

# **Informational Briefing for Common Council Members**

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**Judge Doyle Square Amended and Restated Development Agreement**

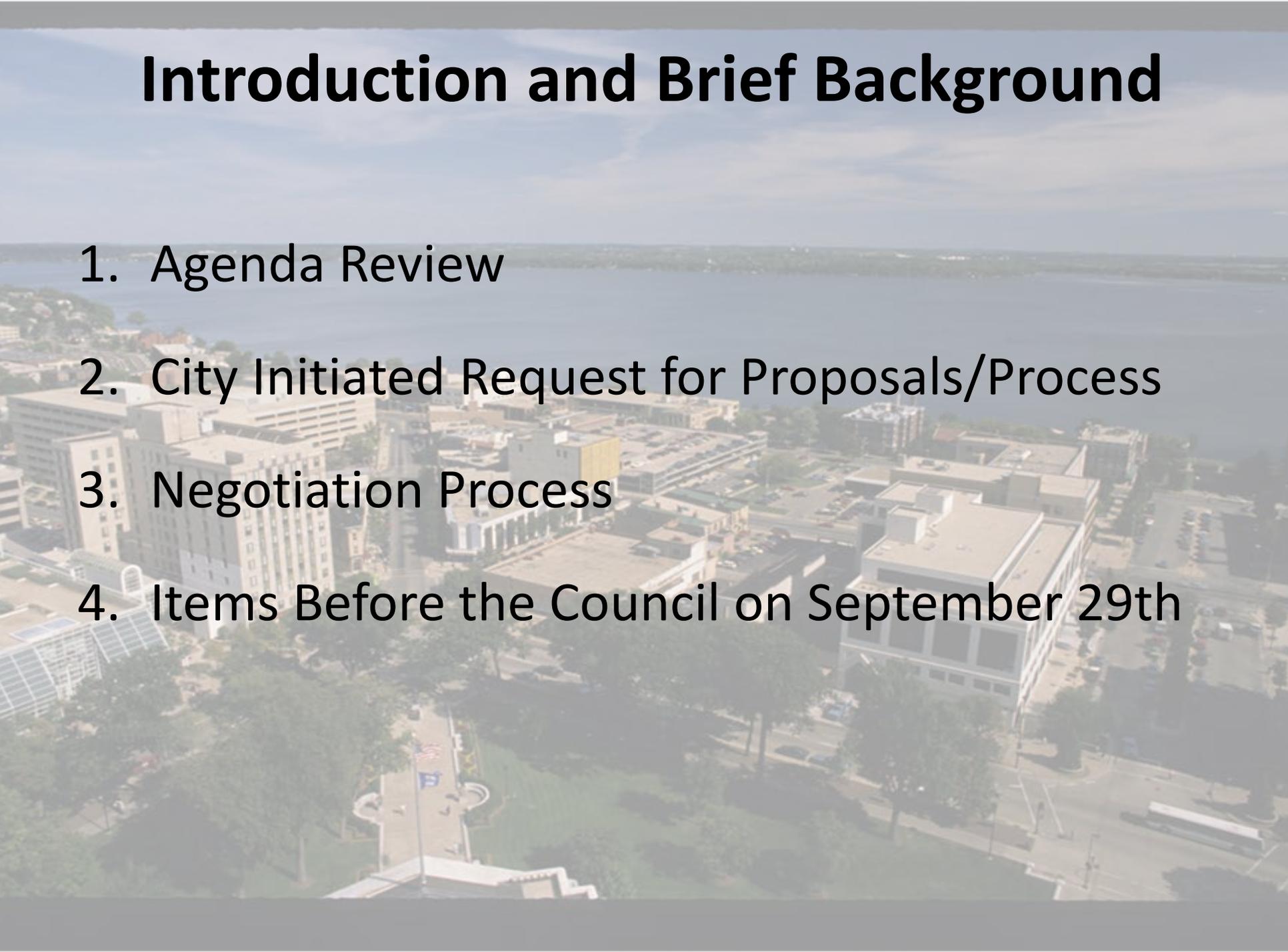
By the City Negotiating Team

Thursday, September 24, 2015 – 4:30 pm

and

Friday, September 25, 2015 - Noon

# Introduction and Brief Background

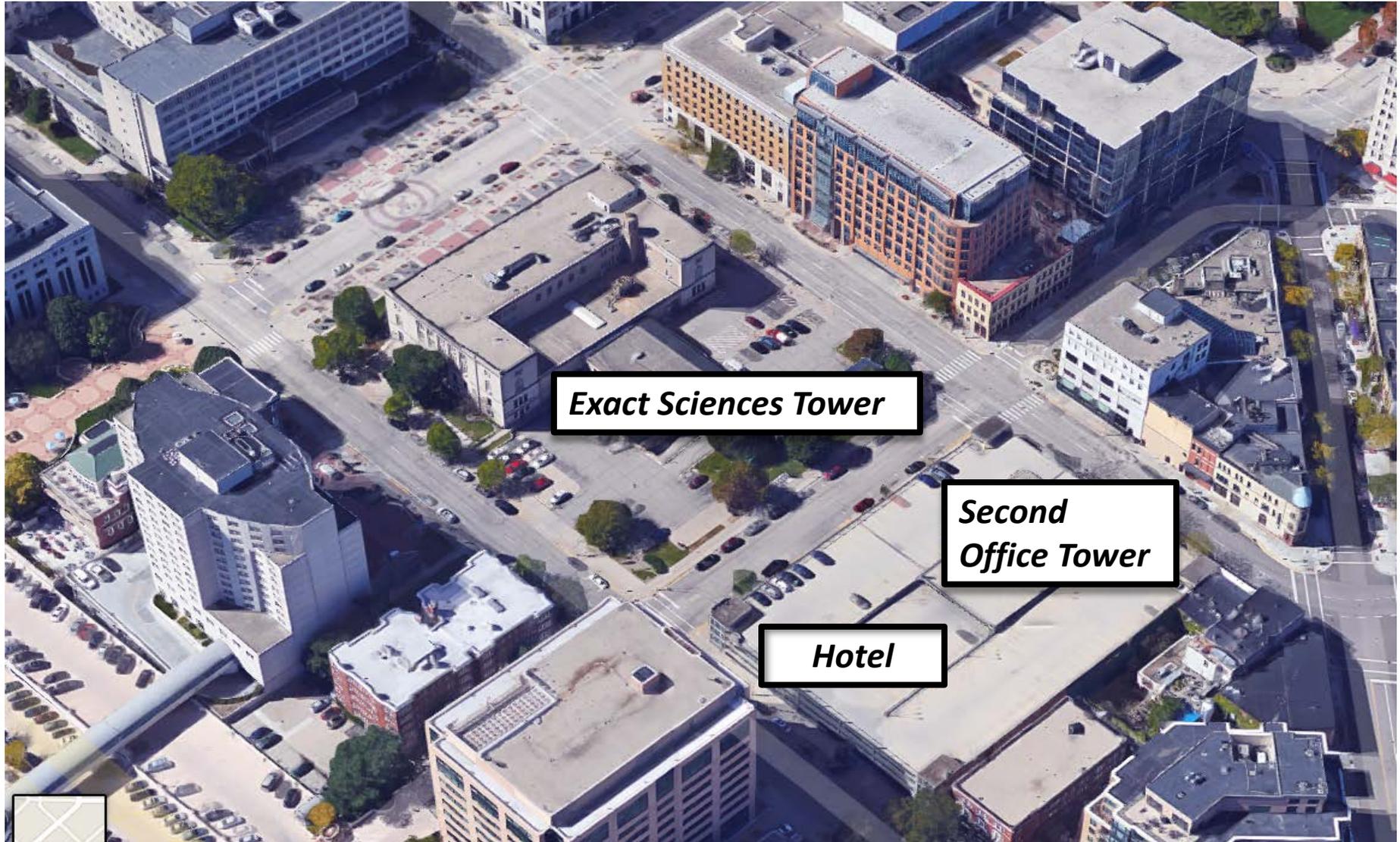
An aerial photograph of a city, likely a coastal town, with a large body of water in the background. The city features several large, modern buildings, including a prominent one with a glass facade. There are green spaces and trees interspersed among the buildings. The sky is clear and blue.

1. Agenda Review
2. City Initiated Request for Proposals/Process
3. Negotiation Process
4. Items Before the Council on September 29th

