

MADISON INDUSTRIAL DEVELOPMENT STUDY



MADISON INDUSTRIAL
DEVELOPMENT BOARD,

APRIL, 2001



BWSC | BARGE
WAGGONER
SUMNER &
CANNON, INC.

ACKNOWLEDGMENTS

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CITY OF MADISON STAFF

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CHAPTER ONE – INTRODUCTION

1.1 Introduction

Location. Location. Location. There was a time when economic development officials paid overwhelming attention to these three bedrock principles of the economic development and industrial recruiting process. With the emergence of the Internet and “B2B” economic development, however, many professionals in the field have de-emphasized these fundamentals in favor of the more fleeting trends of global business. There is no doubt that “B2B” strategies may someday create systemic changes to the way business is conducted around the globe and across North Alabama, but today, the North Alabama region continues to successfully market itself using the tested fundamentals of location, location, location.

The North Alabama “location” has a unique mix of affordable and accessible land available for development and a regional labor force that possesses the work ethic that makes the region’s businesses some of the most productive across the United States. These attributes, combined with a long-held reputation as a leader in the field of aeronautics and high technology manufacturing, make the communities within the region very attractive to prospective industry. Furthermore, the diversification of the region’s industrial base (heavy industrial along the River in Morgan County/Decatur, high tech manufacturing in the Huntsville region, and smaller semi-skilled production concerns throughout the Valley) provides excellent opportunities for new manufacturers to market their products to their new “neighbors.” With the recent announcements concerning the new Toyota plant in Huntsville, the Huntsville area’s recent designation, by *Newsweek* magazine, as one of the top ten “high tech” business locations in the U.S., and the continuing investment by automobile manufacturers along the Interstate 65 corridor, the North Alabama region is poised for another decade of phenomenal economic growth.

1.2 Background of Study

Recognizing these trends and the data that support them, the City of Madison’s Industrial Development Board (IDB) began a planning process approximately 18 months ago to understand their existing and potential role in the growth of North Alabama. Clearly, Madison has become one of the premier residential addresses in the region, but their success in attracting industrial and manufacturing “citizens” has met mixed results. At best, it could be said that the City’s industrial development program “lacks focus.”

Accordingly, the IDB solicited proposals from interested consulting firms to undertake a study of their current program and suggest possible options for proceeding into the future. The Board also undertook the responsibility of re-defining their role in the process and their interaction with other City agencies and authorities. The scope of the proposed study centered on three key factors which were required to be addressed by the City Council prior to moving forward with any proposed strategic plan:

- **The proposed study must demonstrate that the region and the City can support new industrial growth before City funds are dedicated to the**

Plan. Are the conditions right for Madison to gain a bigger share of the potential industrial growth that may occur over the next few years?

- **The proposed study should indicate the best physical location within the City to accommodate this new industrial growth and indicate why those proposed uses are the “best use for that property or area.”** It was an explicit directive that “industrial” uses did not include office and/or retail uses, thus manufacturing and distribution facilities and businesses became the focal point of the study.
- **The proposed study should also indicate “whether the numbers work” for the proposed industrial development plan and the future capital improvements program required of it.** The IDB and City Council require that a fiscally responsible strategic plan be instituted, and the study should demonstrate the nature of these “numbers” and how City finances might be affected.

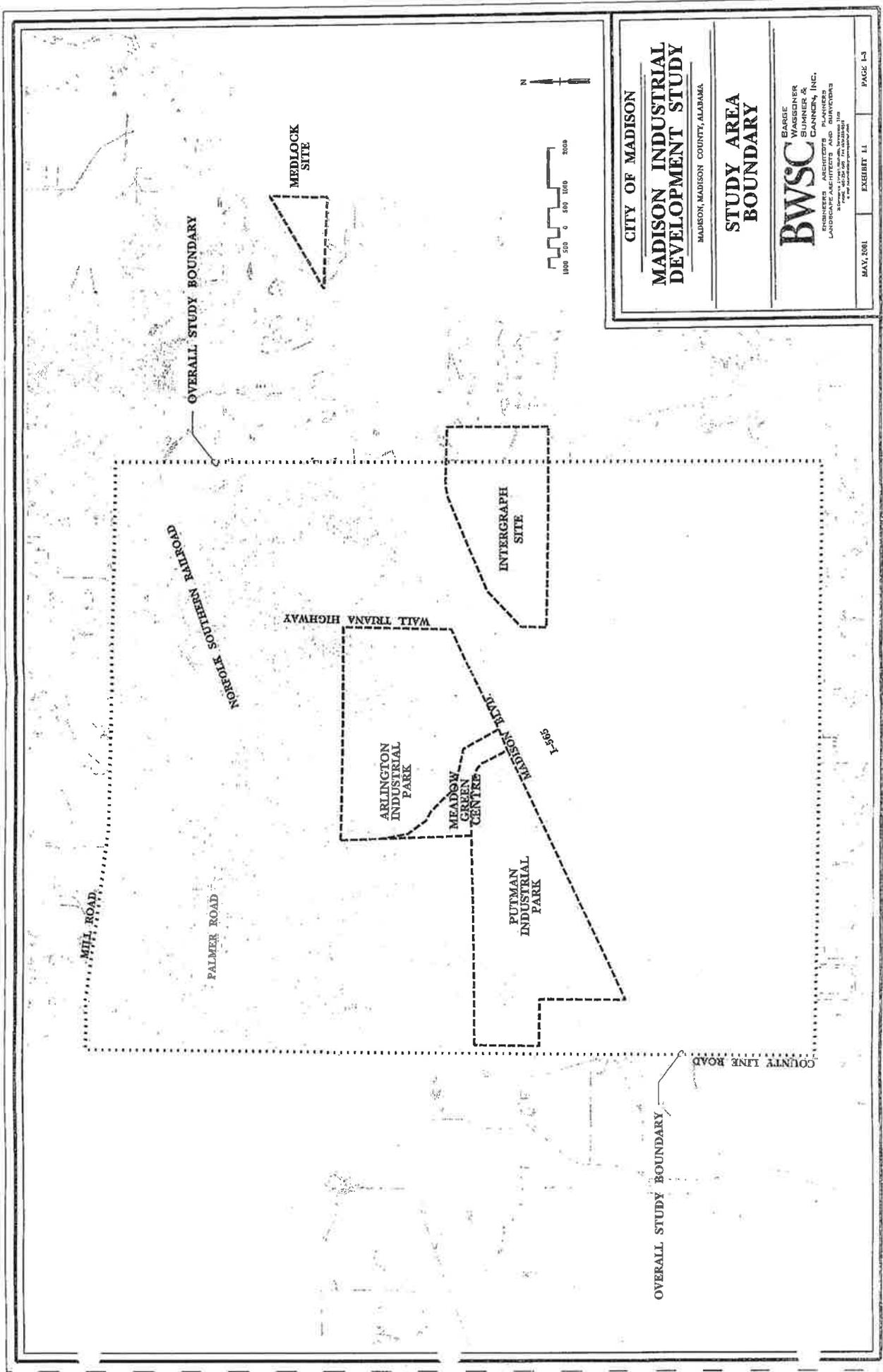
In late 2000, Barge, Waggoner, Sumner and Cannon was retained by the IDB to begin the master planning process. The IDB began a concurrent strategic planning process within their Board to define their vision of the future and determine the most appropriate strategies, organizational structure and actions to implement the conclusions of the Consultant’s study. It was the Consultant’s task to identify potential sites and determine the most effective plan for instituting a new program, and to address the three key issues identified above (see Exhibit 1.1 on the next page for the limits of the study area).

1.3 Format of Report

This report represents the culmination of the strategic planning effort. Over the course of six months, the Consultant investigated several opportunities for action and uncovered considerable data regarding the City’s position to take advantage of these opportunities. This report summarizes this data and analyses into a format that can be used as tool by the IDB as it moves forward in implementing the plan.

Section One of the report is this **Introduction**, which provides the background for the effort and an introduction to the key issues. **Section Two - Inventory and Analyses**, examines the key economic and industrial trends affecting the area and attempts to answer Issue No. One – Is there a growing industrial market in the area that can support our efforts? Additionally, this chapter begins the analysis of alternative sites within the area to determine the most appropriate location for the new park. Finally, **Section Three – Industrial Development Master Plan** provides the framework for the IDB’s action plan for future industrial recruitment in the City. A physical master plan is included, as well as a prospective pro forma for the new industrial park.

Ultimately, this Master Plan will provide the City with a strategy to pursue the creation of wealth and jobs within its boundaries. Often, communities find that this pursuit works to advance the City and the existing industries and businesses within it, but in some instances, this headlong pursuit can alienate long time corporate residents. A clear presentation of the goals and methods of the Plan should be provided to ensure that all City taxpayers understand their implications and the positive benefits that will flow for all residents once the Plan is implemented.



