

MEMORANDUM

TO: Mayor Paul R. Soglin and the Common Council

FROM: Garver Feed Mill Staff Team (Kevin Briski, Steve Cover, Rob Phillips, Aaron Olver, Brad Murphy, Bill Fruhling, Amy Scanlon, Dan Rolfs, Paul Stauffer)

DATE: 28 September 2011

SUBJECT: Garver Feed Mill Status Report

EXECUTIVE SUMMARY

The future of the historic Garver Feed Mill building (the "Building") is at a critical decision point. The Building has been owned by the City since 1997 without continued maintenance. The City has made a strong effort to find an end user for the Building. As a result of a Request for Proposal process, the City accepted Common Wealth Development's (CWD) proposal on June 17, 2008 to rehab the Building for an Arts Incubator. Due to fundraising obstacles CWD withdrew its proposal on May 31, 2011. It has become increasingly difficult to secure the building to prevent trespassing and public safety requires that a decision as to how to proceed be made quickly. Extensive replacement of brick on both the exterior and interior wall of the Building is required to save the building and the condition of the Building is nearing a point where rehabilitation is economically infeasible. City staff is recommending that policy makers decide upon a course of action to either rehabilitate the Building or demolish the Building and enable the site to be available for another use. Options to rehabilitate all or certain portions of the Building are outlined in this report.

RECOMMENDATION

- Staff recommends that this report be forwarded to the Board of Park Commissioners for them to recommend a course of action to the Common Council. This report should also be referred to the Board of Estimates, the Plan Commission, the Board of Public Works and the Landmarks Commission.
- The cost estimate for the preferred option must be independently verified by an Engineering consultant / Construction Management firm prior to budgeting.
- Staff recommends that serious efforts be made to preserve and rehabilitate at least the Core of the Building in a public / private fundraising partnership. An implementable plan should be completed by May, 2012.
- Staff recommends that the Board of Parks Commissioners review the previous decision to declare the property Surplus.

TIMELINE (to date)

- 1994 – Designated a City of Madison Local Landmark.
- 1997 (Aug 7) – Olbrich Botanical Society (OBS) acquires Garver Feed Mill, consisting of 5 acres and the Building (collectively the “Property”), for expansion of the Olbrich Botanical Gardens (OBG) for \$700,000 which included \$92,850 of Stewardship Grant Funds from the Wisconsin Department of Natural Resources (WDNR).
- 1997 (Aug 7) – OBS deeds the Building to the City of Madison
- 2005 (July 13) – Parks Commission declared the Building surplus (endorsing “Adaptive Reuse Scenario #2” of the Feasibility Study for the Rehabilitation and Adaptive Reuse of the Garver Feed Mill (Hasbrouck Pterson Zimoch Sirirattumrong - “HPZS”) and helping meet OBG’s long-term space needs). This scenario called for the Building to be rehabilitated into a mix of community and studio space, artist’s lofts, and space for OBG.
- 2006 (Sept) - Surplus Committee created
- 2007 (June 5) - Request for Proposals issued
- 2007 (Sept 14) - Proposals due
- 2008 (March 25) – Surplus Committee recommends Common Wealth Development (CWD) proposal for an arts incubator
- 2008 (June 17) – Common Council accepted proposal from CWD
- 2009 (April 7) – Referendum passes allowing CWD project to move forward
- 2009 – City awarded SAG grant for environmental assessment and cleanup
- 2009 / 2010 – Parking negotiations with neighborhood
- 2010 – CWD begins site plan approval process
- 2011 (May 31) – CWD withdraws its proposal for Garver

BACKGROUND

- Building History - The Garver Feed Mill is a part of the City’s Olbrich Park and is maintained by the City’s Parks Division. The United States Sugar Beet Company constructed the Building located on the Property in July 1905. Upon sale of the Property to James Russell Garver in May of 1929 the Building was converted to the feed mill called the Wisconsin Sales and Storage Company.
- Landmark Status – The Building was designated a City of Madison landmark in 1994. As such, any new construction, exterior alteration, or whole or partial demolition of the Building require that a Certificate of Appropriateness be issued by the Landmarks Commission.
- City Acquisition - OBS purchased the Property for future expansion of Olbrich Botanical Garden (“OBG”) on November 11, 1996 using \$700,000 in contributions from private donors and a Stewardship Grant from the Wisconsin Department of Natural Resources (“WDNR”). OBS donated the Property to the City of Madison in 1997. The City Council approved the transfer of the property from OBS to the City.
- Deed Restrictions - Two deed restrictions held by OBS and the WDNR encumber the Property. OBS’ deed restriction specifies that “the property be used, in perpetuity, as parklands devoted primarily to botanical gardens, except that the City may use the buildings now located on the property for storage, offices and other municipal

uses, on a temporary interim basis”. OBS originally viewed the Property as future garden space. However, with the update to the Olbrich Park Master Plan (completed in March 2009), OBS now has garden expansion area to the east near the Thai Pavilion. In 2009, the City Council and the Board of Park Commissioners authorized a new land use restriction for this garden expansion, in exchange for the release of OBS’s deed restriction on the Garver property. The WDNR also has a deed restriction in place on the Property. The WDNR deed restriction contains the same use restriction as the OBS deed restriction and requires that any future overhead utilities be buried.

