirable tenants, as the River Market did, or to leave stalls vacant, while looking for tenants who meet the predetermined criteria.

In addition, being a successful permanent vendor in a public market entails a significant commitment and proven success with selling products at retail. Start-up businesses are not appropriate businesses to sign on as permanent vendors. Most markets insist on their permanent

vendors signing leases of at least a year. The market manager at the River Market also suggests not signing longer term leases with permanent vendors unless you feel strongly that they will be a good fit with the market.

It is also extremely important to have the owner of the business in the market. Public market sellers should own and operate their own market stalls. Many markets insist that the owner be present at the market a certain number of days each week. This allows for the customer service that supermarkets cannot provide since owner/operators have raised or made the product he or she is selling.ⁱⁱ Public markets are known for their customer service and hospitality. Owner/operators have the potential to offer the customer the most knowledgeable and attentive service, as well as the accountability that only an owner can provide. Sharing spaces or stalls at a public market tends not to work, because no one vendor is responsible. Only where there is an established cooperative, as at the Metro Market, can sharing a vendor space work. The one other way that farmer/vendors succeed at public markets is when they have members of their family who specialize in retailing their products.

While a public market may want to involve farmers in their market, they must realize the difference between farming and retailing. Many farmers simply do not have the time and resources to retail their products effectively. Public markets can be a direct benefit to farmers when farmers are encouraged to form cooperatives for retailing purposes and/or wholesale their products to market vendors (and vendors are encouraged to carry farmer products).

Vendor turnover seems to be an issue in any public market. One way of dealing with this problem includes creating airtight, longer-term leases, with penalties for breaking the lease. Limiting the number of temporary spaces is another way of addressing this. But the most important key to vendor stability is good management, including appropriate, workable, and equitably applied market rules, and effective marketing that results in improved vendor sales over time.

Anchor tenants are another matter that public markets need to decide upon. Most public markets we spoke with did not have anchor tenants. Potential anchor tenants include groceries, restaurants, garden centers, and fair trade stores. One market, the Metro Market, considered their art gallery/coffeehouse and auction space to be anchors. The art gallery/coffeehouse are open far more hours than the actual market. The owners hope that the auction space will be so successful that it will subsidize the rest of the market. The River Market has a brand new grocery store that they consider an anchor; however, it is a local grocery, not a chain. The Cross Street Market does not have an anchor, but is looking for a grocery store to serve in that role. The Portland market has one restaurant anchors and is developing a second.

Allowing for eat in and takeout food, in addition to unprepared foods, creates a real market atmosphere. The inclusion of restaurants and other businesses selling prepared foods encourages people to socialize at the site. In addition, depending on market rules, vendors may sell a combination of unprepared and prepared foods. The addition of tables and chairs and public spaces takes this concept even further, and is an important feature of many public markets.

Daystalls or temporary vendors are an important part of the market as well. These stalls, rented on a daily, and sometimes weekly, basis, are used to supplement products offered by the permanent businesses, act as an incubator for start-up businesses, and provide customers with some new and exciting, changing options. Daystalls can be especially useful to farmers or

producers who may not be able to lease a permanent spot, because of limited resources, time or the need to be producing/growing what they sell. Daystalls provide an excellent opportunity to test market products and incorporate resulting feedback into business planning. In some markets, such as Portland, daystalls are also rented to non-profit organizations such as the Girl Scouts to sell cookies or the Maine Organic Farmers and Growers Association to promote their work.

Space Utilization

In discussions with existing markets, it seems that most markets use about half of their total space for vendors, with the rest for other necessities (such as storage, special features, etc.) and open spaces where shoppers can sit and gather.

The amount of storage and where and how it is provided varies significantly by market. Most markets provide both dry and refrigerated storage. In some markets, like the River Market, storage space (both dry and refrigerated) is available to vendors for a price per square foot. In other markets, such as the Findlay Market, Cross Street Market and the Metro Market, the storage, prep and cooler space is part of each vendor's space. In other markets, such as the Granville Island Market, there are common storage and cooler spaces of 150 to 3,200 square feet. Storage space was one of the elements of the market that managers felt was lacking and, in hindsight, most would have planned for more storage space. The Portland Market manager suggested a guideline of at least 250 square feet of storage per vendor, noting that some vendors need 400 to 500 square feet of storage. Produce vendors, in particular, need refrigerated storage.

Another component of the market is a loading dock, with which vendors can receive deliveries and bring in their products. The manager at the Granville Island Market mentioned this as a critical need of theirs. She explained that it is necessary to have a loading dock, so that deliveries can be pallet-jacked. The Granville Island Market does not have one and, as a result, they have to bring all deliveries through one door.

Adequate parking is a necessity for any market. The amount of parking required varies according to the size and type of market. By rule of thumb, for market halls, it is important to have five to six spaces for each vendorⁱⁱⁱ. Locating public markets in a downtown area with significant biking and walking opportunities and access to public transportation is another important consideration.

Some public markets have demonstration kitchens, while others do not. Those that do tend to have cooking classes and catering in and around the kitchen. Entertainment is offered at the vast majority of markets; this typically includes festivals and special events. The Metro Market is unique in that it considers its coffeehouse/art gallery to be its anchor store. In addition, this market has an auction house that operates in the basement of the market; they feature onsite auctions as well as Ebay auctions.

Of most markets researched, temporary spaces seemed to make up a small portion of the available space. Temporary space, or daystalls, are typically no more than 24 to 50 square feet in size. In some markets, there are no temporary spaces. Temporary spaces offer those who have an idea for a product a way of testing that product in a retail environment. These temporary spaces serve as a kind of incubator for start-up businesses, and can provide valuable exposure to community non-profit organizations. On the other hand, day spaces require additional effort on an ongoing basis to schedule and maintain.

Most of the outdoor use of the markets interviewed seemed to be used for farmers markets and craft markets. Otherwise, these markets tended not to have usable outdoor space.

Ownership & Management

Ownership and management of different markets tended to differ from market to market. However, many of the markets were either owned and managed by the city or owned by the city and managed by a nonprofit development corporation. A couple of markets were privately owned, either by a partnership, a foundation, or by a family.

How the owner(s) interact with the manager(s) is another issue. For example, the Findlay Market, was previously owned and managed by the city of Cincinnati. With a declining neighborhood, the city began to look at the market as part of an economic development strategy. To find a better management model, they looked at other markets throughout the country. Cincinnati found that thriving markets typically were operated by nonprofits, not cities. Their experience has been that the city managers in Cincinnati are committed, but they are constituent-driven, not necessarily business-like, strive for consensus, and take a long time to make decisions. Bob Pickford, Executive Director of the Corporation for Findlay Market, realized that this is not a good way to run a business. The quality and speed of decision-making suffers and costs more with the city managing.

As a result, soon Findlay Market will be owned by the city, but managed by a private nonprofit organization, overseen by a board of directors. There will be a master lease, which means that the city will lease the facility to the nonprofit. The city will contract with the nonprofit for management services. The nonprofit will sublet to vendors and be responsible for operations, maintenance and marketing.

Market Staffing

While each market seems to have its own staffing configuration, there is some overlap. For example, the North Market has an executive director, overseen by a board of directors, a director of operations, a director of marketing, an office manager, one other person, and one maintenance person. The River Market has a market manager, a special events coordinator, a catering and programs coordinator and an operations manager. In addition, they have a maintenance person that is shared by the special events and catering coordinators, and four who clean and work the market. The Cross Street Market, has a field manager, director of operations, a financial manager, a receptionist and four maintenance people who work for all six of Baltimore's public markets. There are also two custodial people per market. The Findlay Market, with the new renovation, counts on having a staff of seven: an executive director, an operations manager, a marketing coordinator, an office administrator and three full-time operations and maintenance staff. The Metro Market and the Main Street Station, as small markets, rely on the owners and family members for all the work. The Granville Island Market has a market manager, who negotiates leases and handles legal issues; three market coordinators, one on duty at all times, during, before and after the market; a janitorial crew, which can be contract or unionized; and bookkeeping and accounting, which is taken care of with that of the entire island, but before this was two people.