CITY OF MADISON

MADISON INDUSTRIAL DEVELOPMENT STUDY

MADISON, MADISON COUNTY, ALABAMA

STUDY AREA BOUNDARY

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MAY, 2001 EXHIBIT 11 PAGE 13

CHAPTER TWO - INVENTORY AND ANALYSIS

2.1 Introduction

In order to determine the feasibility and desirability of initiating a new industrial development strategy within the City of Madison, it was first important to examine certain demographic trends and tendencies in the region. Without a strong regional economy and labor force to spur future industrial development and growth, the allocation of scarce community resources on this program would seem foolhardy. Our analysis of the region and City included the areas near Madison that had established industrial programs and available sites/parks. These were found primarily in Huntsville in Madison County and Decatur in Morgan County. To get a true picture of the region and its available labor force, we also included Limestone County in the study area. Although Limestone County's impact on the economic investment statistics may appear limited, they (along with the other more rural counties on the fringes of the Huntsville/Madison area) impact the availability of available work force and labor costs dramatically.

In order to establish overall trends and potential comparisons, we examined the data for a composite of the three county area, which we labeled "North Alabama". We then looked at the same information for Decatur and Huntsville separately, and finally for the City of Madison. In general, two sets of analyses were completed. The first comparisons provided an **"Overview of Economic Conditions/Growth Trends"** in the region, depicting the key demographic categories and trends that illustrated the strength of the region and each individual area respectively. Data points for this analysis included: Population Growth; Household Income Growth; Unemployment Rate; and Civilian Labor Force statistics for the last ten years.

The second analysis, **"Industrial Conditions and Trends,"** focused more on issues involving manufacturing and the related employment and labor force issues so critical to industrial prospects. The categories chosen to demonstrate these points included: Manufacturing Employment; Educational Attainment; Investment and Job Growth; and the resulting Key Issues associated with this data.

Finally, we framed the data analysis further by observing the following assumptions that indicate trends or potential occurrences within the City limits that will impact future industrial development strategies and trends:

Madison is likely entering a ten-year window of opportunity for industrial development due to the following reasons:

- Residential development will continue in Madison at a faster pace than surrounding areas. If industrial areas are not identified, secured and developed within the next few years, it is possible that the potential for successfully developing these areas will be reduced or eliminated by residential encroachment.
- The east/west transportation system should improve with the completion of the interstate corridor from Memphis to Atlanta, and with this planned completion, companies will look to locate along this new growth corridor.

The U.S. economy and the region's economy will remain stable over a sustained period of time. It is recognized that there will be fluctuations and downturns over the next ten years, but all indicators point to a strong and stable economic outlook for the region.

Aggressive recruitment and success by your economic competitors will continue. Recruitment by Decatur and Huntsville and their respective Chambers of Commerce will require the IDB to measure up to their standard or lose the opportunity to take full advantage of a growing economy.

As competing sites are developed in the area, Madison's competitive advantage will improve if new sites/parks can be located and developed within the community. The "demand" for new industrial sites will continue unabated, and now is the time for the Madison IDB to add their portion of the "supply" within the region and reap the rewards of these actions.

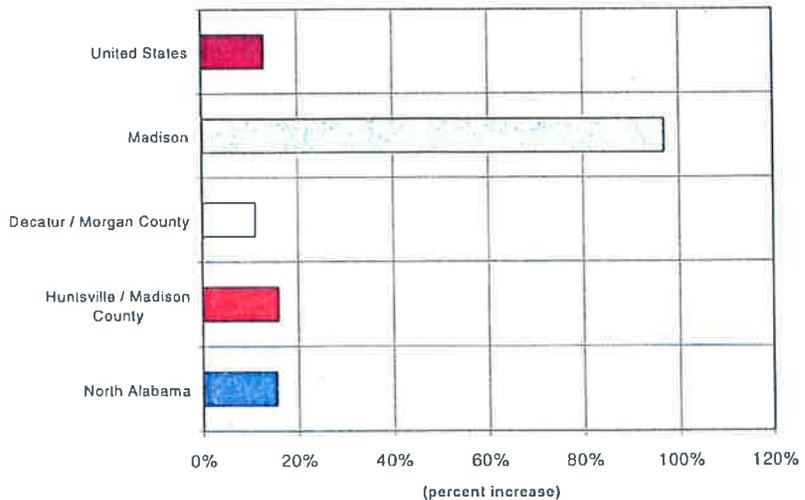
2.2 Overview Of Economic Conditions And Growth Trends

Exhibit 2.1 on page 2-4, provides a summary depiction of the key trends and data affecting the overall economic conditions within the region. A further examination of this data is provided below.

Population Growth

As a ten-year trend, population growth in the communities across the region was above the national average with only Decatur falling below this average. Decatur's growth was particularly puzzling due to the perceived success of their industrial program. In many communities, successful industrial programs lead to population and community growth. Such is not the case in Decatur, which may lead one to believe that many of the new workers in Morgan County live outside of its boundaries. On the whole, however, the positive regional population growth trend is expected to continue.

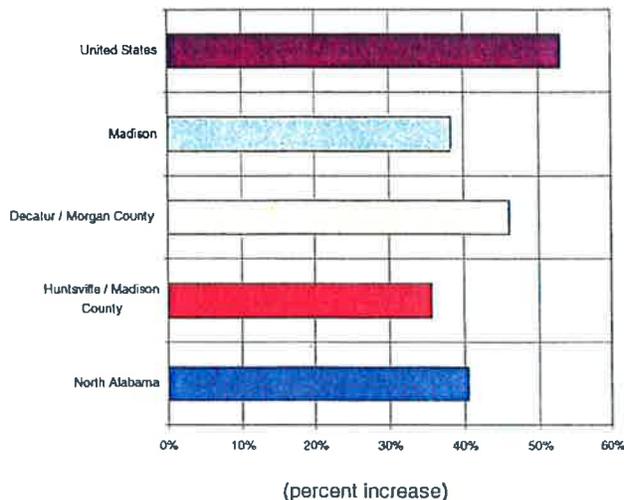
Table 2.1 Population Growth (1990-2000)



Household Income Growth

Median household incomes within the region grew at a steady pace during the decade of the 90's, however, the rate of growth was below the growth rate across the nation. In absolute dollar terms, however, the city of Madison's median household income was the highest in the region (\$27,915 compared to the national average of \$22,433 and the regional average of approximately \$19,800). Clearly, Madison represents one of the most affluent communities in the region.

Table 2.2 Household Income % Growth ('90-'00)



Labor Statistics

With respect to labor, the *Unemployment Rate* in the region, as well as the United States as a whole, has remained low in the last ten years. The higher rates during the period were in the early to mid 90's with rates as high as 5.9% for the Huntsville metro region, and 6.6% in Decatur. In the last few years the rate has been in the 2.5-4% range, which for all practical purposes is considered full employment by most labor economists. In the last few months unemployment has begun to creep up as the economy slows, but at this point it is too early to determine if this is a sustained trend. This unemployment data clearly indicates the strength of the regional economy that is perceived by most communities as a positive sign for the future. Industrial prospects, on the other hand, see these statistics as a clear "proceed with caution" sign when evaluating the area. They know that a strong labor demand (i.e. low unemployment) drives up the cost of labor, which in turn, drives up their operating costs. If an area has a limited pool of labor, an unusually low unemployment rate can stem the tide of industrial recruiting efforts and successes.