- **CWD Proposal** - CWD proposed to convert the Building into a 100,000 square foot arts incubator (with 67,000 net SF of leasable space). Additionally, to fulfill a requirement of the City’s Request for Proposals, CWD proposed meeting OBG’s space needs of approximately 14,633 SF for office and cold storage space. CWD proposed to do this by either rehabbing a portion of the Building (at an estimated cost of \$1.8 million based on \$123 / SF) and allowing OBG to use this space at no cost for five years with an option to rent, buy or vacate the space at the end of the five year term, or providing funding so OBS could construct a standalone metal pole building (estimated cost of \$1.17 million based on \$80 / SF). CWD withdrew their proposal for the Building on May 31, 2011.
- **CWD Financial Assumptions** – CWD’s original proposal envisioned an approximate rehab cost of \$14,000,000 of the Building, with an additional \$2,000,000 in soft costs and other fees. CWD proposed to pay for these costs with a mix of sources outlined in the table below. Subsequent to the acceptance of CWD’s proposal, the collapse of the tax credits market and public and private institutions re-calibrating their giving to address immediate needs due to the changing global economy impacted CWD’s sources.

CWD Sources Table (Sept 2007)	
Source	Amount
1 st Mort. & New Market Tax Credits (NMTC)	\$4,750,000
Historic Tax Credits (HTC)	\$3,530,000
Public Grants	\$3,300,000
WI Focus on Energy	\$250,000
CWD Deferred Development Fee	\$500,000
Private Grants and Fundraising	\$3,700,000

- **Environmental** – There are several identified environmental hazards in the Building. The City of Madison applied for and received a 2008 WDNR Site Assessment Grant (“SAG”) to conduct a Phase II Environmental Site Assessment (“Phase II ESA”). The results of the SAG showed that asbestos and lead based paint are present in the Building. There is also some soil contamination around the Building that will have to be addressed by capping the soil with either asphalt or clean soil. A preliminary cost estimate of \$330,000

to clean up this contamination was provided by CWD as a part of their 2010 application for BREWD funding.

- Building Condition – The most recent analysis of the Building's condition was completed by Structural Integrity, Inc on July 16, 2009. This purpose of the report was “to call attention to significant structural issues present in the building” prior to the completion of the Phase II ESA. This report noted concerns with: the structural steel framing, stability of the tallest portions of the walls, heavy deterioration of the roof, and concerns about undetected areas within the walls where the brick may be deteriorating due to repeated exposure to the freeze / thaw cycle. There is a need for further study to obtain a more accurate picture of the Building's condition.
- Project Web links –
 - Project website: <http://www.cityofmadison.com/planning/garver.html>
 - Building conversion: <http://www.cityofmadison.com/planning/pdf/garverdesign.pdf>
 - Garver Reuse Committee: <http://legistar.cityofmadison.com/detailreport/?key=5046>
 - CWD Proposal: <http://legistar.cityofmadison.com/detailreport/matter.aspx?key=11141>
 - Referendum approval: <http://legistar.cityofmadison.com/detailreport/?key=14678>
 - Landmarks Commission approval of CWD concept for rehab of Garver: <http://legistar.cityofmadison.com/detailreport/?key=20778>

ISSUES

- Building Condition – City Staff believes a high percentage of the exterior brick walls need to be repaired. There will come a time in the next couple of years at which it will no longer be economical to rehabilitate the Building.
- Finances – Staff has completed a preliminary estimate of a scenario to rehab the Building to office space (attached at the end of this memo). The rents required to pay for a \$16 million rehab of the Building to create 100,000 SF of office space with no public subsidy are approximately \$19 / SF per year. It is unlikely that tenants would pay this rental rate for this location. Financing the project would be equally challenging, as many lenders are requiring that 75% of a building be pre-leased prior to authorizing a loan. A public subsidy of approximately \$5 – 6 million would lower lease rates to \$13 / SF, which is a more likely price point for this location.
- Surplus Process – Based upon the last surplus process, City Staff estimates that a new surplus process would take between 12 to 24 months to craft a Request for Proposals (RFP), obtain all needed approvals, issue the RFP, receive and review responses and make a selection that would be approved by the Common Council. This would seriously cut into the estimated time that the building has remaining before it is beyond repair.