An aerial photograph of a large university campus. The campus features several large, multi-story buildings with flat roofs and some with prominent columns. There are green spaces, trees, and parking lots scattered throughout. In the background, a large body of water, likely a lake or bay, stretches across the horizon under a blue sky with light clouds. The text "PROJECT ELEMENTS AND PHASING" is overlaid in the center of the image in a bold, black, sans-serif font.

# PROJECT ELEMENTS AND PHASING

# Blocks 88 (MMB) and 105 (Gov't East Ramp)

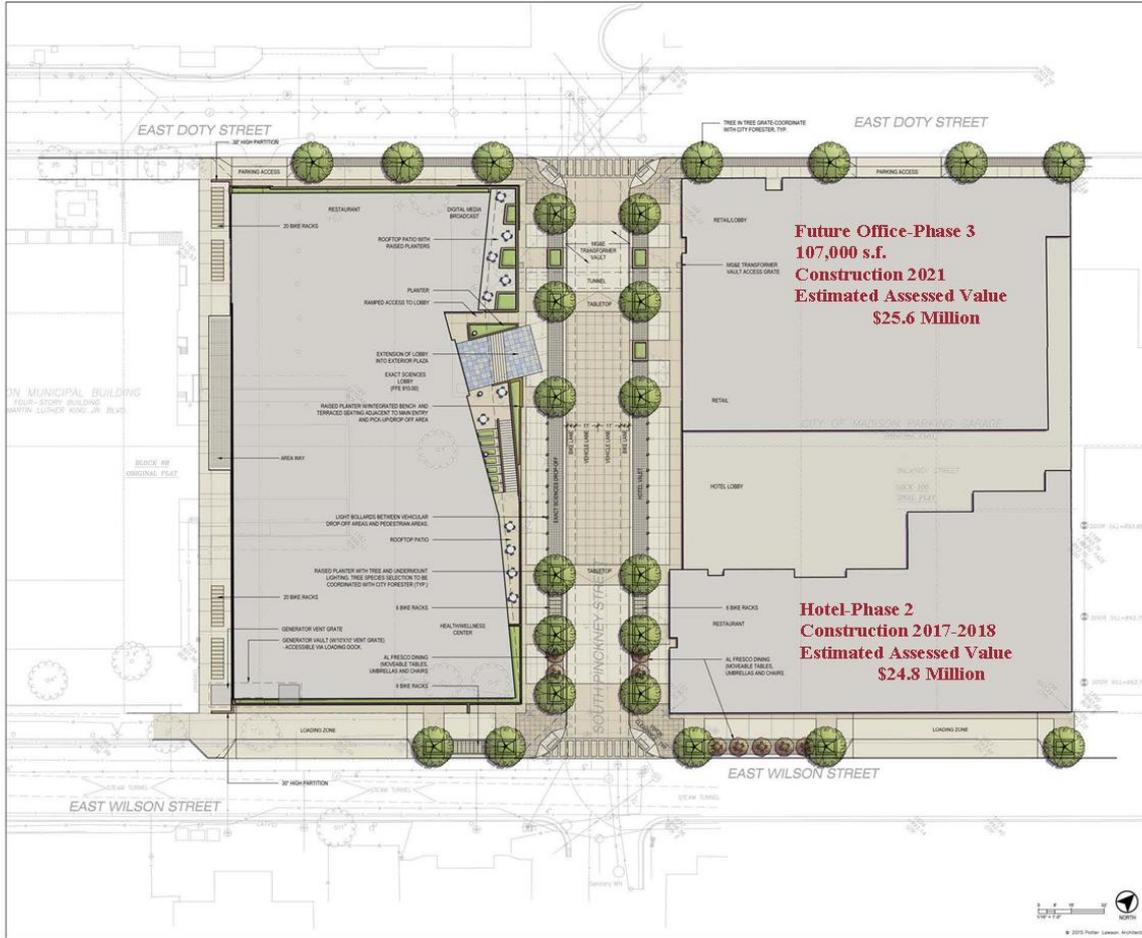


*Exact Sciences Tower*

*Second  
Office Tower*

*Hotel*





Developer: JDS Development, LLC  
 Project Manager: **Hennes Company**

Address: **KMD ARCHITECTS**

**Potter Lawson**  
 Success by Design

**KEN SAIKI DESIGN**  
 LANDSCAPE ARCHITECTS  
 303 S. PATERSON  
 SUITE 104 E  
 MADISON, WI 53703  
 Phone: 608 251-3600