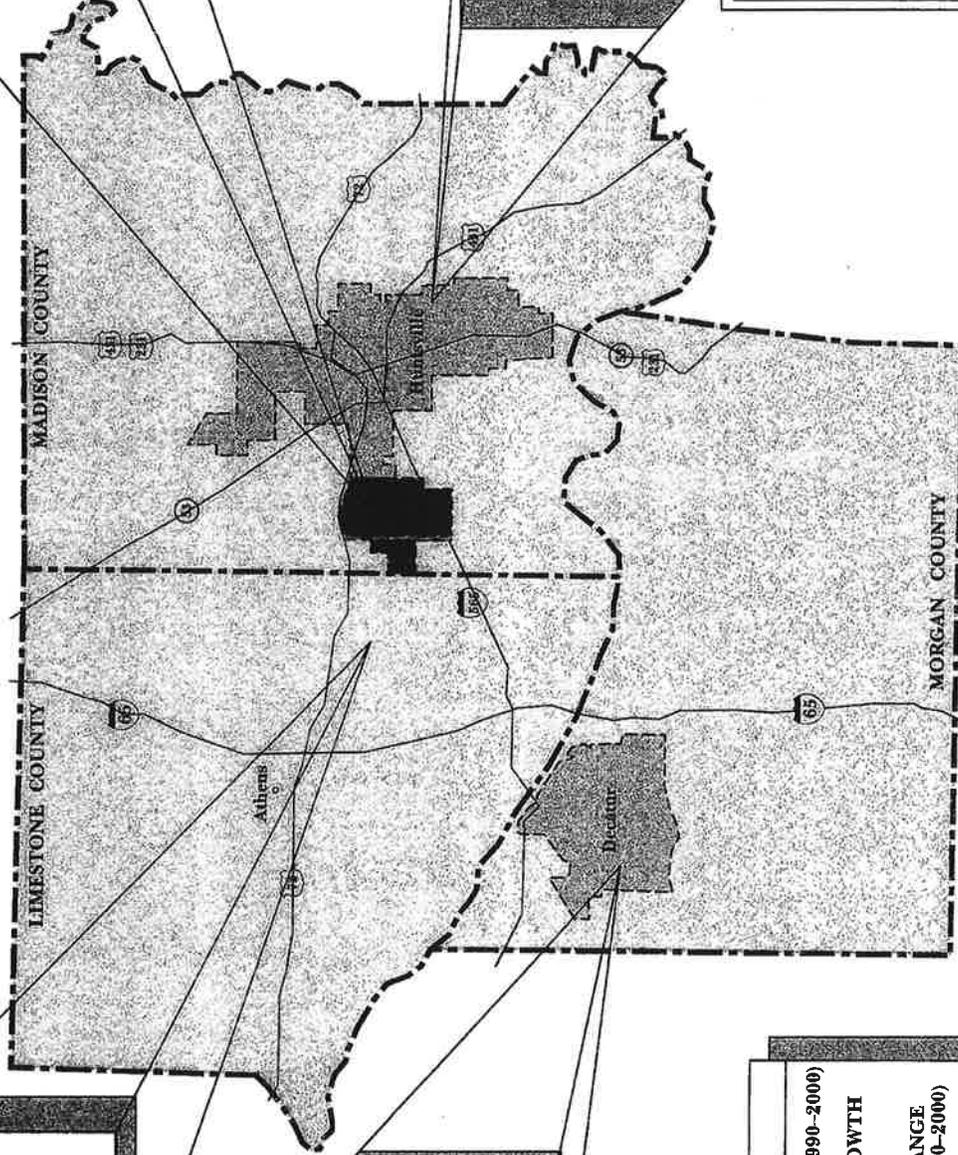
In looking at labor for this region, however, it is important to recognize that workers may work and live in different communities. As a result, it is important to look at the region as a large labor pool that prospective employers can draw from. The Huntsville/Madison County Chamber of Commerce reports a *Civilian Labor Force* of 334,000 persons in the surrounding eight county area. Factoring in the unemployment rate of 4%, this available labor pool for new employers is still only 13,360 persons. It is clear that, like many growing areas within the U.S., the region has a distinct labor shortage. Although the 2000 Census statistics were not available at the time of this report, it is clear that this shortage is being met by workers from outside of the region. With increasing frequency, the labor pool for new industrial jobs in areas like North Alabama commute upwards of 50-75 miles one way for this work. Although these statistics may give a prospect cause for concern, the population growth and commitment to a high quality of life within the region will likely induce further population growth and supply the necessary labor for future employment needs.

COMPOSITE NORTH ALABAMA REGION
<ul style="list-style-type: none"> • 15.35% • 40.5% • 3.9% to 6.6% • 193,080; 5.9%

MADISON
<ul style="list-style-type: none"> • 96.8% • 38.3% • 2.5% TO 5.8% • 13,641

DECATUR / MORGAN COUNTY
<ul style="list-style-type: none"> • 11.0% • 46.1% • 3.9% TO 7.2% • 55,610; 6.6%

HUNTSVILLE / MADISON COUNTY
<ul style="list-style-type: none"> • 15.8% • 37.5% • 2.5% TO 5.8% • 137,470; 4.4%



LEGEND
<ul style="list-style-type: none"> • POPULATION GROWTH (1990-2000) • HOUSEHOLD INCOME GROWTH (1990-2000) • UNEMPLOYMENT RATE RANGE (LOW-HI during period 1990-2000) • CIVILIAN LABOR FORCE AND UNEMPLOYMENT RATE (1995)

CITY OF MADISON

MADISON INDUSTRIAL DEVELOPMENT STUDY

MADISON, MADISON COUNTY, ALABAMA

Overview of Economic Conditions / Growth Trends

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MAY, 2001 EXHIBIT 3.1 PAGE 2-4

Summary of Existing Economic Conditions

Madison is located in a steadily growing area with a stable economy and healthy quality of life. With the possible exception of a tight labor market, nothing in our examination of demographic trends would persuade an industrial prospect to eliminate the North Alabama region from their shortlist of potential sites. Furthermore, the Madison community is clearly a leader in income and population growth statistics, thus potentially enhancing its position to take advantage of the prospect's knowledge and fondness of the region. It should be noted, however, that the tight labor situation is an issue for growing communities across the nation during these economic good times, and the regional labor force at work in north Alabama and southern Tennessee helps to remedy this problem.

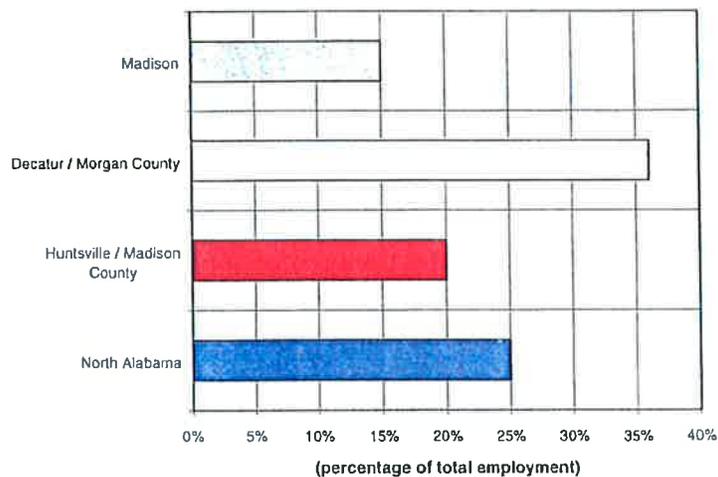
2.3 Overview Of Industrial Conditions And Trends

This section will examine the data concerning industrial conditions in the region and determine if they match the positive picture painted by an overview of general economic and demographic data found in the previous section. Exhibit 2.2 depicts some of the key items found in the data and a further examination is outlined below.

Manufacturing Employment in the Region

To determine where the current strongholds of industrial activity could be found, the amount of manufacturing employment as a percentage of total employment within each county was reviewed. Note that these percentages represent the total jobs or employment mix within a community, not what the residents within the area do for a living. Table 2.3 indicates that of all the jobs in the Decatur/Morgan County area, over 35% of them are in the "manufacturing" sector of the economy (almost 33% more than a similar average percentage for the entire North Alabama region. It is important to note, Madison's industrial character is closer in line with national averages (16-19%), however, Decatur's industrial reputation and success make them the logical first choice for prospects as they enter the North Alabama market. Madison must differentiate themselves to be noticed.

Table 2.3 Manufacturing Employment



COMPOSITE NORTH ALABAMA REGION

- 25%
- 77%
- \$5.79 Billion; 37,816
- Strong Economics
- Access to Labor and Products

DECATUR / MORGAN COUNTY

- 36%
- 69%
- \$4.03 Billion; 8,123
- Access to River
- Aggressive Program
- Questionable Results