- Referendum Process – Madison General Ordinance 8.35 requires voter approval “for any change in the legal status” of “public parks bordering on lakes or navigable waterways”. The Garver Feed Mill is located in Olbrich Park (bordering on Lake Monona and Starkweather Creek). The City Attorney’s Office has opined that the sale of the building and / or long-term lease of the parkland underneath constitute a “change in legal status”. As such, any proposal to rehab the Garver Feed Mill would require voter approval by popular referendum. OBG is exempt from this ordinance, so if the building were rehabbed for OBG’s use, a referendum would not be required. A referendum requires a Council resolution authorizing the referendum a minimum of 42 days to the election date. A referendum would cut further into the time remaining before the building is beyond repair.
- Environmental Cleanup – There are multiple environmental issues that must be cleaned up prior to the building being rehabbed or demolished. They include asbestos (ACM) and lead based paint (LBP) in the building and soil contamination in the surrounding ground.
- Structural Issues – There are known structural issues including: massive holes in the roof, continued deterioration of the walls, and concern of the partial collapse of portions of the roof and floor. It should also be noted that there are likely to be unknowns about the structural condition of the building and that the walls appear to be generally sound.
- Safety Issues – There are known safety issues, including open pits (some of which are approximately eight feet deep) and debris from the roof that continues to fall into the Building.
- OBG Space Needs – OBG currently needs 14,000 SF for cold storage space. City Staff have discussed two options:
 - Converting the single story section at the west end of the building into a cold storage space.
 - Rehabbing the “Core” of the building (see attached drawing) to serve this purpose.
 - NOTE: Both of these options would eliminate the need for a referendum.
- Sale of Building / Lease of Land – Since the start of the surplus process, the Board of Parks Commissioners has made clear that it will not sell the land where the Building is located. To that end, during the surplus process with CWD, the assumption was that the City would sell the Building to CWD and enter into a long-term ground lease for the land underneath.
- Police Calls / Vandalism – City Parks Rangers and Madison Police are at the building frequently to deal with break ins and vandalism. Vandals continue to damage the building as well as spray paint graffiti. The building also attracts homeless who sometimes use it as a shelter. Staff has made significant efforts to secure and sign the building and the area. City Parks has worked with the Madison Police Dept and Madison Parks Rangers who have increased their patrols. Despite these efforts, break-ins continue. Based on other vandalism in the City, Staff expects these break ins and vandalism to decrease during the winter months. Efforts include clearing around the building. If there is a break-in, the damage is

immediately repaired and the facility is secured. Due to localized deterioration of the brick in a portion of the (back) north wall, individuals were able to knock bricks off of the wall to gain entry. Next to having security on site 24/7, it would be difficult to completely curtail vandalism. Such security would cost approximately \$70,000 - \$100,000 annually. With tight resources, City Parks does not have the ability to handle these costs or to chase down this small number of trespassers. Staff has discussed camera surveillance, but this raises additional cost issues, along with the issue of providing electricity to the Building.

- Schenk-Atwood-Starkweather-Worthington Park Neighborhood Plan (2000) and City of Madison Comprehensive Plan (2006) – The Neighborhood Plan proposed developing a master plan for Olbrich Park and Gardens expansion (on the Garver site) with input from the neighborhood. The neighborhood recommended items such as: a dog-walking area, a neighborhood park, community gardens, and maintaining the greenspace rather than increasing surface parking lots, and encouraged integrating O.B. Sherry Park into the master plan. The Neighborhood Plan also recommended the site be rezoned from an M1 (Limited Manufacturing) district to a C (Conservancy) district. The City of Madison Comprehensive Plan indicates the future use of this site as Parks and Open Space with recommended land uses such as: public parks, recreation areas and facilities; private recreational uses characterized by open space, such as golf courses; and nature preserves and conservation areas, among other similar uses.
- Zoning – The property is zoned M1 (Limited Manufacturing), which allows a wide range of non-nuisance type industrial uses and a variety of commercial and service uses, but not residential. The current “Draft Discussion Zoning Map” (August 10, 2011) that would assign zoning pursuant to the recently adopted Zoning Ordinance proposes a TE (Traditional Employment) District. The TE District is similar to the M1 District, but it allows residential as conditional uses.
- Plan Commission – The Plan Commission is required to approve demolitions, and in the case of a landmark structure, shall be contingent upon the prior issuance of a Certificate of Appropriateness by the Landmarks Commission. The Zoning Ordinance defines demolition as: “an act or process that removes, pulls down, tears down, razes, deconstructs or destroys an existing building wall facing a public street or, during any ten (10) year period, removes, pulls down, tears down, razes, deconstructs or destroys fifty percent (50%) or more of the area of the exterior walls of a building. This provision does not apply to the repair or replacement of windows, doors, or siding.”
- Landmarks Commission – The demolition of a landmark structure requires that a Certificate of Appropriateness (C of A) be granted by the Landmarks Commission following a public hearing. In determining whether to issue the C of A, the Commission shall consider and may give decisive weight to seven identified criteria. Although all criteria must be considered, one is worth noting at this point: Sec. 33.19(5)(c)3.f. states that “Whether the building structure is in such a deteriorated condition that it is not structurally or economically feasible to preserve or restore it, provided that any hardship or difficulty claimed by the owner which is self-created or which is the result of any failure to maintain the property in good repair cannot qualify as a basis for the issuance of a Certificate of Appropriateness.” If the Landmarks

Commission does not grant a Certificate of Appropriateness, the decision can be appealed to the Common Council. It should also be noted that based research done by the City's Preservation Planner, she believes that no landmark structures have been demolished in the 40 year history of the Landmarks Commission.

OPTIONS

Staff has identified several options for proceeding as illustrated in the attached diagrams. (NOTE: The cost estimate for the preferred option must be independently verified by an Engineering Consultant / Construction Management firm prior to budgeting.)