- LEGEND:**
- PAVED ON BITUMINOUS SETTING BED TYPE 1
  - PAVED ON BITUMINOUS SETTING BED TYPE 2
  - PAVED ON BITUMINOUS SETTING BED TYPE 3
  - POURED-IN-PLACE CONCRETE WITH INTEGRAL COLOR
  - POURED-IN-PLACE CONCRETE WITH STAINED PORTLAND CEMENT COLOR
  - PLANTING AREA
  - DECIDUOUS CANOPY TREE

Exact Sciences at Judge Doyle Square

Madison, Wisconsin  
 Project #: 2015.17.00

Date	Issuance/Revisions	Symbol
02/10/15	Schematic Design	

**OVERALL SITE DEVELOPMENT PLAN**  
**L100**



An aerial photograph of a city waterfront. In the foreground, there are several large, modern buildings with flat roofs and some greenery. A large body of water, likely a bay or harbor, stretches across the middle ground. The sky is blue with some light clouds. The overall scene is a mix of urban development and natural water features.

**Project Funding**

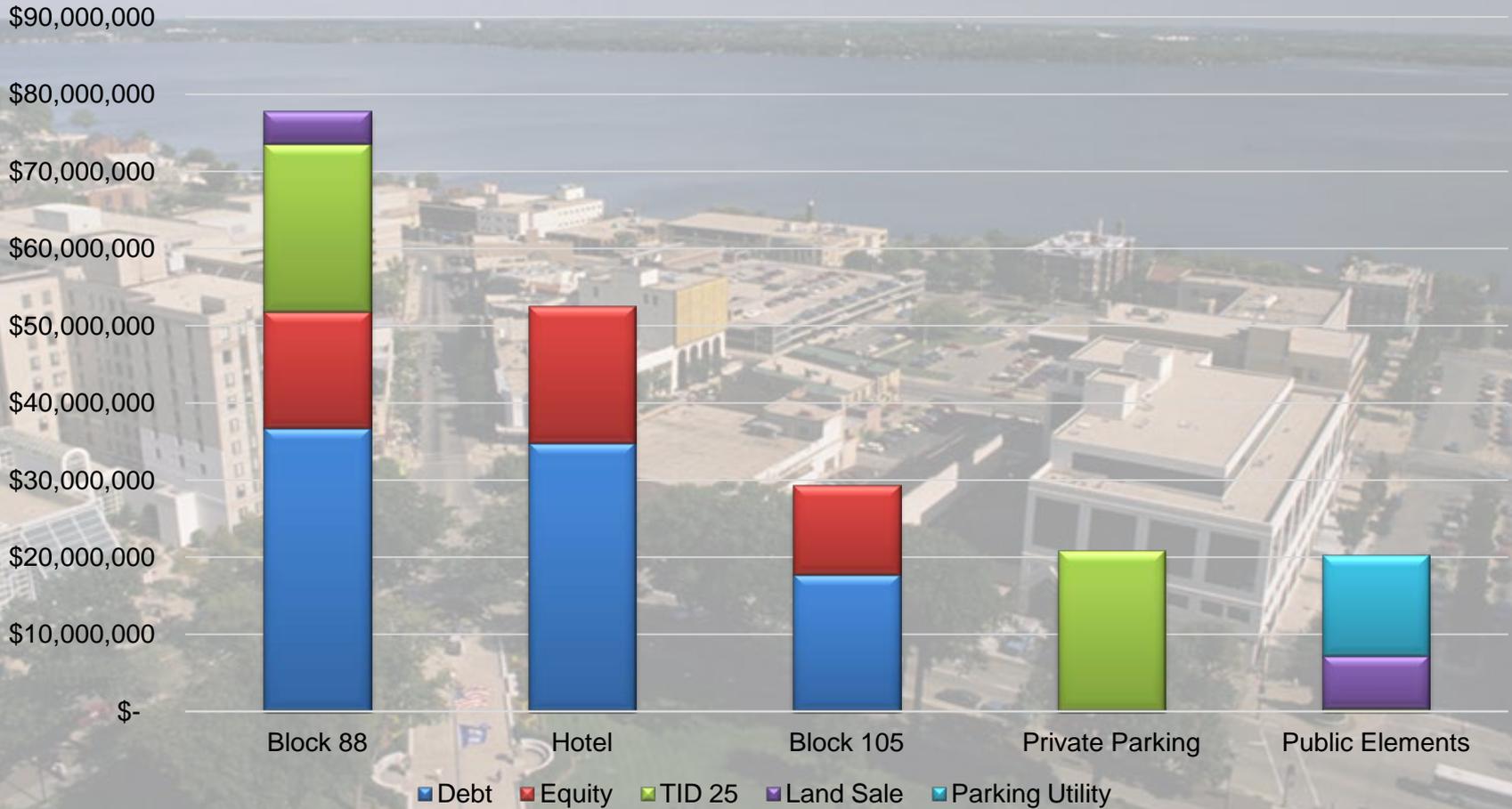