MADISON

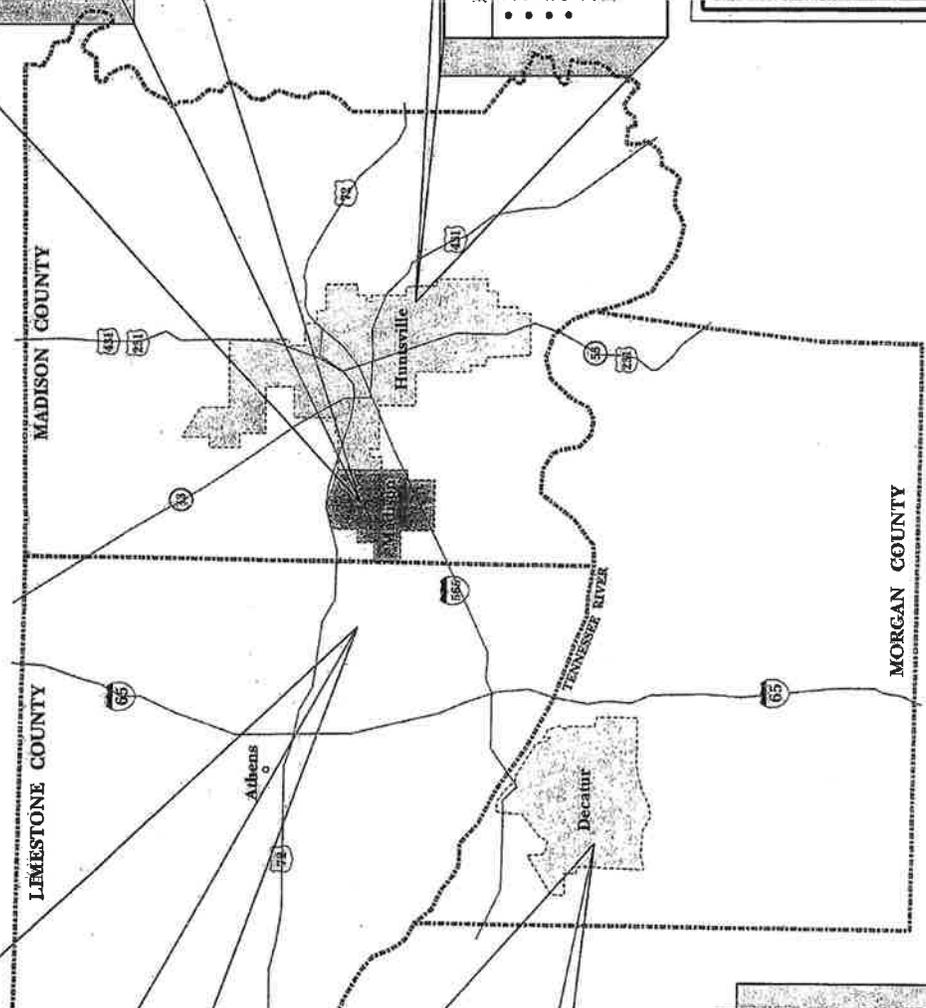
- 15%
- 89%
- NA
- Residential Reputation
- Beneficiary of Regional Success
- No Discernible Program

HUNTSVILLE / MADISON COUNTY

- 20%
- 80%
- \$1.76 Billion; 29,693
- Toyota Impact
- High-Tech Reputation
- Dearth of Medium-Wage Job Opportunities

LEGEND

- MANUFACTURING EMPLOYMENT (AS % OF TOTAL EMPLOYMENT)
- EDUCATIONAL ATTAINMENT (HIGH SCHOOL OR HIGHER)
- MANUFACTURING INVESTMENTS AND JOB GROWTH (1990 - 2000)
- KEY ISSUES



CITY OF MADISON

MADISON INDUSTRIAL DEVELOPMENT STUDY

MADISON, MADISON COUNTY, ALABAMA

Industrial Conditions and Trends

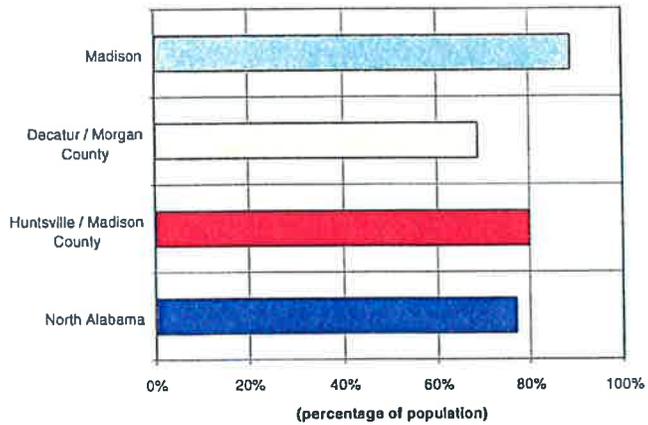
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Educational Attainment

Another important variable for industrial/business prospects is the educational attainment levels within a community. Typically, an educated work force is a strong work force. Table 2.4 demonstrates the percentage of residents who have attained a high school education or higher in these areas. While the region's attainment levels fall slightly behind national averages, the city of Madison leads the region in persons with advanced degrees (undergraduate and graduate degrees from college, law/physician degrees, etc.)

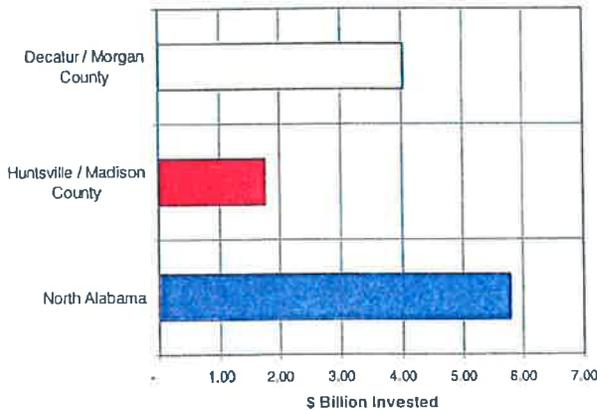
Table 2.4 Educational Attainment (1990)



Industrial Investment and Job Growth

To demonstrate the level of industrial economic activity within the study area we looked

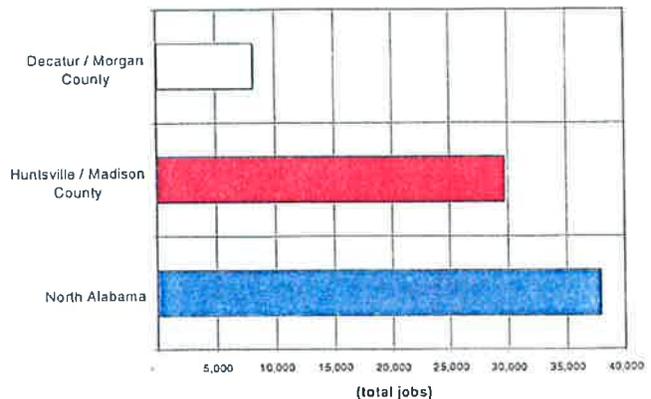
Table 2.5 Industrial Investment (1990-2000)



at the amount of Industrial Investment and Job Growth from 1990 to 2000. For this category we had to rely on the numbers reported by various economic development agencies. Note that some companies prefer to not be reported, and small business relocation and creation is seldom counted. This data, however, is instructive from a comparison standpoint and clearly show the industrial accomplishments and job growth of Decatur.

Data for individual communities within the area were not generally available, but what is important to note is that the region generated almost \$6 billion in economic investment in the last ten years and over 37,000 jobs. With a concentrated and focused effort, the Madison IDB should be able to slice a small piece of this pie for the City in future years.

Table 2.6 Job Growth (1990-2000)



Summary of Key Issues

Finally, Exhibit 2.2 indicates a few key issues within each community and their impact on Madison's ability to commence a successful industrial development program that can compete within the region, the state and the nation.

North Alabama

- The region is noted for its ***stable and strong economy***. The area has distinguished itself as an economic development leader in the state of Alabama.
- The area is further noted for a ***well-trained, high-tech labor force***.

Huntsville/Madison County

- The impact of the recent ***Toyota announcement*** should have far-reaching positive impacts for the entire region. In addition, the presence of Toyota should result in numerous other recruitment opportunities for spin-off distribution or manufacturing concerns related to the growing automobile corridor along Interstate 65.
- Huntsville and Madison County enjoy a ***high tech reputation*** particularly in the fields of aerospace, aviation, and computer related technology.
- On the other hand, Huntsville's high tech reputation may make it more difficult to recruit ***medium wage jobs***, particularly those unrelated to the existing high-tech industries already in the area. The lack of a available work force, willing to accept these medium wage job opportunities (as opposed to the high wage jobs they believe they can get if they hold out), may hold the Huntsville area back if they are not focused in their attention to this issue.

Decatur/Morgan County

- Morgan County has a natural advantage with its industrial ***access to Tennessee River***.
- Decatur has earned a reputation for its ***aggressive recruiting programs***, particularly in the industrial area, but the ***long term economic impact*** of such aggressive recruitment is still ***in question***. Recent plant closings in this area, and across the region, have prompted some to suggest that the level and nature of industrial incentive packages should be closely evaluated in the future.

Madison

- Madison has a very positive ***residential reputation*** that is the envy of the region.
- Because of Madison's location and the success of its neighbors, Madison has been the residential and retail ***beneficiary of the region's recruiting success***.
- From an ***industrial recruitment*** standpoint, however, Madison has ***no discernible program*** and is therefore often not considered for industrial location activity.