- OPTION 1: Total Rehabilitation *(defined as complete rehabilitation of the entire structure)*
 - Total rehabilitation of the building would be expensive. CWD's 2010 cost estimate to complete the rehabilitation into the Arts Incubator was \$14,100,000. Any change in proposed use could cause a significant shift in the actual dollars.
 - There is no defined use for the property. The use will drive the final rehabilitation cost.
- OPTION 2: Partial Rehabilitation
 - OPTION 2A: "Stop Gap" rehabilitation – This rehabilitation would complete all tuck pointing, replace the roof and replace the windows and doors to buy time to find a final end user of the property.
 - Estimated Cost in 2011 dollars: \$9,000,000
 - OPTION 2B: Save selected portions (See attached sheets from City Engineering. If only a portion of the Building is feasible to rehabilitate, Staff has identified the Core as the most historically significant and in the best condition. In addition, the South Façade of the Core is the most architecturally distinctive and representative of the industrial building type of the early 1900's.)
 - 2B(i): Restore Existing Parks Storage Area – This rehab would save the single story portion of the building on the northwest end. This would be rehabilitated to meet OBG's cold storage space needs and demolish the remainder of the structure.
 - Estimated Cost in 2011 dollars: \$2,400,000
 - 2B(ii): Partial Demolition (Saving Core Area) – This rehab would save the "Core" of the building while demolishing the balance of the structure.
 - Estimated Cost in 2011 dollars: \$4,200,000
 - 2B(iii): South Wall Stabilization – Stabilize the south wall of the Garver building and demolish the remainder of the structure
 - Estimated Cost in 2011 dollars: \$2,800,000

- 2B(iv): Restore Existing Parks Storage Area with South Wall Stabilization – This rehab option would save the south façade that faces the rail road tracks and bike trail, along with the single story portion of the Building, while demolishing the remainder of the structure.
 - Estimated Cost in 2011 dollars: \$4,100,000
 - NOTE: Other combinations of these options are possible. For example, consideration could also be given to combining 2B(i) and 2B(ii) to restore the single story portion of the Building and the Core.
- OPTION 3: Demolition
 - Estimated Cost in 2011 dollars: \$1,100,000
 - (NOTE: This includes environmental cleanup of known contamination.)

CONCLUSIONS

- If the previous surplus property process and referendum (MGO 8.35) is followed, it is staff's opinion that at the conclusion of these two processes, the building may be beyond economic repair. It will be difficult to craft an abbreviated surplus process that all stakeholders can agree to.
- It is City Staff's opinion that any developer who wishes to undertake a rehabilitation / adaptive re-use of the Garver Feed Mill will request financial assistance from the City or some other source.
- If the City decides to undertake a rehab of the building, utilizing the building to meet OBG's space needs could eliminate the need for a referendum.
- The City should immediately undertake a strong effort to make the building secure.
- The City should decide what to do with the building in short order. If the decision is made to preserve all or a portion of the Building, action should be taken without delay. If the decision is made to demolish the Building, this should begin in earnest. As time goes by, the structure will become more difficult to rehab and will continue to attract vandals and trespassers.

Garver Feed Mill model**SOURCES**

Debt	\$10,894,611	
Equity	\$5,105,389	
City Share	\$ -	
TOTAL	\$ 16,000,000	
Stabilized Cash Flow (after debt service)	\$474,290.64	
Annual Debt Service	\$842,328	(Assumes 6% interest, 25 year mortgage)
Replacement Reserves	\$8,000	(assumes 10 cents/SF)
Stabilized NOI	\$1,324,618.38	
Operating Expenses	\$480,000	(assumes \$6/SF)
Effective Gross Income	1,804,618.38	
Vacancy Allowance	\$(200,513.15)	(assumes 10% vacancy)
Gross Potential Income	2,005,131.54	
Less Expense Pass Through	1,525,131.54	
Required Rent	\$ 19.06	Per SF, Triple Net
Residential equivalent	\$ 1.59	

ASSUMPTIONS

Required Return	9.29%
Square Feet	80,000
Leasable Percent	1
Operating Expenses	6
Vacancy Rate	0.1
Public Sources	\$ -
Total Project Cost	\$16,000,000
Mortgage LTV	0.75
Cap Rate	0.09
Market Value check	\$14,717,982
Assumed Market Value	\$14,526,148
Difference	\$191,834

PHOTOS

(October 2006)



(Circa 1924)