**TID 25**

**Subsidy Guarantees**

# **FINANCIAL ELEMENTS AND GUARANTEES**

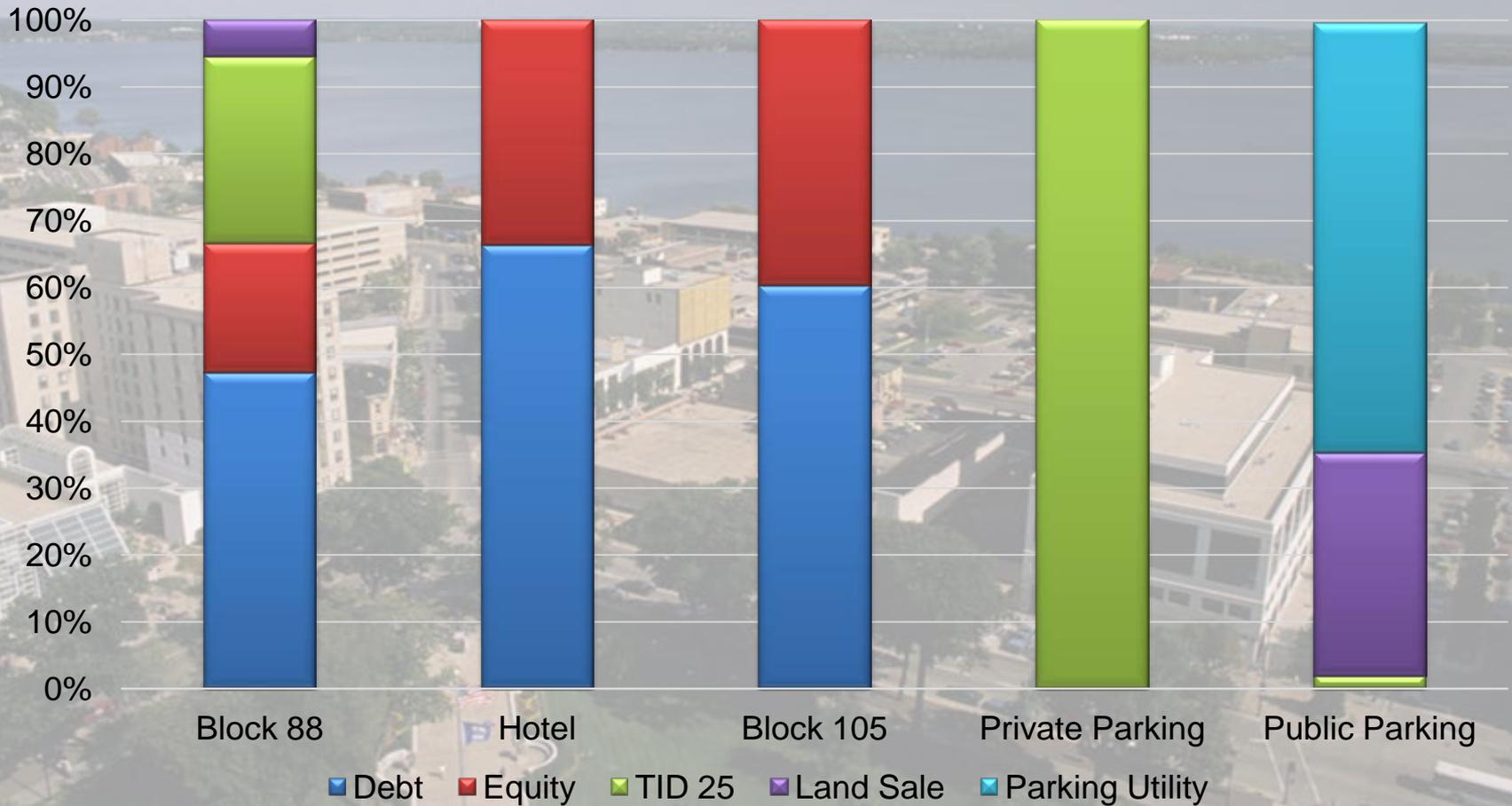
# Project Funding Sources

*Total Cost = \$200 million*

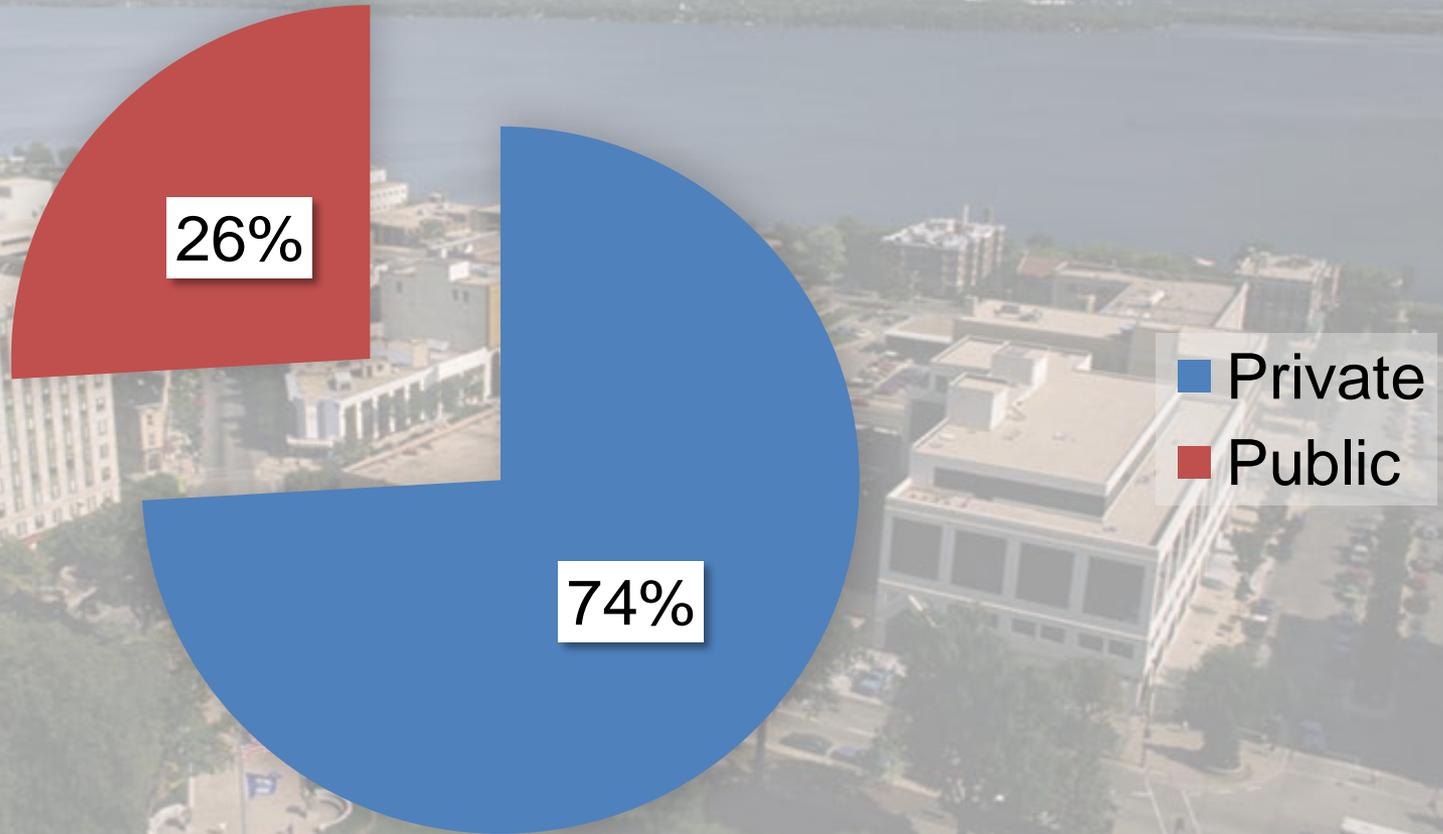


# Relative Shares of Funding

*Public Funding is 25.9% of Private Development*



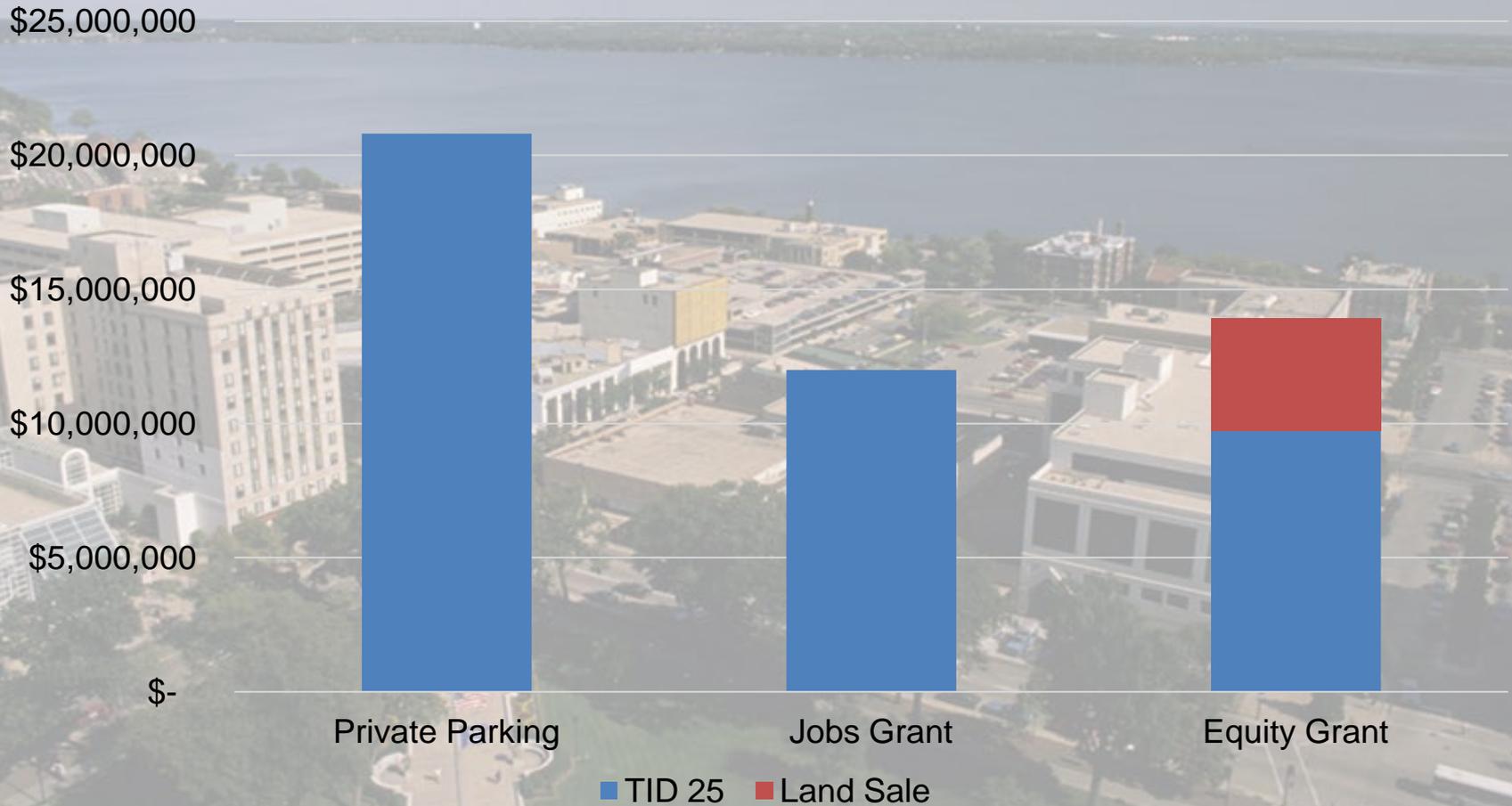
Private Development = \$180 million  
*\$133.6 million of Debt and Equity*