2.4 Competitive Survey– What Others are Saying

In the process of information gathering for the study, the consulting team interviewed local and state industrial officials on a variety of topics (see Appendix _ for responses). During these discussions we were interested in what impression people had of Madison's industrial program or the city as an industrial site. In general, everyone recognized Madison as an excellent residential community, one of the best in North Alabama. Very few, however, had ever considered Madison as an industrial location or even know of any City-sponsored industrial recruitment program. Some stated that Madison was important in the industrial recruitment process only because it offered a nice residential environment for relocating executives, but not as an industrial location. *From an overall regional recruiting perspective however, the general feeling about Madison's industrial program was, "it's not even on the radar screen."*

2.5 Physical Planning Analysis

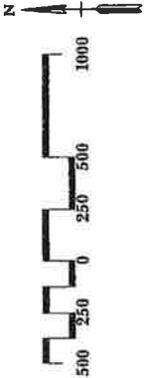
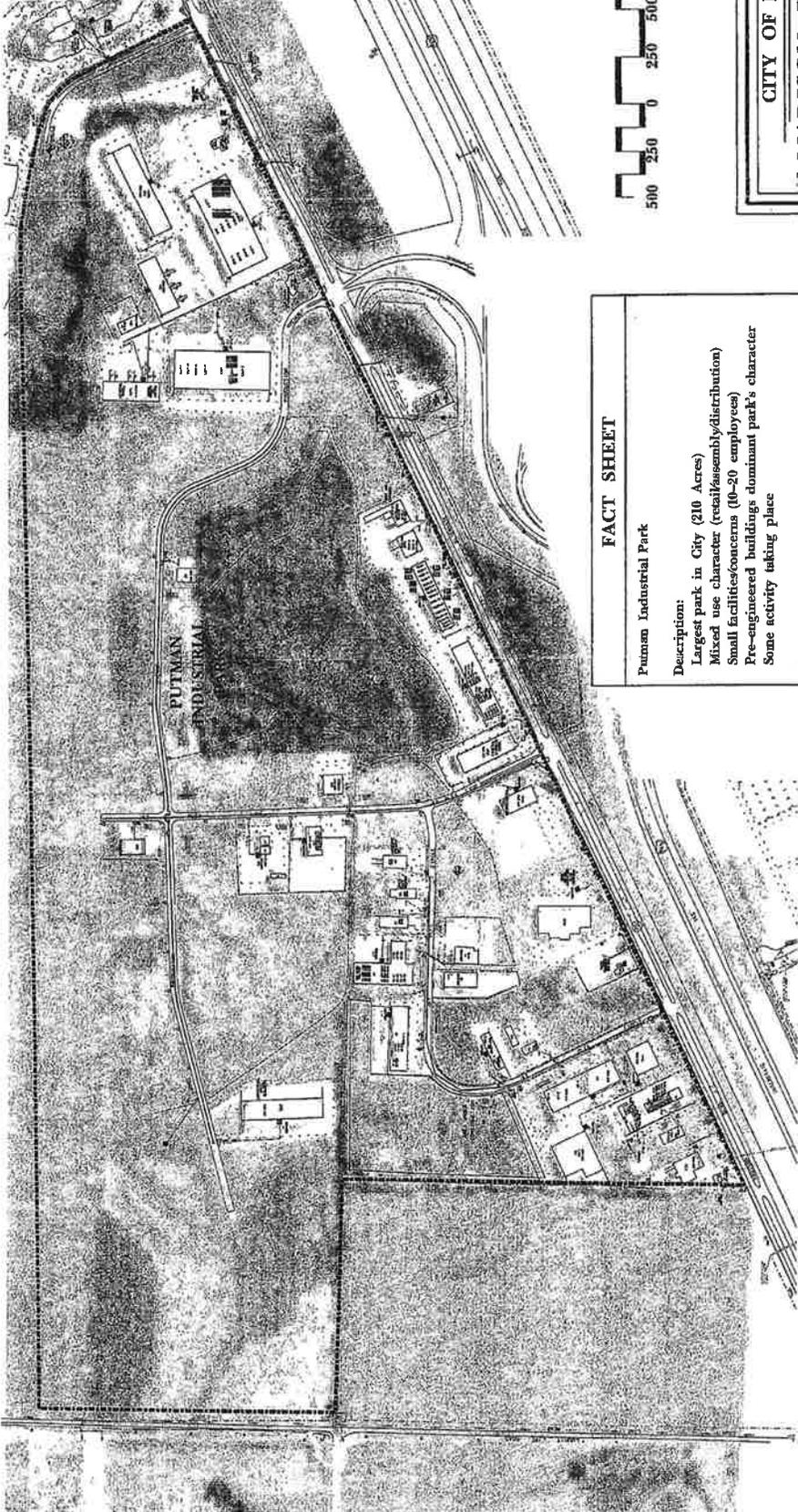
This section of the report provides information and data concerning the key issue, "What is the best physical location within the City for a proposed industrial park, and is industrial the best use of that property?" To address this issue, a review of the physical makeup, manmade constraints and existing industrial properties of the study area was conducted. It is important to note that this analysis was confined to the study area identified in Exhibit 1.1 (on page 1-3), except in certain special cases where the IDB or the other important data pointed to areas outside the original study scope.

To begin the analysis of the study area, the inventory of industrial properties was examined and conclusions regarding their role in the future industrial program is offered. Second, a review of the natural and manmade constraints on the vacant, underdeveloped land in the study area was completed to determine its potential to meet the needs of the industrial program. Finally, these analyses were combined to identify a proposed "focus area" for the future industrial/business park. It is within this focus area that the new park(s) will likely be proposed, thus a more detailed examination was warranted.

Existing Property Inventory

Illustrations 2.1, 2.2, and 2.3 provide a summary analysis and conclusions regarding the existing industrial properties/parks in the City. On the whole, each of the parks identified were limited in their ability to meet future needs due to a variety of reasons, but all of them shared two common issues which make it difficult to make them the focus of future efforts:

- Each park *lacked an adequate supply of available sites that varied in size and location*. No single park had a large site (40+ acres) available for larger manufacturing prospects, and most sites ranged in the 5-10 acre size.
- *Almost all available sites were located "behind" or in the rear of the existing parks*. Clearly, the initial success of each park has led to this condition, but from an objective standpoint, it appears that only the Putman Industrial Park is achieving any measured success in marketing their "rear" sites.



CITY OF MADISON
**MADISON INDUSTRIAL
 DEVELOPMENT STUDY**

MADISON, MADISON COUNTY, ALABAMA

**PUTMAN
 INDUSTRIAL PARK**

BWSC

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MAY, 2001 ILLUSTRATION 2.1 PAGE 2-11

FACT SHEET

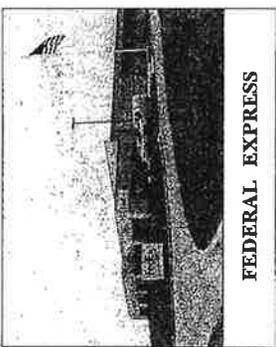
Putman Industrial Park

- Description:**
 Largest park in City (210 Acres)
 Mixed use character (retail/assembly/distribution)
 Small facilities/concerns (10-20 employees)
 Pre-engineered buildings dominant park's character
 Some activity taking place

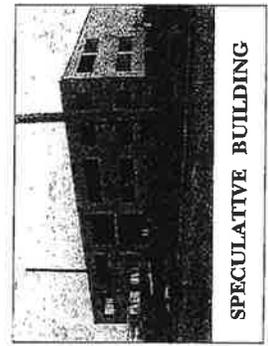
- Sites/Acres Available:**
 Approximately 5-10 small sites available (40 acres total)
 Two speculative sites under construction

- Major Tenants:**
 FedEx
 Trax Industries

- Strength/Weakness:**
 On-going activity indicates "marketability"
 Only "rear" sites available
 Anchor for adjacent, undeveloped sites?
 Park's character does not compare favorably to competition



FEDERAL EXPRESS



SPECULATIVE BUILDING

FACT SHEET

Meadow Green Centre

Description:

Small, mixed use development with nice architectural and site features
Little or no expansion room available within site
No activity

Sites/Acres Available:

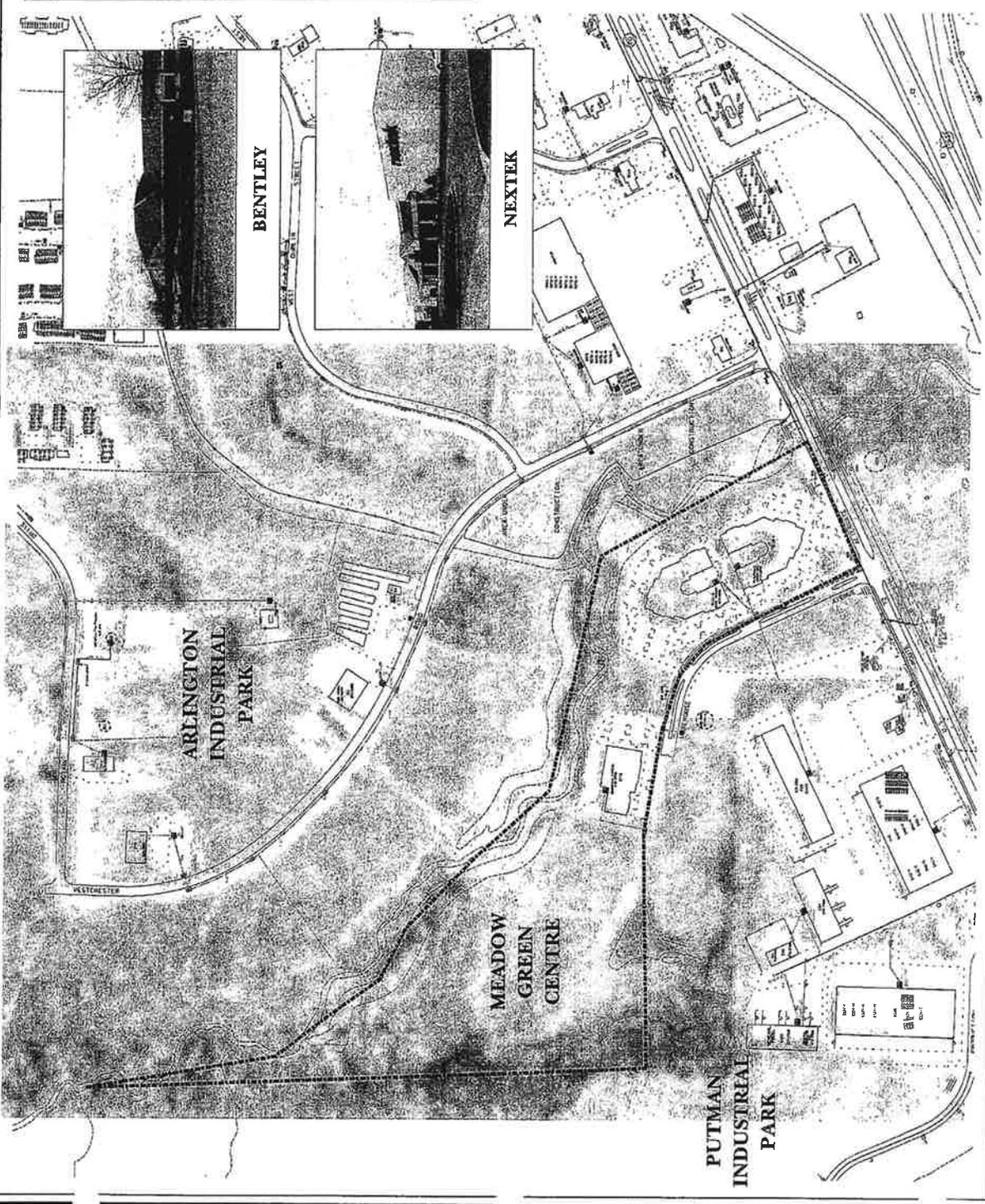
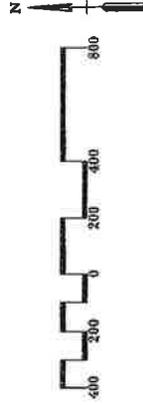
Unable to confirm availability, but approximately 28 acres vacant at rear of property

Major Tenants:

Nextek
Bendley

Strengths/Weaknesses:

Site features compare favorably to competition
Limited land availability



CITY OF MADISON

MADISON INDUSTRIAL DEVELOPMENT STUDY

MADISON, MADISON COUNTY, ALABAMA

MEADOW GREEN CENTRE

BWSC

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For these reasons and those outlined in the illustrations, the existing industrial parks are more suited to become a "component" in the overall strategic plan, but they can not be the focus of the effort. An insufficient inventory of available sites and the perception that these sites are substandard due to the fact that they are "behind the good properties" are the major contributing factors to this conclusion.

Additional Properties Inventoried

Finally, it was suggested at an IDB work session that additional sites might warrant further attention, specifically the Madison Research Park (Intergraph property) and the vacant Meadlock property along Interstate 565. After a preliminary review, the conclusion for these sites is similar to that reached regarding the Putman, Meadow Green Centre and Arlington sites. The Intergraph site is an excellent property with great visibility and access, but its ability to serve as a focal point for future efforts is limited by an inadequate supply of vacant, undeveloped sites and the limited prospect that an exact "user fit" for the bulk of the existing buildings located on-site could be found. Furthermore, although the Meadlock shares excellent visibility from I-565, access to the site and the on-site topographic constraints limit its capability as an industrial park location. The adjacent residential neighborhoods and visibility may make the property a better "office" site, thus providing a "companion asset" in the City's overall economic and industrial development plan. Additionally, this area is forecasted for "commercial" land uses in the City's long range plan, thus an office use is preferred over industrial.

Natural and Manmade Constraints in the Study Area

Exhibit 2.3 depicts a summary of the key opportunities and constraints related to the proposed study area. In general, these issues center on both natural and manmade features which impact the undeveloped properties within the area, and a review of these factors indicate that a more narrow "focus area" for the future industrial/business park is created based on the analysis. The major factors impacting these properties are outlined below.

First, several *manmade and regulatory issues* are present within the area that combine to dictate the eventual use of the property and its suitability for the proposed industrial use. From a land use and zoning regulation perspective, the study area is dominated by industrial uses and industrial zoning, thus providing a solid regulatory and land use basis for the proposed industrial project. Furthermore, although residential land uses are beginning to develop at the edges of the study area (i.e. north of Mill Road, east of the Arlington Industrial Park site), the intrusion of these uses into the primary study area is limited by airport noise and flight approach zones for the nearby Huntsville International Airport.

Second, the review of *ownership patterns and availability of property* in the study area revealed an opportunity for future development. With the exception of one large tract, fronting on County Line Road and the railroad, almost all properties located within the broader study area and in the more narrow focus area are actively "for sale." Ultimately, the presence of these large tracts of undeveloped land, held by just a few owners, will enhance the IDB's ability to assemble property for a future business park site.

FACT SHEET

Arlington Industrial Park

Description:

Sparsely developed with small facilities/concerns
 No real "front door" to Madison Boulevard
 (reduces site's visibility and marketability)
 Infrastructure beginning to show wear
 Little or no activity

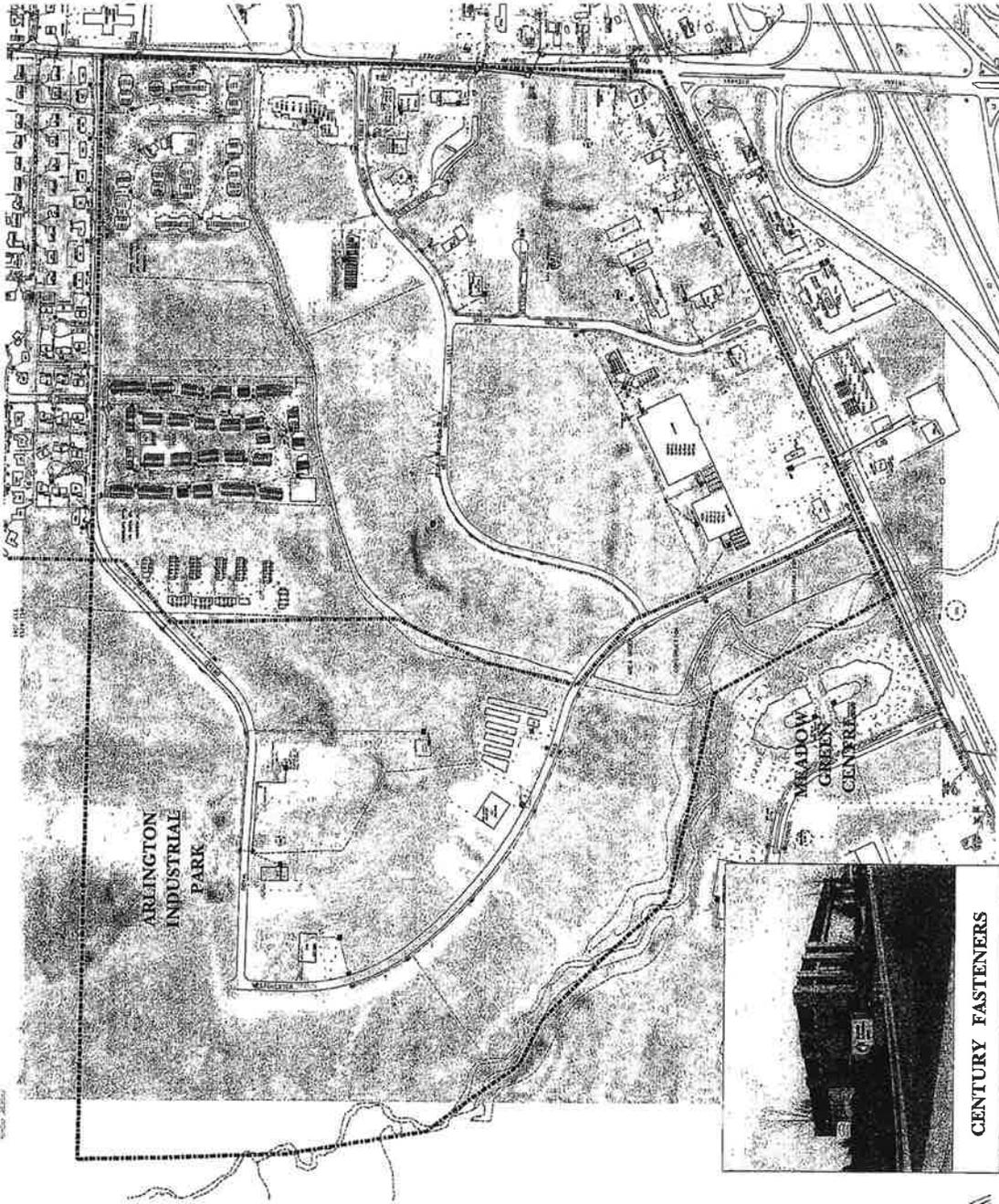
Sites/Acres Available:

Small sites (1-15 acres) available along Bradford
 Creek (approx. 95 acres total available)
 Shallow depth of lots reduces flexibility and
 marketability

Major Tenants: Century Fasteners Corporation

Strengths/Weaknesses:

Nice creekside lots available
 No synergy among existing tenants
 Roads in disrepair signals lack of attention
 Limited ability to enhance "marketability"



CITY OF MADISON
MADISON INDUSTRIAL
DEVELOPMENT STUDY
 MADISON, MADISON COUNTY, ALABAMA

ARLINGTON
INDUSTRIAL PARK

BWSC

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 WARDNER
 BUNKER &
 GANNON, INC.
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CENTURY FASTENERS

LEGEND

..... OVERALL STUDY BOUNDARY

..... FOCUS AREA

..... ENVIRONMENTALLY SENSITIVE AREAS

..... SIGNIFICANT SITES OUTSIDE FOCUS AREA

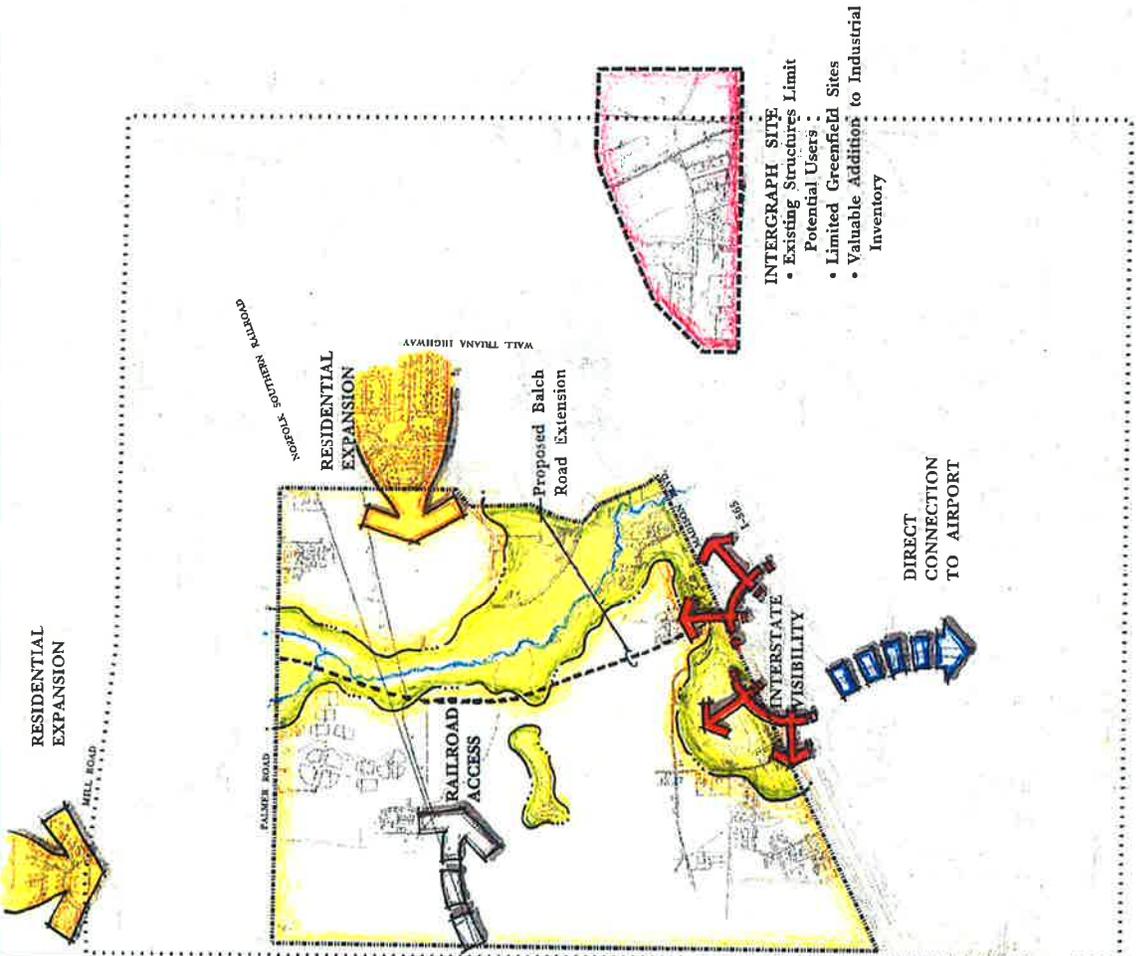
KEY POINTS

OPPORTUNITIES

1. INTERSTATE ACCESS AND VISIBILITY
2. RAILROAD FRONTAGE
3. AIRPORT PROXIMITY
4. PRESENCE OF EXISTING INDUSTRY
5. ZONING IN PLACE

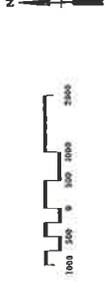
CONSTRAINTS

1. OWNERSHIP PATTERNS
2. ENVIRONMENTAL CONCERNS
3. LIMITED INVENTORY AND SELECTION OF INDUSTRIAL PROPERTIES
4. INFRASTRUCTURE



MEADLOCK SITE

- Great Visibility but Limited Access
- Topographic / Neighborhood Challenges
- Valuable "Companion Asset" to Industrial Program (Office Site)



CITY OF MADISON

MADISON INDUSTRIAL DEVELOPMENT STUDY

MADISON, MADISON COUNTY, ALABAMA

STUDY AREA ANALYSIS

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MAY, 2001 EXHIBIT 2.3 PAGE 2-14

Another key factor was the presence of *adequate infrastructure* for industrial uses in this area. Although utility and roadway extensions and improvements will likely be required for future development, the existing infrastructure network provides adequate utility service, excellent access and visibility and an overall solid foundation for future industrial development in the study area. The extension of this network of services and utilities into the undeveloped properties of the study area, however, may be constrained by a few environmentally sensitive zones. Existing flood prone areas along Bradford Creek and the presence of designated wetlands in the more open, undeveloped portion of the study area may complicate future development, but with sound planning and sensitive engineering designs, the area should retain its ability to be developed into the focal point of the industrial program.

Definition of the "Focus Area"

The physical planning analysis pointed to a defined "focus area" within the overall study boundaries that should be targeted for the development resulting from the implementation of the industrial development master plan. Four primary reasons led to this determination:

- **The focus area represented the largest contiguous portion of undeveloped land in the area.**
- **The presence of adequate zoning controls and infrastructure enhanced the area's capability for development.**
- **The area provided logical boundaries that could define the limits of new industrial development for the City (i.e. railroad, County Line Road, Bradford Creek, etc.), thus diminishing the potential fears of nearby residential areas of encroaching industrial development.**
- **Industrial uses represented the most logical future use for the area due to: (1) compatibility with adjacent land uses; (2) existing regulatory and environmental constraints (noise and flight zones); (3) visibility to I-565, and good accessibility; (4) and the location of the area at the western fringe of the existing municipal boundaries.**

Although other non-residential uses could be targeted for the site (i.e. regional mall, office park, civic complex, etc.), the site's location within the City reduces its ability to adequately service the potential market area for these uses (i.e. size, visibility, and accessibility of the site would promote regional retail uses, but the site's location at the fringe of existing residential uses, rather than at the center of these areas, would limit the site's marketability as a regional retail site). *Utilizing this focus area as the focal point for the future industrial program represents a logical land use and policy decision for the City based on all factors being considered.*