2010 Aerial Photo



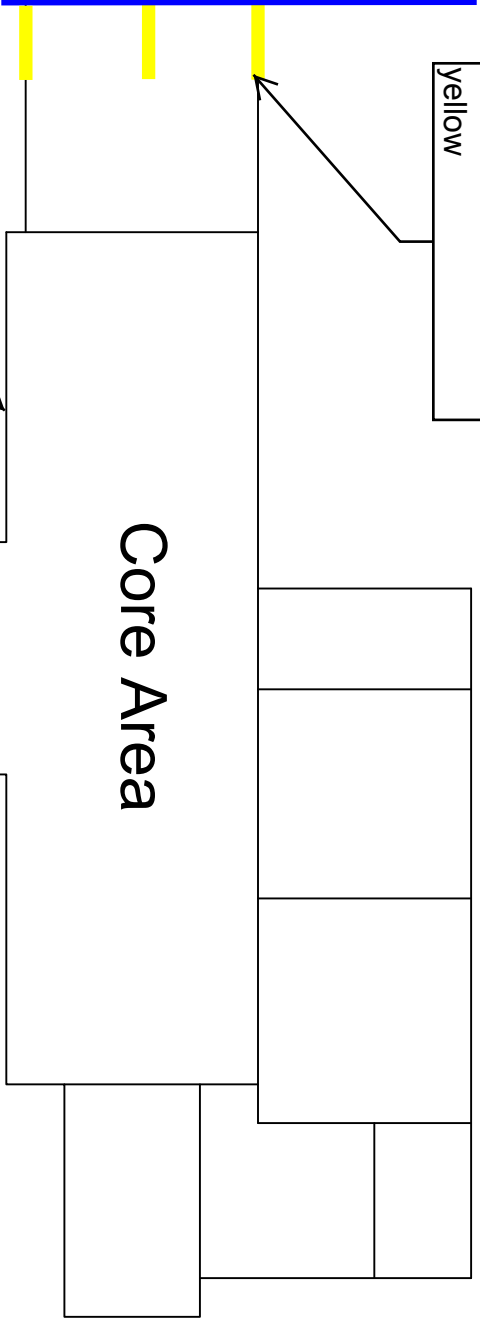
Restore Existing Parks Storage Area



Stand alone 15,600 ft² Cold Storage Area. Masonry restored, new doors, windows, new roof with decking, ventilation, electrical and lighting.

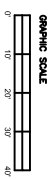
Does not include water, sewer, heating, and fire protection

Selective demolition of adjoining walls concrete floors and roofs in yellow



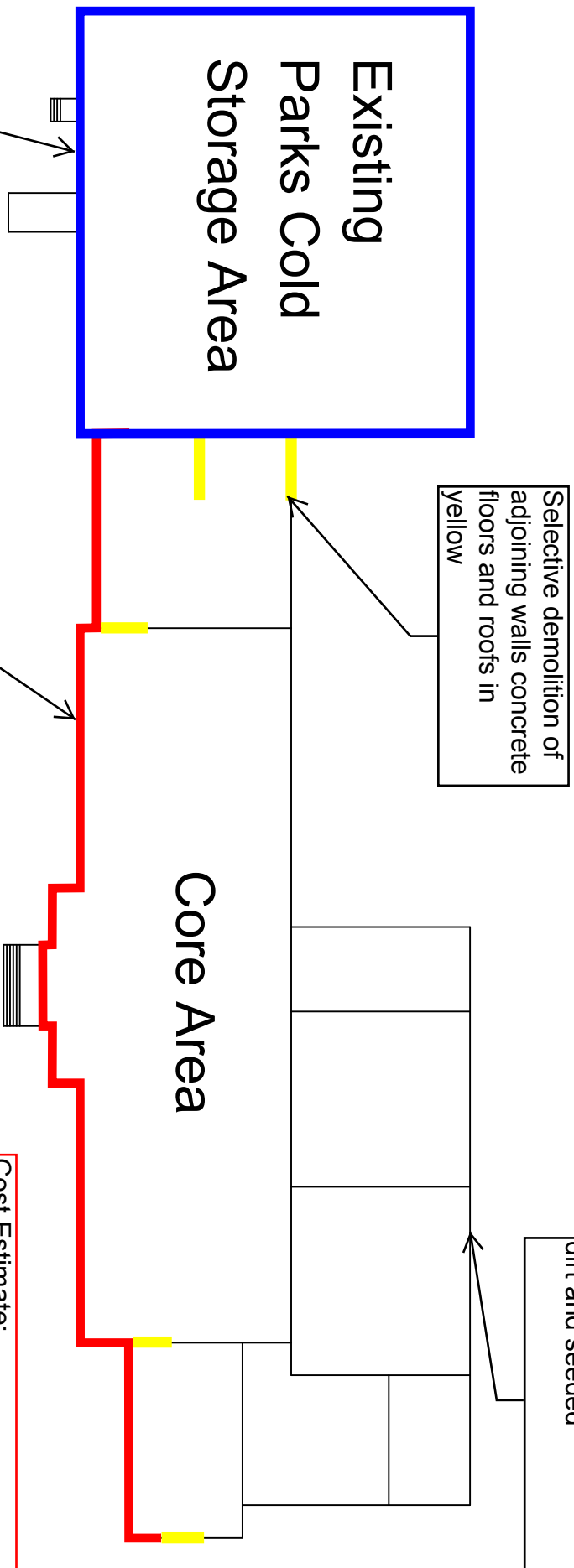
General demolition of remaining walls roofs and floors. Demolished areas to be graded, back filled and covered with black dirt and seeded

Cost Estimate:
 1). \$ 2,340,000 with 100% Landfill of construction debris- \$150/ft²
 2). \$ 1,988,000 with 20% Landfill of brick and concrete, 100% wood materials- \$128/ft²



GARVER MILL
 FIRST FLOOR PLAN
 8/24/11

Restore Existing Parks Storage Area with South Wall Stabilization



Stand alone 15,600ft² Cold Storage Area attached to South Wall, masonry restored, new doors, windows, new roof with decking, ventilation, electrical and lighting.