# Elements of Public Subsidy

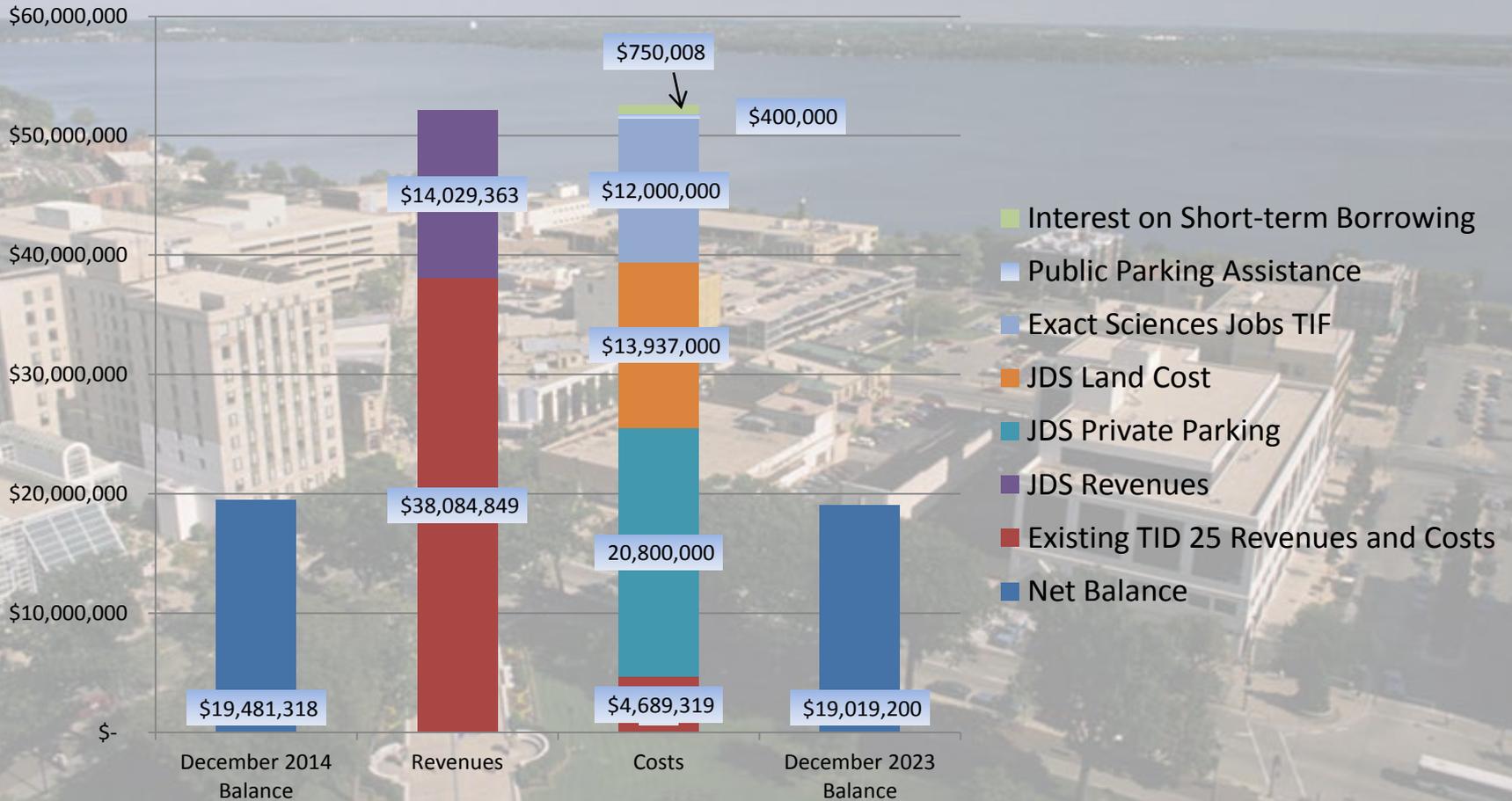
*\$46.7 million total*

*\$42.5 million from TID 25*



# TID 25 Projected Balance

*Based on Development Timing and Usual Mill Rate Assumptions*



# Subsidy Guarantees – Summary

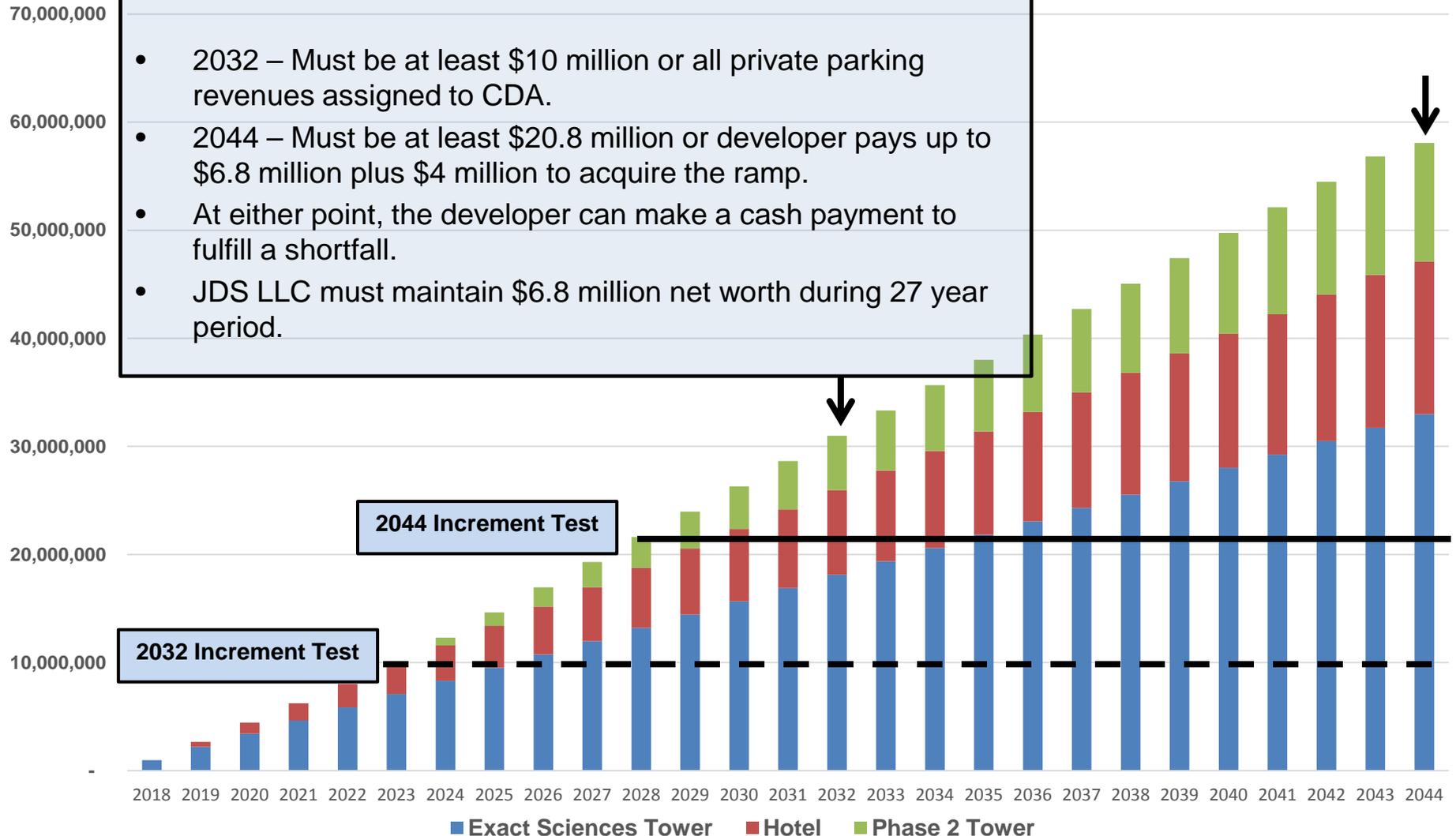
- **Guarantees are unique** to this development and reflect the amount of debt, risk and equity committed by the developer to the project balanced with the risk to the City.
- These guarantees have been **developed through negotiations** under the policy guidance of the Board of Estimates and Common Council.
- Of the \$42.5 million of TID 25 funds provided:
  - \$20.8 million is covered by a **property tax guarantee**.
  - \$12 million is covered by a **jobs guarantee**.
  - \$9.7 million of the equity return grant from TID 25 is **not guaranteed**.