Effective market management requires a hands-on approach in which the manager is on the floor, working directly with vendors, negotiating, enforcing rules, and problem-solving on a daily basis. It is essential to have a market manager with authority present at the market whenever the market is in operation and/or open to vendors. The personality of the market

manager and his or her ability to get along with vendors yet enforce the rules evenhandedly is essential to the success of the market.

Market Rules

One necessary piece of any market is market rules. In any market, these rules seem to evolve as market managers notice things that they do not like, however it is important to start out with a clear set of rules or the market may attract tee-shirt and fast food vendors only. Most markets have rules about what its vendors can sell. These rules are critical to shaping the nature of competition and complementarities in the market. Enforcing these rules is the number one job of the market manager. The Metro Market tries to assure that all products are Iowa-made. Often, market rules start out being too restrictive, and have to be loosened up to better serve the needs of consumers. For example, in Portland, the market has added a general store selling convenience goods as well as microbrews to meet neighborhood needs. Portland also began with rules that allowed the sale of sandwiches but not sodas, and the sale of unprocessed produce but not fruit cups. Those rules have all changed. The rules established for the market must seek a balance between supporting the market's public purposes and attracting customers by meeting their needs and expectations.

Most markets insist its vendors have a certain amount of liability insurance; however, the Main Street Station is lenient on that requirement, due to the fact that they have Amish vendors, who do not believe in insurance. Other types of rules include hours and days of operation, fee structures, penalties, allowable uses and products. Some markets do not allow national or regional chain stores. Other rules may discuss cleanliness of stalls, display options and signs, parking, garbage, behavior, etc.

Categories of rules include:

- ◆ Market hours and days.
While most markets we interviewed were open 6-7 days per week, the Metro Market was only open on weekends. Outlining the market hours and days of operations will help to assure that vendors know when they are expected to be there.
- ◆ Receiving and deliveries
Vendors must be made aware of when and where they are expected to receive deliveries.
- ◆ Garbage and trash
It is important to make vendors aware of when and where garbage is taken.
- ◆ Sanitation
Keeping stalls clean and neat on a regular basis is important to spell out. There may be different types of sanitation needed for different vendors, depending on what they are selling.
- ◆ Storage
Rules should specify where and how vendors should store produce or merchandise.
- ◆ Signage
Many markets specify that a vendor must have a sign, with particular dimensions and other characteristics.
- ◆ Fair and honest trade
Vendors must agree to conduct fair and honest trade and label products honestly.
- ◆ Modifications to stands
In many markets, vendors are discouraged from making serious modifications to their stands. Minor modifications must be approved by the market management.

- ◆ Parking
Vendors need to be told where they can and cannot park.
- ◆ Care and maintenance of equipment
This is a way of asking vendors to keep both their equipment as well as the equipment that belongs to the market in decent condition.
- ◆ Operation of market facilities
These types of rules specify that only market management can modify market facilities and infrastructure, such as lighting, heating, doors and locks, audio systems, etc.
- ◆ Courteous family environment
Vendors are expected to present themselves professionally in manner and dress with no swearing or obscenities.
- ◆ Penalties for rules violations
Such rules specify when, how and what will happen to vendors if they violate the rules. Specifying the penalties for rules violations is important. The manager at the River Market explained that penalties need to be enforced; otherwise, vendors will not follow the rules.
- ◆ Appeal
This type of rule allows vendors to have an authority to deal with appeals.

Other items that may need to be spelled out are what products can or cannot be sold. The manager of the River Market explained that use clauses should be followed. Stalls should be used as they are specified to be used. She warned against letting vendors do whatever they want with their stalls.

With regard to products, markets tend to specify what products can and cannot be sold. This is often specified in the lease and/or the market rules. An agreement that each vendor agrees to what they can and cannot sell is part of the Portland Public Market's leases. The Metro Market cannot accommodate frying, because of the lack of fire suppression systems. They do not require vendors to make what they sell. They just ask that their vendors sell products with an Iowa flavor. Other markets may specify that no chain stores are allowed. The Portland Public Market's vendors are all independent, locally owned businesses. Originally, their product specifications were too strict; now their produce stands are allowed to sell fruit cups and salads. Their focus is on having owner-occupied stalls, with a Maine product focus, and locally owned businesses.

With regard to competition, there are different philosophies. The Metro Market, for example, uses their leases to pin down what vendors will and will not be selling. This is their way of controlling competition. Getting into the Metro Market is also not on a first come, first served basis. The Portland Market keeps people within their product lines. They try to protect the core product (e.g. pies) but allow vendors to compete on brownies, for example.

Merchandise mix refers to the mixture of product types sold within a public market. The market planner must try to formulate the right mix of products to attract the targeted customers, ensure adequate sales for the vendors, and fulfill the purpose of the market. According to Spitzer,^{iv} “the key elements that distinguish markets from other retail environments are the presence of multiple, independent sellers offering similar products and the resulting competition among them.” Spitzer insists that having internal competition forces vendors to specialize more in terms of the products they sell. Spitzer believes that at a minimum at least three different vendors must sell similar products to spur internal competition. Yet, markets that we interviewed were

concerned with too much competition. One market manager explained that they tried to prevent vendors in their farmers market from competing with the vendors in the public market.

Rules for temporary vendors are necessary as well. Whether these differ greatly from those for the permanent vendors depends on the differences between permanent and temporary vendors in the market. Many of the same rules will be necessary for temporary vendors. However, since these vendors may be simply day vendors, some of the rules might be a little less strict. Rules to be sure to have for temporary vendors are those about fees, penalties, days and hours of operations, allowable uses and products, cleanliness, display, parking and garbage. Pike Place Market in Washington, for example, specifies that daystalls are to be used for fresh produce from local farmers. In addition, uses that serve local shoppers are preferred over those that are primarily tourist-oriented. Pike Place Market wants to avoid monopolies whereas some other markets want little competition. While daystall rules are typically less involved than permanent vendor rules, many of the rules are the same. Most markets have daystall rules and permanent vendor rules; the same issues are covered but typically in different levels of detail and strictness. Pike Place Market's daystalls are typically for either farmers or craft producers.

Market Promotion and Community Revitalization

Marketing is an essential part of promoting a public market. While some markets rely on physical visibility and word of mouth, others use advertising and promotion. According to Spitzer, a complete marketing program for a public market has three components: advertising, public relations and special events. Advertising could take the form of print media, electronic media, market signs, billboards, banners, posters and brochures. Promotional items such as aprons, shopping bags, t-shirts and hats printed with the market logo can help spread the word.

Marketing a public market involves reaching out to potential shoppers as well as potential vendors. There are different ways of doing this. Some markets, through advertising, target shoppers as well as vendors. Another example is an event at the Findlay Market this past April, at which entrepreneurs came for a close-up view of doing business in the market. The Findlay Market Business Fair offered facility tours and lots of information about starting or bringing a business to the market.

Using the media to get the word out can be an effective way of free promotion. Developing positive relationships with local media is important. Then making them aware of interesting stories and events can help to bring them to the market. Public service announcements are another way of getting free publicity. While these methods are free, they are not necessarily reliable or substantial. Therefore, these methods should not be substituted for maintaining an adequate marketing budget.

Publishing a market newsletter is another way of promoting the market and showcasing specific market vendors and supporters. The Findlay Market and Portland Public Market both have market newsletters which feature news and profiles of vendors.

Special events and ongoing programs expand the market experience. Events can range from a simple food tasting to an extensive day of festivities. Festivals can bring many new people into the market. Most of the markets we spoke with also featured events in the market. The Findlay Market, for example, hosted their first annual Findlay Market Flower Festival on May 22. Entertainment is another way of luring shoppers into a public market. Many of the markets we

spoke with, including the Findlay Market, the Metro Market and the Main Street Station, feature musicians and other entertainment.

Testing the effectiveness of a marketing program is something to think about for the future. This can be done using customer surveys to get an idea of who is shopping at the market, how they see it, and how they first heard about it.