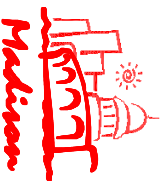
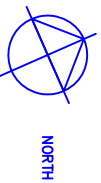
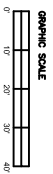
Does not include water, sewer, heating, and fire protection

Selective demolition of adjoining walls concrete floors and roofs in yellow

Section of Wall to be Stabilized with Masonry Repairs and Wall Braces . Masonry repairs on exterior & interior sides of walls.

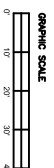
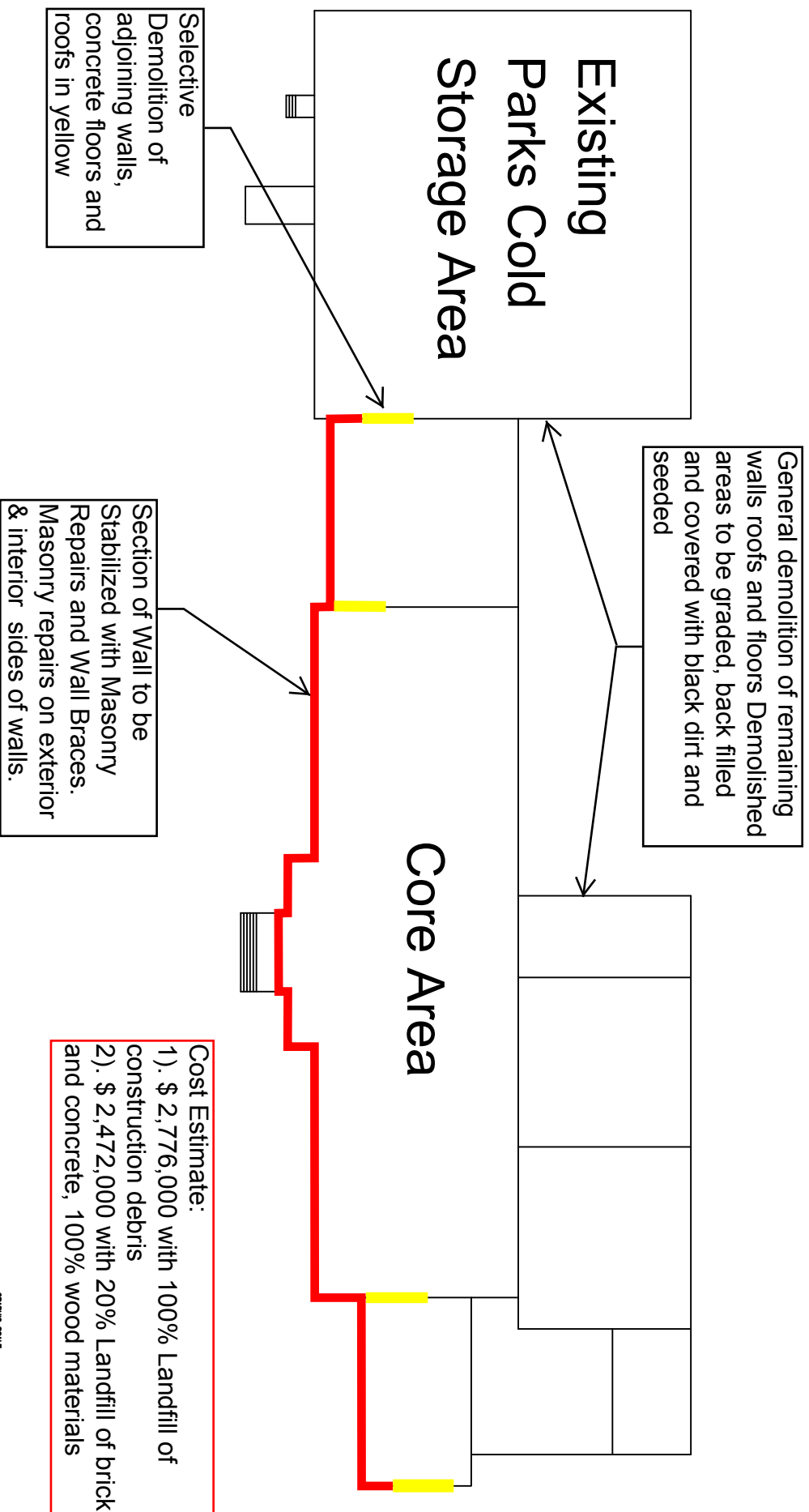
General demolition of remaining walls ceilings and floors. Demolished areas to be graded, back filled, covered with black dirt and seeded

Cost Estimate:
 1). \$ 4,080,000 with 100% Landfill of construction debris
 2). \$ 3,757,000 with 20% Landfill of brick and concrete, 100% wood materials