# Parking Ramp Guarantee

## Estimated Cumulative Incremental Revenues

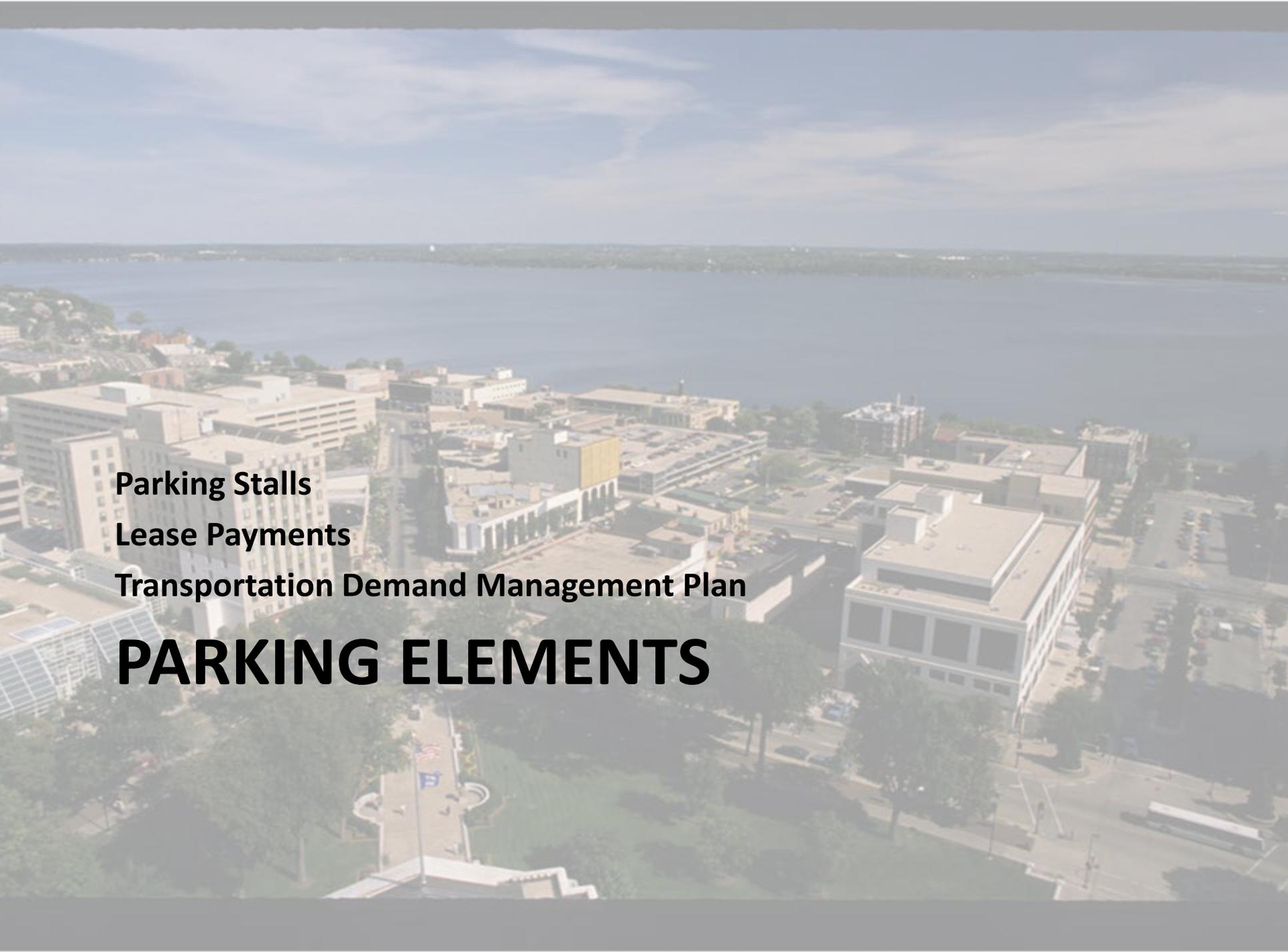
Incremental revenues tested twice:

- 2032 – Must be at least \$10 million or all private parking revenues assigned to CDA.
- 2044 – Must be at least \$20.8 million or developer pays up to \$6.8 million plus \$4 million to acquire the ramp.
- At either point, the developer can make a cash payment to fulfill a shortfall.
- JDS LLC must maintain \$6.8 million net worth during 27 year period.