Public markets also have positive impacts on communities. According to recent report^v, effective public markets help shoppers and vendors to achieve upward mobility, bring people of different ethnic and income groups together, create vital and safe public places, invigorate low and moderate-income neighborhoods, support small scale economic activity, bring fresh and high quality produce to city residents, and help protect open space and farmland around cities. The Portland Public Market has won several awards for the impacts it has had on the city of Portland. For example, the market was honored as the first ever recipient of the Community Building by Design Award, a national award given by the Department of Housing and Urban Development and the American Institute of Architects. “The award goes to projects that play an exemplary role in helping to revitalize the communities in which they are located by enhancing the community’s physical fabric,” announced Ronald Scaggs, president of the AIA during the awards ceremony. The market also won the 2000 Exemplary Economic Development Planning Award from the American Planning Association as an excellent example of downtown revitalization and for the quality of the project. The market has won many other awards that acknowledge its success in revitalizing the neighborhood, serving locals and tourists alike and efforts in job training assistance.

While promotion of the actual public market is a necessity, and an important part of the job of a marketing manager, often assisted by a promotions staff person, vendors need to understand they need to do their part also. Promotion of the market is intended to bring people to the market, while vendor advertising and marketing is necessary to bring people to the specific vendor in the market. This was something mentioned by the owners of the Metro Market. They explained that advertising is expensive for market managers to undertake on their own. Meanwhile, vendors benefit from any advertising. As a result, they suggested encouraging vendors to do advertising on their own and treating the market like a mall. Market managers’ advertising is for the market. Vendors need to market themselves.

A Market for Madison

Based on our research and facilitated meeting with the CAFF, here is our attempt at stating a mission for Madison’s Public Market.

The mission of the Madison Public Market is to:

- ◆ Promote Wisconsin agriculture and Wisconsin-made products
- ◆ Meet local consumer needs for produce and food products
- ◆ Serve as a business incubator for Wisconsin farmers and small Wisconsin food and agricultural products businesses.
- ◆ Encourage community revitalization in Madison

Scale

Of the public markets we were able to interview, some had populations similar to Madison (191,262), including Little Rock, Arkansas (175,795) and Des Moines, Iowa (193,187), while

some others had much larger populations served by several markets, including Columbus, Ohio (711,470), Cincinnati, Ohio (331,285), Baltimore, Maryland (651,154). Other markets interviewed have much smaller populations, but still provided some valuable lessons, including Portland, Maine (64,249), Viroqua, Wisconsin (4,335), and Granville Island, British Columbia, which has very few permanent residents.

Based on our research, we believe Madison can support a 25,000 square foot public market of which 11,000-12,000 square feet (on the first floor, if a two story building is selected) will be available for potential vendors. The rest of the space will be divided up for open space for eating and socializing, storage space (both cold and dry), office space, loading dock, restrooms, elevator, and stairs. Ideally, the market will be located in a setting where future expansion is possible, if warranted.

A 25,000 square foot public market will have space for approximately 22 permanent vendors. For example, the market might include 3 produce vendors, 3 dairy vendors, 2 bakeries, 2 flower vendors, 3 meat vendors, 4 prepared foods vendors, 2 seafood vendors, 1 fair trade store, 1 restaurant, 1 miscellaneous (non-food agricultural products). In addition, there would be space for four day stalls of 100 sq. ft. each.

Proposed Management Structure

Most of the markets we researched seem to have 4-8 staff people. For the Madison Public Market, we would recommend the following staff configuration:

- ◆ Market Manager/Executive Director
- ◆ Marketing/Events Coordinator
- ◆ Administrative Assistant
- ◆ Maintenance

The Market Manager/Executive Director would necessarily be a full-time position. This person would be in charge of the overall management of the market, in addition to finances. The Market Manager will do the hands-on, day-to-day management of the market to ensure the market runs smoothly. The Marketing/Events Coordinator could start out either as a full-time position or as a part-time position with the potential to become full-time once there was a need. This person would be in charge of marketing the market and the planning of events. There is a definite need for a maintenance person or people. This could start as one person with the potential for an expansion to two or more people once the need is established. An administrative assistant would support the market manager and the marketing/events coordinator, and is probably a three quarter to full-time position.

Based on rules from other markets, it should be fairly straightforward to put together market rules for permanent and temporary vendors at the Madison Public Market. Some issues to make sure are featured in the market rules include the following:

- ◆ Market days and times of operation
- ◆ Holidays or days when the market is closed.
- ◆ Liability insurance requirements
- ◆ Discussion of what can and cannot be sold by vendors
- ◆ Policy on sharing space
- ◆ Policy on owner being present in the market a certain percentage of the time.

- ◆ Conformance with applicable laws and regulations.
- ◆ Fees and forms and dates of payment
- ◆ Parking
- ◆ Garbage
- ◆ Set-up and break-down for temporary vendors
- ◆ Display guidelines
- ◆ Cleanliness
- ◆ Conduct
- ◆ Receiving and deliveries
- ◆ Storage
- ◆ Fair and honest trade
- ◆ Penalties for rules violations
- ◆ Procedure for appeal of rulings by the market manager

Financials

The following pro forma is based on a template provided in *Public Markets and Community Revitalization* by the Urban Land Institute and the Project for Public Spaces. It has been customized to suit the size and staffing patterns of the Madison Market. All numbers are estimates that seem reasonable as a starting point. Additional research to adjust and refine these numbers will be needed if and when this project moves forward.

For example, the pro forma included here assumes zero debt. For this to be true, the City of Madison or another party would have to find ways to finance construction and/or renovation that don't require repayment by market tenants.

Other assumptions built into the pro forma include:

- 11,000 square feet of leaseable space for permanent vendors at \$20/sq.ft.
- 4,800 square feet of refrigerated storage at \$1.20/sq.ft.
- 2,400 square feet of dry storage at \$0.50/sq.ft.
- 8 office spaces of 225 sq. ft. each with 3 spaces used by the market itself
- 4 daystalls of 100sq.ft. each at \$10/day
- 2,400 sq. ft. open space for eating and gathering and demonstration kitchen
- Security services provided by the City of Madison at no charge
- Market operates 25 days/month for 12 months/year
- The inflation rate is 3% per year and rent grows at 1% over inflation
- Fringe benefits are 30% of salaries
- The vacancy rate is 27% (6 vendors) in year 1, 20% in year 2, 10% in year 3 and 5% thereafter. The vacancy rate for daystalls is 50% in year 1, 40% in year 2, 25% in year 3 and 15% thereafter.

Based on these assumptions, which can be modified as needed, the net operating income for the market is negative in the first two years and positive thereafter.

Madison Public Market Pro Forma
Draft May 24, 2004

	Year 1	Year 2	Year 3	Year 4	Year 5
INCOME					
Vendor Rents*	\$220,000	\$228,800	\$237,952	\$247,470	\$257,369
Storage Rents**	\$6,960	\$7,238	\$7,528	\$7,829	\$8,142
Office Rents***	\$36,000	\$37,440	\$38,938	\$40,495	\$42,115
Day stall fees****	\$12,000	\$12,480	\$12,979	\$13,498	\$14,038
Common Area Charges (incorporated in vendors' rents)					
Vacancy Lost*****	-76,999	-58,540	-30,479	-15,862	-16,178
Total income	\$197,961	\$227,418	\$266,918	\$293,431	\$305,486
EXPENSES					
Personnel					
Market Manager	\$45,000	\$46,350	\$47,741	\$49,173	\$50,648
Marketing/Events Coordinator, part-time	\$25,000	\$25,750	\$26,523	\$27,318	\$28,138
Administrative Assistant	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
Maintenance	\$40,000	\$41,200	\$42,436	\$43,709	\$45,020
		\$0	\$0	\$0	\$0
Fringe Benefits	\$37,500	\$38,625	\$39,784	\$40,977	\$42,207
Advertising/Events	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Office	\$13,500	\$13,905	\$14,322	\$14,752	\$15,194
Legal/Professional	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
Insurance	\$13,000	\$13,390	\$13,792	\$14,205	\$14,632
Fees/Permits	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126
Utilities	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
Garbage	\$18,000	\$18,540	\$19,096	\$19,669	\$20,259
Supplies	\$15,000	\$15,450	\$15,914	\$16,391	\$16,883
Total Expenses	\$250,000	\$257,500	\$265,225	\$273,182	\$281,377
Net Operating Income	(\$52,039)	(\$30,082)	\$1,693	\$20,249	\$24,109

KEY ASSUMPTIONS

No Debt Service	
Operating Months Per Year	12
Operating Days Per Month	25
Fringe Benefits	30%
Inflation Rate	3%
Rent Growth Over Inflation	1%
Security provided by City of Madison at no additional charge	
Development Cost	\$6,000,000

Vacancy Rates	27%	20%	10%	5%	5%
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* Based on 11,000 sq. ft. @ \$20/sq.ft.