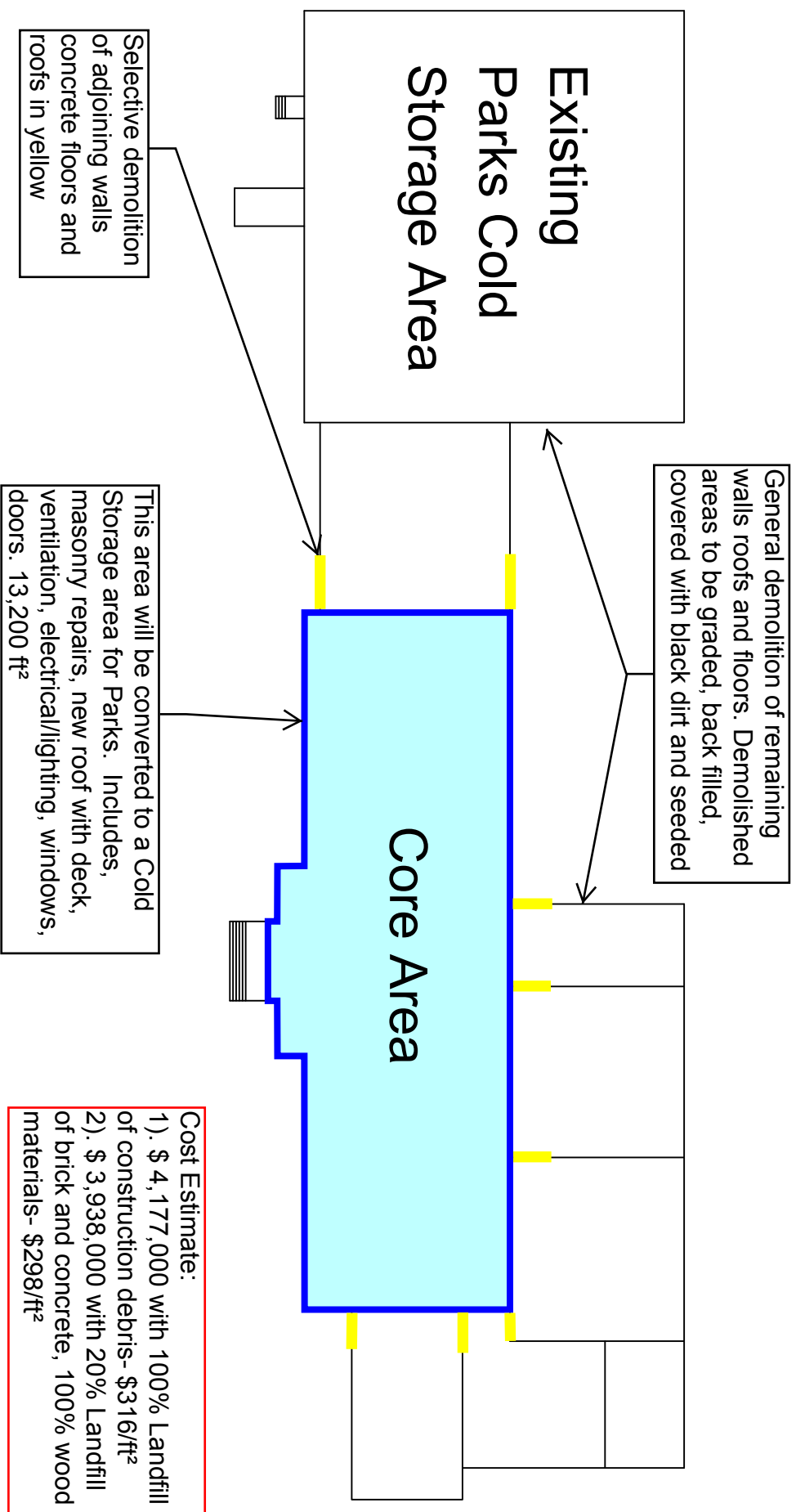
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South Wall Stabilization



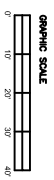
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Partial Demolition - Saving the Core Area