# Jobs Grant Guarantee

- Exact Sciences is required to guarantee the \$12 million grant through a commitment to create and retain jobs and agreement not to relocate.
- Relocation
  - Guarantee is exercised if Exact Sciences vacates the building, terminates its lease and locates at a different site. Exact Science's guarantee phases down by \$1.5 million annually.
  - Therefore, its guarantee is fulfilled after 8 years.
  - Corporate guarantee
  - Guarantee is reduced by:
    - Any amount collected under the Jobs guarantee, and
    - Amount actually collected through lease relocation penalty provision.
- Job Retention/Creation
  - Exact Sciences must also guarantee at least 300 jobs in Madison when the office building opens and at least 400 jobs located in the office building on January 1, 2019. It has 6 months to remedy any shortfall or it must pay \$30,000 for each job that falls short of these requirements.
- These are job guarantees and are not a guarantee of property taxes collected.

An aerial photograph of a city campus, likely a university, featuring several large, modern buildings with flat roofs and some greenery. In the background, a large body of water, possibly a lake or bay, stretches across the horizon under a blue sky with light clouds. The text is overlaid on the left side of the image.

**Parking Stalls**  
**Lease Payments**  
**Transportation Demand Management Plan**

# **PARKING ELEMENTS**

# Parking Element

- The Community Development Authority (CDA) will build a 1250 stall parking structure and transfer ownership of 600 stalls to the City of Madison Parking Utility (Government East Replacement plus City of Madison Fleet parking).
- The CDA will lease 650 stalls to JDS, LLC (Private Accessory Parking) for a period of 27 years.

# Parking Lease to JDS, LLC

- JDS, LLC will pay the CDA \$115,000 per year for the term of the Parking Lease.
- The Parking Lease will have a term of 27 years.
- After 27 years, JDS, LLC will have the option to purchase the Private Accessory Parking for \$4 Million.
- Payments total \$7 Million. A preliminary review of the Private Accessory Parking by the City Assessor indicated an assessed value of \$7 Million.
- Combined Net Income from the Private Accessory Parking and from the Exact Science Headquarters building funds CDA lease, Phase 1 debt service and a reasonable rate of return on developer equity.

# Sublease of Private Parking

- JDS, LLC will lease the parking spaces at commercially reasonable rates. Parking will be as follows:
  - Exact Sciences will lease 370 stalls at a rate of \$140 per stall per month. (1.85 stalls per 1,000 s.f.)
  - Other office users will lease 85 stalls at a rate of \$140 per stall per month (1.7 stalls per 1,000 s.f.)
  - Non-commercial tenants will lease 80 spaces at \$175 per stall per month. These spaces will serve Exact Sciences Phase 2.
  - 50 stalls will be reserved for daytime hotel users with hotel users paying a commercially reasonable rate.
  - Hourly rates will be set by the Parking Utility for all 1250 spaces.

# Transportation Demand Management Plan

- Promote the Commute Card Program providing subsidized ride passes to employees
- Explore a reward to employees that opt to use alternative means of transportation
- Provide a “cash out” program by providing a financial incentive to employees that voluntarily opt out of a parking spot at the headquarters.
- Designate a Transportation Coordinator to interact with the City and to ensure continuous employee educations and communication on transportation options.
- Facilitate a rideshare program.
- Provide lockers and secure storage for bike helmets, backpacks and other cycle gear.
- The TDM will be reviewed and approved by the City as part of the Land Use Approval process.

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- Exact Sciences Workforce
  - Project Labor Agreement
  - Labor Peace Agreement

# **OTHER PROVISIONS**

# Exact Sciences Workforce

- Exact Sciences currently employs 200 people in its headquarters.
  - By 2017, they expect to grow to 400 employees in its headquarters location.
  - By 2023 (7 years), they expect to employ 650 people in its headquarters.

# Exact Sciences Workforce

- Headquarters jobs include:
  - **Research and Development** including entry level research associates through senior scientists, software and systems development, engineering and clinical affairs with salaries of **\$30,000 to \$140,000** per year.
  - **Operations** including facilities and equipment maintenance, logistics, manufacturing, operations scientists, quality control and quality assurance with salaries of **\$30,000 to \$105,000**.
  - **Corporate Functions** including finance, billing, administrative, human resources, legal, marketing and IT with salaries of **\$28,000 to \$145,000** per year.
  - **Benefits Package**--In addition to base salary employees are eligible for annual team based bonus plan of 5-20% of base salary, health vision dental disability and life insurance, and 401 K with company match of 100% up to 6% of salary. All new hires receive an initial equity grant. Employees also receive paid time off, including holidays and floating holidays.

# Project Labor Agreement (PLA)

- Purpose is to stabilize wages and working conditions and prevents strikes.
- Negotiated between labor unions and JDS, LLC.
- Pertains to the construction of the Block 88 Office building.
- Follows the terms, generally, of the Edgewater PLA.
- Terms can be found in the Team Report of August 20.
- Has not been signed yet, but is expected.

# Labor Peace Agreement (LPA)

- Purpose is to protect the City's proprietary interest in the development by preventing strikes.
- In exchange for preventing strikes, the employees will gain whatever benefits they can negotiate for, similar to PLA.
- City can only require a no strike provision, but all other terms must be negotiated with an appropriate labor union. Unite Here will negotiate on behalf of employees of the hotel.
- Unite Here has suggested the language included in section 5.3(j) of the Development Agreement to ensure the LPA is signed before closing.
- Final terms have not been decided.

# Next Steps

## **1. *Hotel Details***

- Council will need to approve

## **2. *Project Commencement Closing - December***

- Conditions Precedent to Closing

## **3. *Parallel Processes***

- TIF Project Plan Amendment
- Redevelopment District
- Rezoning and Other Land Use Approvals
- Continue Design Progression
- Madison Municipal Building