**4,800 sq.ft.refrigerated @ \$1.20/sq.ft.

2,400 dry storage @ \$0.50/sq.ft.

*** 8 office spaces of 225 sq. ft. @ \$20/sq.ft. / 3 spaces are for the market itself (revenues included here)

**** 4 daystalls @ \$10 each for 300 days/yr

***** Vacancy rates for day stalls: 50%, 40%, 25%, 15%, 15%.

Estimate of Revenue Requirements

Typically, rents paid by permanent vendors at public markets are the equivalent of between 3% and 10% of gross revenues. This figure varies depending on the amount of rent subsidy provided, the types of products sold by vendors, and other factors. If we assume permanent vendor rents are equivalent to 6% of gross revenues (of permanent vendors) overall, the Madison Public Market would need to do about \$3.3 million in business in year 1, expanding to \$4.3 million by year 5. This appears to be an entirely reasonable figure, considering that the Dane County Farmers' Market gross revenues for Saturday sales over six months were estimated at \$7.8 million in 2003.

The 2003 Dane County Farmers' Market Survey Summary by Steven LeMire also indicates that supporting Wisconsin agriculture and relation businesses is important to over 80 percent of people who attend the farmers' market. While there is unlikely to be as much direct farmer involvement in the public market, if it is positioned as a showcase for Wisconsin products and carries products from Wisconsin farms, it is likely to have a similar appeal to Madison consumers.

To put the revenue requirements of the Madison Public Market in larger context, total receipts for the 31 very small Dane County grocery stores and specialty food stores with no paid employees were \$5.1 million in 2001, while the annual payroll of grocery stores (including specialty food stores) in Dane County in 2001 was \$68.6 million. A public market typically generates much higher sales per square foot than a grocery store. The average square foot sales for Madison area grocery stores is \$14.42², whereas the average per square foot sales for the public market, based on a sales area of 11,000 square feet, would have to be \$300 to meet the revenue projections based on rent equivalent to 6% of gross sales. Sales per square foot for the proposed Milwaukee Public Market are \$744 in year one to \$1,016 in year 5 (1997 dollars).³ Projected revenues for a very small (4787 sq. ft. of retail) public market in a low-income neighborhood in Philadelphia were estimated at \$200 a square foot (1997 dollars).⁴ Similarly, the projected sales per square foot for a public market in Burlington, Vermont were \$207 (1997 dollars).⁵ Madison will draw from a larger trade area than the Philadelphia market and has a significantly larger population base than the Burlington area. We do not know the average square foot sales for restaurants in Madison. Resources available for this study did not permit a full-blown analysis of market demand.

A highly successful Madison Public Market could exceed the revenues required by the market pro forma presented here, but, in general, it is preferable to start small, prove the viability of the concept, and expand, than to start too large. The site selected for the public market should, ideally, be a site that can accommodate expansion over time. If the public market concept is a hit

² Madison, Wisconsin field update market analysis study prepared by Dakota Worldwide for Williamson Street Co-Op, November 2003.

³ City of Milwaukee, Wisconsin, Third Ward Commercial Market Feasibility Study prepared by Gibbs Planning Group, Inc. & The Green Group for Historic ThirdWave Association, May 1997.

⁴ Public Markets: Development and Management of Satellite Markets in Philadelphia, Pennsylvania prepared by William G. Kindya and R. Duane Perry for Farmers' Market Trust, August 1998.

⁵ Burlington Public Market Feasibility Study Part 1: Economic and Demographic Analysis prepared by the Project for Public Spaces/Public Market Collaborative for the City of Burlington, December 1997.

in Madison, another alternative would be to develop markets in different parts of the city, similar to the Baltimore approach, but on a scale suitable to Madison.

Possible Locations

A number of criteria may be considered when evaluating possible sites for a public market facility. Examples include:

- **Centrality:** A location at or near the center of the primary target market area should be considered. This location is usually determined through standard market analysis techniques (e.g., evaluation of demographic and socioeconomic characteristics at the household level or the use of information on purchasing trends of a given population).
- **Accessibility:** Standard retail analyses usually include a study of traffic patterns and flows that consider the propensity of pass-by traffic to be diverted (or captured) by the retail establishment. In addition, specific sites may be analyzed in terms of expected travel times to the site from specific target market areas. These types of analyses are more critical for retail establishments engaged in highly competitive arenas (e.g., fast foods) and may be less important to a facility retailing specialty products. In addition, modal accessibility is a consideration of increasing importance. How well is the potential site served by public transit? Is it within walking distance of target market areas? Can the area be accessed by bicycle?
- **Existing Buildings:** The majority of public market facilities involve some type of adaptive re-use of an existing building. There may be a number of reasons for this, such as a desire to pursue historic preservation goals, availability at a relatively low cost, public ownership/control of the building, and/or the desire to create a unique setting.
- **Land Values:** The fair market value of land varies greatly with its location in a regional marketplace. As such, the potential public market place may have to compete with other proposed uses for a given piece of real estate. Unfortunately, the economics of a potential public market facility are such that, in the absence of substantial subsidy, it is unlikely that it can effectively compete for the most desirable location.
- **Community Plans:** The location of a public market place may be directly affected by existing local plans. Some local plans may accommodate and embrace the concept while others may find it an incompatible use.
- **Community Development:** A community may seek to achieve other goals in siting a public market place. For example, the location may be intended to provide employment opportunities, food security, or serve as a catalyst for further investment in economically challenged neighborhoods; it may be part of a downtown revitalization effort seeking to provide additional activity nodes and to create a “24/7” central area; or it may be part of a strategy to attract and retain visitors to the community.

For the purposes of this study, these criteria were qualitatively considered. Should the project move toward implementation a full market study and facility feasibility study may consider these items in more detail.

As a result of the Working Group meeting (March 19, 2004) and subsequent conversations with local planning and development experts, three general areas were identified as possible sites for a public market place facility. These areas are displayed on the map at right. They are generally identified (top to bottom) as **Troy Drive** (Lakeview Hills Neighborhood area); **East Isthmus** (Marquette/ Tenney-Lapham Neighborhoods); **South Park Street** (Burr Oaks Neighborhood).



The Troy Drive and South Park Street areas were identified primarily as general locations where the City of Madison might be interested in pursuing the public market place as part of a broader community development initiative. No specific sites were investigated in these two areas; however, the South Park Street area includes an older, obsolete strip mall referred to as “The Villager.” This site is currently under the control of the City of Madison, which is beginning to contemplate redevelopment options for the near future. The Troy Drive area on the City’s north side represents another community development target area. This area recently lost its anchor grocery store that served several neighborhoods. The City is currently evaluating ways that it might assist resolving this issue. In May, 2004, the Office of the Mayor released a report entitled Grocery Stores in City Neighborhoods. This report identified an effort to create a member-owned food cooperative and an application to the USDA to help the Northside Community Co-op to “conduct a feasibility study and market analysis, create business plan, locate a site and needed capital and retain operations management.” The public market place concept could easily be incorporated into efforts in both of these areas.

The Working Group articulated a clear interest in establishing the public market place in the East Isthmus corridor. This area was viewed as being centrally located, providing easy access to a wide array of potential markets, and is the subject of the City’s East Rail Corridor Plan (January, 2004). The plan states “*The East Rail Corridor planning area is located on the east side of Madison’s Isthmus, generally bounded by South Blair Street, East Washington Avenue, the Yahara River and south frontage of East Wilson Street. Currently characterized by a diverse mix of industrial and commercial uses, multi-modal transportation facilities, housing and vacant lands, the East Rail Corridor has long been recognized in City plans both as the home of a wide variety of established successful businesses as well as a location with significant long-term potential for redevelopment with new and more intensive uses.*” (p. I-1) The following map identifies the overall development concept for the East Rail Corridor planning area.



In light of the recent completion of the East Rail Corridor plan, the Working Group’s clear interest in the Isthmus, and redevelopment activities on the increase, field research was conducted to identify a short list of viable sites that may merit more detailed investigation. Four of these sites are discussed below.