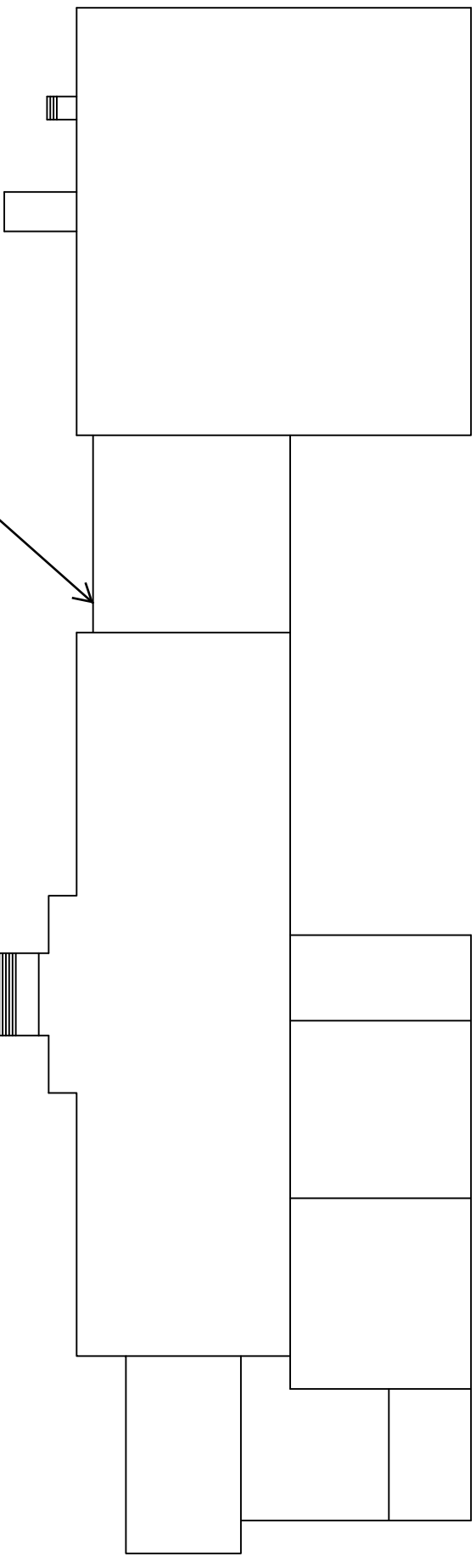
Does not include water, sewer, heating, and fire protection

Cost Estimate:
 1). \$ 4, 177,000 with 100% Landfill of construction debris- \$316/ft²
 2). \$ 3,938,000 with 20% Landfill of brick and concrete, 100% wood materials- \$298/ft²



GARVER MILL
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 8/24/11

Demolition of the Entire Building



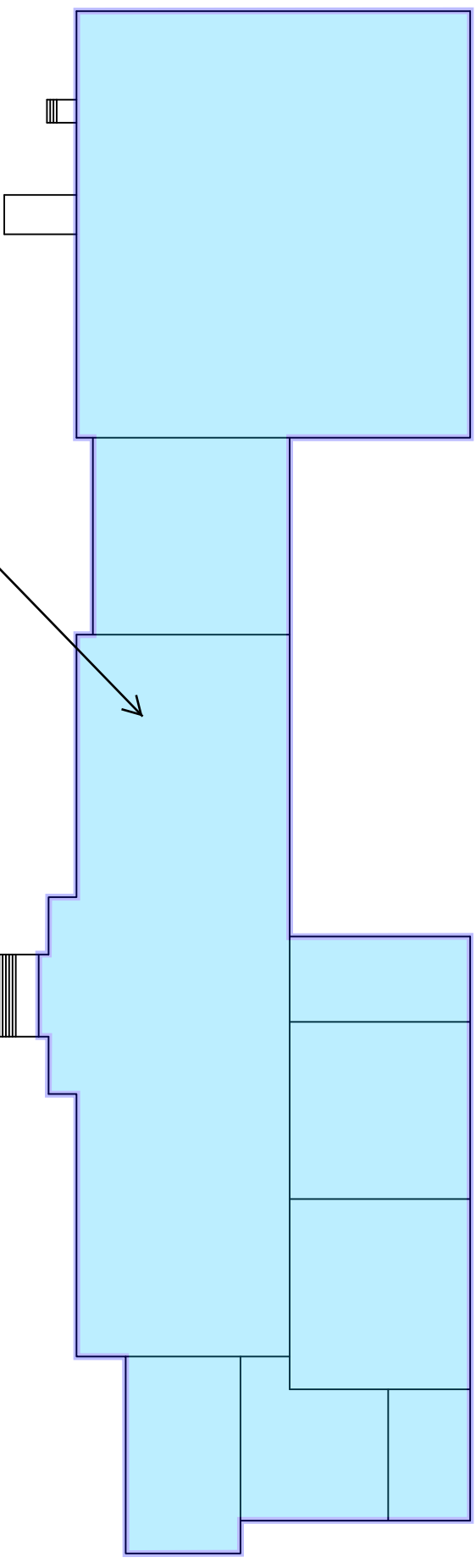
Demolition of entire building, including removal of debris, land fill charges. Demolished areas to be graded, back filled, covered with black dirt and seeded. The second option includes recycling concrete and brick at 80%. Wood materials would be landfilled at 100%. This includes a site survey for hazardous materials and fees for a demolition plan

Cost Estimate:
1). \$ 1,046,000 with 100% Landfill of construction debris
2). \$ 705,000 with 20% Landfill of Brick and concrete, 100% wood



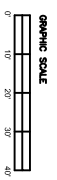
GARVER MILL
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8/24/11

Restoration of the Entire Building



The entire building will have all exterior and interior walls restored by rebuilding the parapet, tuckpointing and replacement of bricks. The floors pits will be filled in and capped with concrete. The existing roof will be demolished and replaced with new. Electrical, gas, water & sewer service will be brought to the building. Minor electrical/lighting, windows, doors, fire sprinklers and ventilation is planned. Area is approximately 46,380 ft²

Cost Estimate: \$ 8,688,000- \$ 187/ft²



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8/24/11