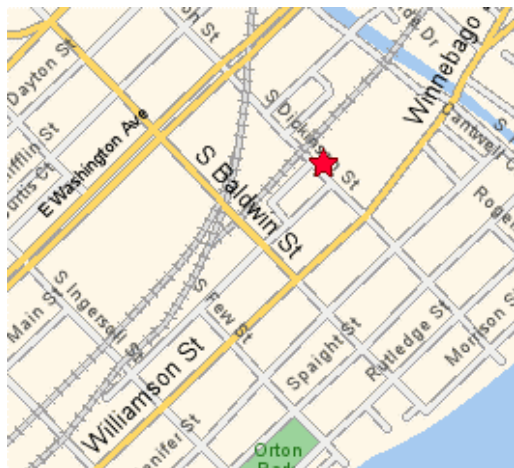
Old Wisconsin Telephone Building – 946 East Main Street

This building presented significant logistical problems for use as a production facility; however, it has real potential for use as a market place. The building is estimated at approximately 12,000 ft², which is significantly less than the 25,000 ft² that is estimated as needed for the facility. However, the structure is brick with unique arched roof and there are several doorways on all sides of the building that would help to create an atmosphere and pedestrian circulation pattern that is conducive to establishing the desired market place atmosphere. There are approximately sixty (60) adjacent parking places, plus numerous on-street and potential shared-use (i.e., available on weekend) spaces in the vicinity. The site is assessed at \$460,000 (2004) and is currently under the control of a local developer who has undertaken other preservation/reuse projects within the Isthmus corridor. The building is located on one of three parcels, two of which face onto East Washington Avenue (generally between Patterson and Brearly Streets. Future development plans for this site are unknown.



Wisconsin Central Services & Fleet Storage – 202 S. Thornton/201 S. Dickinson Streets

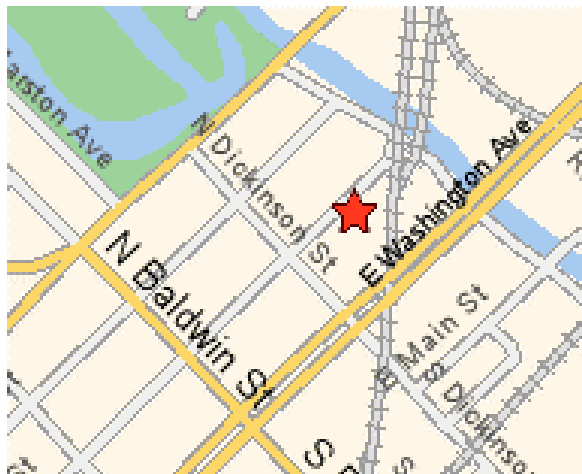
This site is currently in use by the State of Wisconsin (Department of Administration) as its primary central services and fleet storage area. The building has been estimated at approximately 210,000 ft² which could adequately house both the market place and the processing facility. The East Rail Corridor Plan identifies this site as being future residential, thus the plan would require some amendment. The site is adjacent to an existing bikeway and northern end of the property (Thornton Street) faces the Yahara River, creating the opportunity to develop an attractive waterfront amenity. Primary auto traffic access would have to come from Williamson Street or East Washington Avenue via Dickinson or Thornton (which could be detrimental if the area is designed as residential). Given the overall size of the site, it is feasible that the public market could be incorporated into an attractive mixed use development that focuses new residential areas on a small commercial square that incorporates the market place. The State’s plans for the site are currently unknown.



Old Trachte Brothers Facility – 101 N. Dickinson

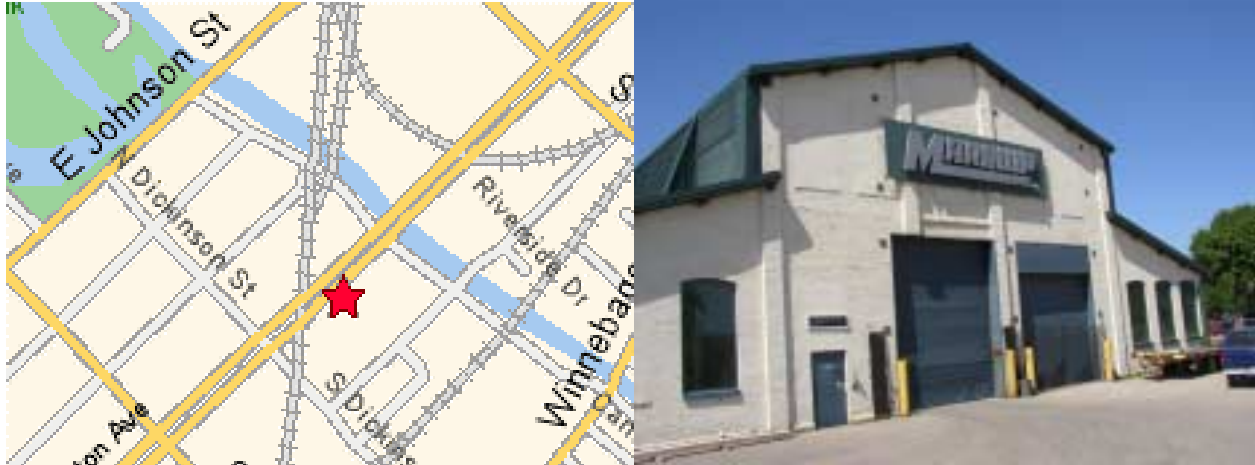
This is an area bounded by Dickinson, East Mifflin, and Thornton with approximately 100,000 ft² of property. The existing buildings on site are in generally poor condition and are probably not suitable for use as a market place. This is a large area that may be subject to redevelopment at some point in the future. There are no current City/neighborhood plans that identify future

uses for the property. Access to the property is generally from East Washington Avenue, however traffic may also be channeled from Pennsylvania Avenue with some changes. The current land use northwest of the site (across E. Mifflin Street) is currently single family residential, creating the need for some sort of mitigation should this site be selected. To the southeast, and located along East Washington Avenue, is the Washington Square building. This is an office building that may be reaching the end of its functional life. As a result, a larger redevelopment project including the entire block may be forthcoming within the next several years. These sites could also have access to the Yahara River just across Thornton. The property is currently under the control of the Yahara North Partnership (Jerome J. Mullins); however, no redevelopment plans have been announced. The completion of the reconstruction of East Washington Avenue may serve as a catalyst for redevelopment activity in this area of the City in the near future. With attention to appropriate scale and design it would be possible to create a very unique mixed-use development that could incorporate the market as a small commercial node, include significant residential and office facilities, while providing frontage to the river and adjacent parks. The property is currently assessed at \$990,000.



Marquip Building Complex - 1301 East Washington Avenue

The Marquip property represents one of the most interesting redevelopment challenges in the Madison area. The site of former heavy manufacturing (Gisholt Machine Tool Company and Marquip, Inc.), this block-wide property currently includes over 265,000 ft² under roof. The site is an amalgamation of buildings of various sizes, shapes, and construction materials. The site includes approximately 22,000 ft² of office gallery space. The first floor manufacturing facility includes nearly 157,000 ft² some of which is located in a large hanger-like building (see below) that is reported to have numerous skylights. The potential to create a unique, multi-functional facility that could include the public market place, cultural institutions (e.g., a children's museum or a science center) are nearly endless. Parking is currently a challenge and may require the clearance of one or more auxiliary buildings (or adaptation to create indoor parking). An environmental investigation of the site should also be explored. The property is currently controlled by Yahara Square Associates, LLP (Bradley C. Mullins). The 1300 block of East Washington was assessed at approximately \$1,430,000 in 2003. The owners of the property may be looking to begin redevelopment planning in the near future.



Site Development Costs

While the full financial pro-forma is beyond the scope of the current effort, sufficient information has been collected to utilize a sketch planning methodology to make a rough estimate of the costs to develop the public market place.

The Old Wisconsin Telephone site is assessed at \$460,000 (land and buildings) and has 32,351 ft² of land. Thus, for redevelopment purposes, the value of the land is roughly \$14.22/sf. The Old Trachte Brothers site is assessed at \$990,000 (land and buildings) and has 109,890 ft² worth of land. Thus for redevelopment purposes, the value of the land is roughly \$9.00/sf. These values are based on assessed valuations, thus it is likely that these values will steadily increase as (a) the surrounding areas are improved (i.e., the East Rail Corridor plan is implemented) and (b) the East Washington Avenue project is completed.

A quick site evaluation follows:

Site Calculation: Estimates the size of parcel needed (assumes a single story building)

25,000 ft ² building +10%=	27,500 ft ²
parking (see below)	22,783
open space (20%)	<u>10,000</u>
	60,283 ft ² (1.38 acres)

Parking Calculation: The City of Madison requires parking spaces for 10% of expected attendees. A percentage of parking spaces can be dedicated for small vehicles.

Estimated 1,500 persons, peak = 150 spaces

Spaces are 8'x18' (144sf); 25% of spaces can be "small" 7.5'x16' (120sf)

113 regular x 144sf	16,272sf
37 small x 120sf	4,440sf
10% contingency (bikes, peds, etc.)	<u>2,071sf</u>
	22,783sf

Cost Estimate: These generalized costs are based on construction and site preparation/finishing costs from other similar market place studies.

Land Acquisition/Clearance	
60,283 @ \$35/sf	\$2,109,905
Building Construction	
(27,500sf @ \$125/sf)	3,437,500
Site Preparation/Finishing	
(32,783 @ \$50/sf)	<u>1,639,150</u>
	\$7,186,555

Funding Resources

Funding resources that have been used to develop public market places span the continuum and exemplify an entrepreneurial approach to business development. There are examples of projects funded by private philanthropists, supported by government, and joint-partnerships. Grants, loans, bonds, and tax credits have all been used as vehicles to build public market place facilities. If Madison is to create a public market place, there is no doubt that the effort will reflect the creative spirit of the community by combining several different types of financing arrangements.

The City of Madison has a number of “tools” at its disposal to assist with this project. The City could provide low interest loans of Community Development Block Grant (CDBG) funds channeled through the Madison Development Corporation. It could also support the acquisition and preparation of the site by using a redevelopment district. The redevelopment district approach allows the City (or its agent, such as the Community Development Authority) to utilize condemnation procedures and to issue bonds to acquire and prepare the site. The CDA could act unilaterally to write down the cost of the site prior to inviting a private development proposal, or it could work in concert with a private developer to make improvements to the site. The City could also utilize Tax Increment Financing (TIF) as a way of preparing a site for investment. TIFs basically allow the local government to create revenues by issuing bonds backed by incremental increase in the taxable value of the property pre- and post-development. The redevelopment and TIF-based approaches are basically targeted for use in “blighted” or other distressed areas.

There are a variety of other grant, loan, and tax credit programs that could possibly be packaged to help plan and implement a public market facility. There are several funding mechanisms targeted towards environmental remediation (e.g., brownfield cleanups), energy conservation, disadvantaged business/enterprise support, and to promoting Wisconsin-produced products. A brief summary, based on information provided by the Wisconsin Department of Agriculture, Trade, and Consumer Protection, follows* :

Wisconsin Housing and Economic Development Authority (WHEDA)

Agribusiness Guarantee:

Loan Purpose: Helps new or existing businesses obtain financing to develop or expand production of products using Wisconsin's raw agricultural commodities. Startup, acquire or expand equipment, land, buildings, working capital, inventory and marketing expenses.

Loan Amounts: 80% on Loans up to \$750,000

Terms: Max, prime + 2.75%, 15 years for fixed assets 7 years for inventory and working capital, equity 10% for existing business and 15% for startup businesses, Secured by purchased assets, additional collateral and personal guarantee possible

Fees: \$200 + 1-2% of guaranteed amt. + .25% annual servicing fee

Misc: Wisconsin population under 50,000, start with a WI grown, raw Ag commodity and create product or enhance efficiency, unable to obtain conventional financing, child support current
Contact: Peggy Ellis, 1-800-334-6873, <http://www.wheda.com>

Small Business Guarantee:

Loan Purpose: Land, equipment, inventory, working capital, refinance existing debt at maturity including credit card debt, and soft costs (working capital) not to exceed 5% of project.
Guarantee Amounts: 80% or \$200,000 on loans up to \$750,000 for assets or inventory 80% or \$80,000 on loans up to \$250,000 for working capital
Terms: Market, determined by lender - Max prime + 2.75%. 15 years for fixed assets, 7 years for inventory and permanent working capital, and 2 years for revolving working capital. Secured by purchased assets, additional collateral and personal guarantee possible
Fees: \$200 + 1% up to \$150,000 or 2% above \$150,000 of guaranteed amount + 0.25% annual servicing fee
Misc: Less than 50 employees, targets: daycares, small businesses in a downtown rural community storefront. Will retain or create jobs.
Must be unable to obtain conventional financing at reasonable terms.
Contact: Peggy Ellis, 1-800-334-6873 or 608-266-7884, <http://www.wheda.com>

Linked Deposit Loan (LiDL) Subsidy:

Loan Purpose: LiDL provides an interest rate subsidy on lender financing to women or minorities who start-up or expand a business. To purchase/improve land/buildings, leasehold improvements, machinery and equipment
Loan Amounts: Minimum and maximum loan amounts eligible for the subsidy are \$10,000 and \$99,000, respectively.
For a business more than 3 years old, the maximum subsidy is \$10,000 per Full Time Equivalent job created or retained.
For a start-up, or acquisition or expansion of a business less than 3 years old, the average income and unemployment rate in the county where the business is located are compared against State averages. This sets the subsidy at \$10,000, \$15,000 or \$20,000 per job.
Terms: Prime minus 1% for 2 years
Fees: \$50
Misc: Less than \$500,000 in sales, equals or less than 50% owned/controlled by a woman or ethnic minority, employs less than 25 FTE
Contact: Peggy Ellis, 1-800-334-6873, <http://www.wheda.com>

Industrial Revenue Bond Programs (IRB):

Loan Purpose: IRBs may be used to finance the entire project: land, construction, equipment, and costs of issuing bonds.
Loan Amounts: A municipality can issue up to \$10 million per company
Terms: negotiable, fixed or variable rates and tend to be below market rates. Length determined on a case-by-case basis, 35 year maximum.
Fees: Cost involved for issuing an IRB. Fees are charged by the Department of Commerce for applying for the bonding authority issues.
Misc: Collateral is based upon a case by case basis. Letter of credit is often required.
Contact: Steven Sabatke 608-267-0762, <http://www.commerce.state.wi.us>

Minority Business Development (MBD) Loan Program:

Loan Purpose: Provides financial assistance for the start-up and expansion of minority- owned businesses in Wisconsin. Provides low interest loans to assist minority-owned companies. Used for land, construction, equipment, acquisition, working capital
Loan Amounts: \$100,000. The MBD loan may not be the sole source of financing, which makes this a gap financing loan program. Ideally, applicants should have some equity in the project.
Terms: Fixed (typically 4%), Real Estate: 10-15, Equipment: 5-10, Capital: 5 to 7 years
Misc: Start-up/expansion of minority-owned businesses, refinancing is not an eligible activity. Minority Businesses - 51% owned and controlled by any of the following: Black, Hispanic, American Indian, Eskimo, Asian Pacific, Asian Indian, Aleut, or Native Hawaiian.
Contact: Bureau of Minority Business Development (608) 267-9550, MBD@commerce.state.wi.us

Community Development Zone Program:

Purpose: To assist businesses that locate in one of Wisconsin's 22 development zones. Start-ups, expansions, acquisitions, and relocations.
Amounts: \$38 million in tax credits has been allocated
Terms: Use of tax credits:
_ 25% of all credits allocated to a business must be for full-time jobs
_ Job credit of up to \$8,000 for new full-time jobs for target group, \$6,000 for full-time jobs for non-target group
_ Environmental remediation tax credit – 50% of remediation costs in a brownfield.
Misc: Contact local development zone coordinator to obtain assistance with application
Contact: (608) 267-2045 Bill Wheeler or (608) 266-3074 Todd Jensen, <http://www.commerce.state.wi.us>

Enterprise Development Zone Program:

Purpose: To assist businesses that locate in areas suffering from economic hardship. Start-ups, expansions, acquisitions, and relocations.

Amounts: \$3 million in tax credits has been allocated per zone for 7 years

Terms: Use of tax credits:

- _ 25% of all credits allocated to a business must be for full-time jobs
- _ Job credit of up to \$8,000 for new full-time jobs for target group, \$6,000 for full-time jobs for non-target group
- _ Environmental remediation tax credit – 50% of remediation costs in a brownfield.

Misc: Contact Area Development Manager to complete a prospect sheet

Contact: (608) 267-2045 Bill Wheeler or (608) 266-3074 Todd Jensen, <http://www.commerce.state.wi.us>

Early Planning Grant Program (EPG):

Grant Purpose: To help small businesses obtain professional services necessary to evaluate the feasibility of a proposed start-up or expansion or develop a business plan.

Grant Amounts: Can provide 75% of costs up to \$3,000 for business planning grants

Terms: 25% match required

Misc: Individuals, for-profit businesses and cooperatives that have fewer than 50 employees

Contact: (608) 261-7710, <http://www.commerce.state.wi.us>

Recycling Early Planning Grant Program (REPG):

Grant Purpose: To help small businesses obtain professional services necessary to evaluate the feasibility of a proposed start-up or expansion or develop a business plan.

Grant Amounts: Can provide 75% of costs up to \$3,000 for business planning grants and also provide 75% of costs up to \$15,000 for Special Opportunity grants

Terms: 25% match required

Misc: Individuals, for-profit businesses and cooperatives that have fewer than 50 employees

Contact: David Martens (608) 261-7711, <http://www.commerce.state.wi.us>

Small Business Administration (SBA)**7(a)Guaranteed Loan Program:**

Loan Purpose: Purchase of real estate; construction, improvements; furniture, machinery and equipment; inventory; working capital; and some refinancing

Loan Amounts: Maximum \$2 million. Maximum amount of guaranty is \$1 million (limit of 1.25 million if business exports). Guaranty is 75% to 85%.

Terms:

Less than \$25,000 – less than 7 years Prime + 4.25%, greater than 7 years Prime + 4.75%

\$25,000 to \$50,000 – less than 7 years Prime + 3.25% greater than 7 years Prime + 3.75%

\$50,000 or more – less than 7 years Prime + 2.25%, greater than 7 years is Prime + 2.75%

25 years - real estate & equipment, 7 years - working capital.

Fees: 1% to \$150,000, 2.5% \$150,000 to \$700,000, 3.5% greater than \$750,000

Misc: Have used personal resources and other financial alternatives. The Small Business Act definition varies from industry. See size table <http://www.sba.gov/size/indextableofsize.htm>. Fee may be financed. 100% collateral if possible, but will not be sole reason for refusal. Personal guaranty required.

Contact: (608) 441-5261, <http://www.sba.gov/financing>

504 Certified Development Company:

Loan Purpose: Purchase fixed asset: i.e. land, improvements, buildings, street improvements, construction, machinery, equipment, fixtures

Loan Amounts: Max \$1.3 million, Up to 40% of the project cost, Create or retain 1 job for every \$35,000

Terms: Near or below prime rate – Fixed. 10 years - machinery & equipment 20 years – real estate

Fees: Approximately 3% of the debenture and may be financed with the loan.

Misc: Business size limit - \$7 million (net worth) \$2.5 million (net income), 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing. 10 % of project cost down (cash or land) – minimum required

Contact: (608) 441-5261 or (414) 297-3941, <http://www.sba.gov/financing>

LowDoc:

Loan Purpose: Purchase of real estate; construction, improvements; furniture, machinery and equipment; inventory; and working capital. Refinancing is also eligible where the reduction in debt service significantly (20%) improves cash flow and pay off of lender debt does not exceed 25% of the total loan request.

Loan Amounts: Up to \$150,000 with an 85% SBA guaranty

Terms:

Less than \$25,000 – less than 7 years Prime + 4.25%, greater than 7 years Prime + 4.75%

\$25,000 to \$50,000 – less than 7 years Prime + 3.25% greater than 7 years Prime + 3.75%
\$50,000 or more – less than 7 years Prime + 2.25%, greater than 7 years is Prime + 2.75%
Not to exceed 25 years for fixed assets; 10 years in all other uses

Fees: 1% to \$150,000

Misc: Business size limit - Annual revenues less than \$750,000. Start-ups, businesses with \$5 million or less annual sales for past 3 years; employ 100 or fewer; program relies on applicant's character and credit history.

Contact: (606) 436-0804 ext. 234, <http://www.sba.gov/financing>

SBA Express:

Loan Purpose: Proceeds may be used for most business purposes, including purchase of real estate; construction, improvements; furniture, machinery and equipment; inventory; and working capital including lines of credit up to \$25,000.

Loan Amounts: Up to \$250,000 and unsecured loans up to \$25,000

Terms:

\$50,000 to \$250,000 – less than 7 years Prime + 2.25% greater than 7 years Prime + 2.75%

Less than \$50,000 – lender may charge a slightly higher rate 5-10 years for working capital, 10-15 years for machinery and equipment, and not to exceed 25 years for real estate

Fees:

1% up to \$150,000

2.5% from over \$150,000 to \$250,000

Misc: SBA small business size. Pledge of available collateral required, but determined case by case. Debt to equity 4:1 or better

Contact: (414) 297-3941 or (608) 441-5263, <http://www.sba.gov/financing>

SBA Community Express Loan Program:

Loan Purpose: Offered to pre-designated geographic areas serving mostly low and moderate income areas and New Markets small businesses. The program will also include technical and management assistance, which is designed to help increase the loan applicant's chances of success. Proceeds may be used for most business purposes, including purchase of real estate; construction, improvements; furniture, machinery and equipment; inventory; and working capital including lines of credit up to \$25,000.

Loan Amounts: Up to \$250,000 and unsecured loans up to \$25,000

Terms:

\$50,000 to \$250,000 – less than 7 years Prime + 2.25% greater than 7 years Prime + 2.75%

Less than \$50,000 – lender may charge a slightly higher rate

5-10 years for working capital, 10-15 years for machinery and equipment, and not to exceed 25 years for real estate

Fees:

1% up to \$150,000

2.5% from over \$150,000 to \$250,000

Misc: SBA small business size. Pledge of available collateral required, but determined case by case. Debt to equity 4:1 or better

Contact: (414) 297-3941 or (608) 441-5263, <http://www.sba.gov/financing>

Micro-Loans:

Loan Purpose: Start-up, newly established, or growing small business concerns.

Loan Amounts: Up to a maximum of \$35,000. The average loan size is about \$10,500 for 6 years.

Terms: Interest rates vary. Unable to Obtain Credit: Half charged to those able to obtain credit, but will not be more than 4% per year

Fees: Not Specified

Misc: the SBA has developed size standards (<http://www.sba.gov/financing>) that define the maximum size of an eligible small business.

Specially designated intermediary lenders are used.

Contact: (608) 441-5261, <http://www.sba.gov/financing>

Focus on Energy

Cash-Back Rewards:

Purpose: For installing or expanding commercially available renewable energy systems on your business.

Amounts: Less than \$35,000 or 25% of project cost:

New complete projects - \$1.50 per kWh/yr

All others - \$1 per kWh/yr

Misc: Electric Renewable systems of 20 kilowatts or less and for thermal renewable systems that produce less than 5,000 therms per. Year.

Complete Application on Focus on Energy Web site

Contact: (800) 762-7077, <http://www.focusonenergy.com>

Implementation Grant:

Purpose: For installing or expanding commercially available renewable energy systems on your business.

Amounts: Less than \$35,000 or 25% of project cost. Systems that produce both electricity and use thermal energy could receive up to \$70,000 or no more than 25% of cost.

Misc: Electric Renewable systems larger than of 20 kilowatts and for thermal renewable systems that produce more than 5,000 therms per year. Business location Specified in Grant-see Web site. For (see Web site for details): Bioenergy, Solar, Wind, or Hydroelectric

Contact: (800) 762-7077, <http://www.focusonenergy.com>

Business & Marketing Grant:

Purpose: For developing business skills and marketing materials for organizations and businesses that provide renewable energy services.

Amounts: Half of the cost of the business and marketing activities up to \$15,000

Misc: Business location Specified in Grant-see Web site. Must submit quarterly reports, grant payments will be based on actual expenditures

Contact: (888) 476-9534, <http://www.focusonenergy.com>

Demonstration Grant:

Purpose: Provides financial support for activities that inform the public about how a renewable system works. Development of displays, brochures, or kiosks that explains how the system works

Amounts: Half of the cost up to \$15,000

Misc: For (see Web site for details): Bioenergy, Solar, Geothermal heatpumps, Wind, or Hydroelectric

Contact: (888) 476-9534, <http://www.focusonenergy.com>

Feasibility Study Grant:

Purpose: Provide financial support for assessing the feasibility of using complex, customer-sited renewable energy systems.

Grants are intended to increase the ability of organizations to make informed decisions about using renewable energy systems by understanding and solving technical uncertainties.

Amounts: Half of the cost of the feasibility activities up to \$15,000

Misc: Often large customer-sited renewable energy systems. For (see Web site for details): Bioenergy, Solar, Geothermal heatpumps, Wind, or Hydroelectric

Contact: (800) 762-7077, <http://www.focusonenergy.com>

Rural Development (USDA)

Business and Industry Direct Loans:

Loan Purpose: To develop or finance business and improve the economic and environmental climate in rural communities.

Loan Amounts: Less than \$10 Million

Terms: Rate is usually equal to the prime rate. Fixed at time of loan approval or closing. 30 years - real estate, 15 years - machinery and equipment, 7 years - working capital, 40 years - community facility programs.

Fees: A one-time, up-front fee of 2% of the amount guaranteed

Misc: Priorities are saving or creating jobs in rural areas (under 50,000 in population), assisting areas of high out migration, and Champion Communities. Security - 80% of real estate value, 100% of machinery and equipment value, 60% of accounts receivable and inventory value. Loan guarantees must be considered prior to a direct loan.

Contact: Contact local RD office, <http://www.rurdev.usda.gov/wi/>

Business and Industry Guaranteed Loan:

Loan Purpose: Business, including Ag related business for the purchase of land, machinery, equipment, working capital and refinancing

Loan Amounts: Less than \$10 Million. 80% guarantee for up to \$5 million loans, 70% guarantee for \$5 million to \$10 million loans.

Terms: Rate is usually equal to the prime rate, but determined by lender. May be fixed or variable, determined at time of loan approval or closing. 30 years - real estate, 15 years - machinery and equipment, 7 years - working capital, 40 years - community facility programs.

Fees: 2% fee on the guaranteed portion

Misc: Equity required is 10% for existing business and 20% to 25% for new business. Must be located in an area with population < 50,000.

Contact: Mark Brodziski at (715) 345-7610, RD.BCP.SO@wi.usda.gov, <http://www.rurdev.usda.gov/wi/>

Department of Agriculture, Trade, and Consumer Protection (DATCP)

Agricultural Development and Diversification (ADD):

Grant Purpose: These grants are awarded competitively to projects that may create new opportunities within Wisconsin agriculture through new value-added products, new market research, new production or marketing techniques, or alternative crops or enterprises.

Misc: Individuals, associations, agri-businesses and industry groups can submit proposal. The program has \$380,000 to award to projects with a maximum grant amount of \$50,000. Proposals must be submitted between January 15 and March 15.

Contact: 608-224-5136 Mike Bandli, <http://www.datcp.state.wi.us>

Impact Seven, Inc.

Microloan Program:

Loan Purpose: Working capital, equipment, inventory, supplies, furniture and fixtures. Real estate purchase is not allowed.

Loan Amounts: From \$1,000 to \$35,000. Can be a portion of an overall financing package of up to \$105,000

Terms: Competitive fixed rate determined on a case-by-case basis based on the strength of your application. Up to 6 years.

Fees: Direct costs for processing loan, no other fees.

Misc: Most small businesses. Business assets, personal assets, and personal guarantees. Real estate, equipment, and vehicles are the most common assets pledged. The major criteria for this program are quality of business plan/economic viability of business, experience, personal character, credit history, and collateral.

Contact: Madison (608) 251-8450 or Almena (715) 357-3334, <http://www.impactseven.org>

Greater Wisconsin Fund:

Loan Purpose: Land and building purchase or improvement, working capital, inventory, supplies, machinery and equipment.

Loan Amounts: From \$35,000 to \$1,000,000

Terms: Rate is competitive, often below-market. Rate is determined on a case-by-case basis based on the strength of your application.

Lower rates available for high impact projects.

Fees: Direct costs for processing loan, no other fees.

Misc: Growing, viable businesses creating jobs. Manufacturing operations and high-tech firms are priorities, while retail, service, agribusiness and other firms are also served. Business assets and personal guarantees, corporate guarantees and personal assets as appropriate. The major criteria for this program are quality of business plan, financial history/economic viability of business, job creation (general goal is \$20,000 per job created), and collateral.

Contact: Madison (608) 251-8450 or Almena (715) 357-3334, <http://www.impactseven.org>

Wisconsin Women's Business Initiative Corporation (WWBIC)

Microloan Program:

Loan Purpose: Efforts concentrated on women, people of color and those of lower incomes. Starting or expanding a business, including machinery, equipment, furniture and fixtures, inventory, supplies and working capital. Loan proceeds cannot be used to purchase real estate or refinance existing debt.

Loan Amounts: Up to \$35,000. Businesses located within the city of Milwaukee may qualify for larger loans.

Terms: The interest rate is 13.5%. Rates in some geographic locations may be lower. From 12 months to 6 years.

Fees: A non-refundable \$50 charge to conduct a preliminary review.

Loan Contribution: A \$200 contribution to cover the costs of providing services to the borrower, if denied, \$100 will be refunded.

Misc: Business assets, personal assets, and personal guarantees. Real estate, equipment, and vehicles are the most common assets.

Contact: (414) 263-5450, <http://www.wwbic.com>

* This resource was assembled by the Wisconsin Department of Agriculture, Trade, and Consumer Protection (DATCP), Division of Agri-Business as a tool to help small businesses develop and grow their value-added business using money, information, and technical assistance from outside their organization. This resource was assembled from a variety of other resources and does not constitute a complete listing. This is an effort to gather currently available information and present it in a consolidated, but brief format. Details can be provided directly by the organization listed. The most current version of this document can be viewed at <http://www.datcp.state.wi.us> under the business section. Every effort has been made to maintain accuracy and completeness. If additional information or inaccuracies are found, please contact:

Carl Rainey, 608-224-5139, carl.rainey@datcp.state.wi.us

Additional resources that are targeted specifically for brownfield and environmental remediation include:

Brownfields Initiative (Department of Commerce)

Authorized by Wis Stats 560.13, this program provides grant awards of up to \$1,250,000 and requires a 50% match for projects that help promote economic development.

Blight Elimination and Brownfields Redevelopment Grants (Department of Commerce)

This program is part of the CDBG program. It provides grants to local governments of up to \$100,000 for site assessments and up to \$500,000 for remediations.

Land Recycling Loan Program (Department of Natural Resources)

This program provides low (0%) interest loans to local governments (and housing authorities) seeking to remediate landfills or to conduct clean-up activities where groundwater is threatened with contamination.

Other states have created a number of financing mechanisms that could be adopted in Wisconsin in the years ahead. For example, Missouri utilizes a variety of tax credit programs to promote historic preservation, brownfield remediation, and to create sustainable neighborhoods. St. Louis, Missouri and Denver, Colorado both utilize special “cultural districts” that provide financial support to key institutions through the use of dedicated sales or property taxes. It is feasible that the creation of such a regional district could be considered in the future to help sustain a variety of core cultural facilities (e.g., the Overture Center, Henry Vilas Zoo, the Madison Children’s Museum, etc.).

ⁱ Spitzer, T.M. and Baum, H. 1995. *Public Markets and Community Revitalization*. Washington, DC: Urban Land Institute and the Project for Public Spaces.

ⁱⁱ Ibid

ⁱⁱⁱ Ibid.

^{iv} Ibid.

^v Project for Public Spaces and Partners for Livable Communities. 2003. *Public Markets as a Vehicle for Social Integration and Upward Mobility*