2.6 Summary Conclusion

A review of the demographics and economic data for the region and the Madison area indicates that, on the whole, the region's economy and labor force will provide sufficient growth over the next decade to support a new and accelerated industrial development program by the Madison Industrial Development Board. Although the regional

competition for industrial prospects is considerable, Madison's potential to gain a greater share of the \$6 billion economic/industrial investment market (over the last ten years) is also considerable. Furthermore, a review of geographic and physical factors within the study area indicates that several large, undeveloped and contiguous tracts of land may be available for development in the general "industrial" area of the City. This area represents the most logical choice and opportunity for these land uses, and the infrastructure network can be extended into the area effectively. **With the proper planning and aggressive marketing and leadership, the IDB has the potential to develop a first class business park that can address the industrial development needs of the City for the next ten to twenty years.**

How to Move Forward

The research indicates that the City of Madison, through the workings of their IDB could be a viable, competitive industrial location, providing that the effort was focused, it was executed effectively, in the proper locations, and that the level of action and commitment by the IDB was at the level necessary to be successful. In determining the level of action necessary to implement a future plan, three approaches surfaced:

Level 1 – Aggressive Approach – Under this approach the IDB would take the initiative in promoting, packaging, and marketing the site(s). To implement the strategy, the IDB would employ a full time professional with experience in the field and a fully-developed marketing package would be created. Marketing efforts accomplished by other state and regional economic development agencies would be viewed as a supplement to the IDB's "stand alone" efforts, not as a substitute. In addition, the IDB would have pre-negotiated options or contracts on specific land, information on available abatements and incentives, a method for financing capitol improvements, and explicit strategies to address issues such as neighborhood opposition and public support.

Level 2 – Moderate Approach – In this approach the IDB would hire a "part time" professional, coordinate marketing with existing state and local recruitment efforts, and have pre-negotiated deals with property owners in place.

Level 3 – Laissez Faire Approach – Under this approach, the IDB would rely on Madison's excellent location and good visibility from the interstate to sell itself. It would rely entirely on other recruitment agencies for marketing and recruitment, and do little or nothing in terms of an inventory of sites or pre-negotiated deals.

During the course of several IDB work sessions, the Board's directive for the future plan centered on the adoption of an "aggressive" implementation approach. The next section of the report summarizes the major tenets of the proposed Industrial Development Master Plan.

CHAPTER THREE – INDUSTRIAL DEVELOPMENT PLAN

3.1 Introduction

This section of the report provides the framework for an industrial development strategy for the IDB as it enters this critical period of growth for the region. The initial recommendations in the Plan include the consultant's recommendations regarding the organizational structure, marketing program and other systemic action items to be considered by the IDB. Although these issues were not the focus of our study, we believe it is important that the Board and the City Council understand the importance of these items in the success of the overall Plan. The physical plan presented in this strategy will require active and aggressive actions by the IDB to implement it. Without the proper organizational, marketing, and financial underpinnings in place, the Plan's physical elements and implementation strategies will not work.

With the systemic framework in place, this section then presents the physical land use planning component of the overall strategy. A development concept plan is presented, along with an opinion of probable costs related to infrastructure and a strategy for implementing the plan. Finally, a proposed pro forma is included that estimates the tax revenues that would inure to the City if and when development within the proposed business park begins. The pro forma computes the tax revenues received (after prospective tax abatements to the new facilities) and the expenses incurred as a result of the bond issue for the park's infrastructure, and then provides an annual net cash flow to the City over a 30-year development period.

3.2 Proposed Framework for Industrial Strategic Plan

Prior to the commencement of the consultant's work, the IDB began holding internal visioning and master planning sessions to determine and define their new role in the economic development of the City of Madison. Throughout the research and analysis phase of the consultant's work, the discussion invariably returned to the key issues of organizational structure, limits of authority and other procedural and systemic strategies to be employed by the IDB into the future. Outlined in the next few pages are organizational recommendations for the IDB's implementation. A brief description of each recommendation is offered in order that the recommendation's relationship to the overall success of implementing the physical master plan is understood.

Overriding Assumptions for the Strategic Plan

Three critical assumptions and foundation elements of the proposed Strategic Plan were discussed and agreed upon in the IDB work sessions. These statements are considered the basis for all actions in the plan and should provide continuous evaluation measures for the IDB and the City as it seeks to implement the provisions of the plan.

- **First, the IDB's Strategic Plan should limit its focus in the industrial marketplace, and what the City does, it should do well.** Although many of the City's industrial recruiting competitors lamented the fact that Madison lacked a discernible industrial development program, they applauded the

City's ability to remain focused in their efforts to create a first class residential environment and community. This foundation of this Plan must be a commitment to a focused and intensive pursuit of targeted industries and businesses that are a good fit for Madison. The IDB must be positioned to pursue these objectives with the same commitment that the City has pursued community excellence and the creation of strong, stable residential neighborhoods.

- **Second, the time is right for action by the IDB and the City over the next ten years, and the Plan should target this timeframe for aggressive action.** As discussed earlier, some of Madison's industrial competitors are running out of available properties to show prospective clients, and very few have properties that possess the locational and accessibility features of the proposed Madison Business Park. Through aggressive actions, the IDB can position the City to reap the benefits of the competitors "chink in the armor" and take advantage of new growth that will occur as the result of the planned construction of the Memphis/Atlanta highway along the I-565 corridor.
- **Third, a two phase action plan is warranted, in which the first phase provides new industrial growth and momentum through the offering of tax incentives (Revenue Neutral Phase) to prospective employers and the second phase which creates new jobs and tax revenues for the City (Revenue Enhancement Phase) based on the success of the first phase.** Implicit in this assumption is the understanding that success may depend on the need to create momentum through incentives, but those incentives should be limited to those offered by the competition (i.e. ad valorem tax abatement).

DOA.!

Organizational Structure, Staffing and Marketing

The City's current list of players in the economic development process is numerous and when combined, provide an impressive array of technical and political talent to help "land" prospects. The day-to-day demands on these players, however, extends far beyond the limits of industrial and economic development, and even their best attempts to provide concerted and coordinated action in this area are sometimes not enough to demonstrate the level of "hand holding" desired by industrial prospects. Accordingly, **the Plan recommends that the IDB be vested with the authority to initiate, implement and revise this Plan as necessary to achieve the goal of adding industrial/manufacturing jobs to the City.** To this end, the Plan recommends that the IDB hire a full time staff person that is charged with the responsibility to carry out the Plan's strategies and work with the IDB, the Council and other City departments to coordinate all industrial development efforts. The following list of action items should be considered priority tasks for the IDB and its staff:

- Full time staff person who coordinates all recruiting strategies, prospect visits and marketing efforts;
- Create an individualized promotional package for Madison which provides an identity and unique story that can be "sold" to prospects;

- Develop (with assistance from IDB) “interagency agreements” within City government that permit the IDB to offer tax abatement, infrastructure cost rebates, and other miscellaneous incentives to prospects. Agreement provides “up-front” understanding of the limits of IDB’s authority to offer incentives from Council so that IDB can speak as one voice for the City (final approval by Council is thus guaranteed unless unusual extenuating circumstances);
- Develop improved working relationship with peer organizations (NAIDA, Decatur/Morgan County Chamber, and Huntsville Chamber) in order to improve network of possible prospects and recognition as a “player” in the recruitment and development process. Improve state and federal relationship also.
- Provide annual report to IDB on key activities associated with implementing the Plan and assist IDB in reporting these activities to Council.

Finally, with full time staff available to market the City and the new Plan, the IDB should develop a prioritized list of prospective clients whom may fit well into the Madison community. Although this list will take significant research to generate, it is recommended that the following industry segments are targeted or researched first:

- Automotive Spin-offs (suppliers, just-in-time distribution/warehousing, etc.)
- Aerospace Spin-offs
- Existing industry spin-offs from surrounding areas (Decatur, Huntsville, etc.)

3.3 Proposed Development Master Plan

For many communities like Madison, there is no “silver bullet” for their proposed industrial development plans. Sometimes, it is a matter of taking stock of the City’s assets and opportunities and looking at them in a different light or from a new perspective. Outlined in this section is a proposed Conceptual Development Master Plan for a new industrial business park in Madison. A proposed land use and infrastructure development plan is depicted and the costs associated with its development are also included.

Concept Plan

Exhibit 3.1 provides a conceptual development master plan for a large tract (±800 acres) of undeveloped property in the existing industrial areas of the City. Key aspects of the proposed plan include:

- **Property Ownership/Land Assemblage:** A key ingredient in the success of any proposed industrial development program is the successful “buy-in” of the plan and its major elements by existing industry. The proposed plan attempts to accomplish the “buy-in” by including the rear portions of each of the major industrial parks into the new, overall Business Park. With reciprocal marketing agreements in place, owners in the Arlington, Putman and Meadow Green Centre parks can now market their properties as integral pieces of a new business park, rather than as the “leftover” portions of older industrial properties. Furthermore, the back of the proposed park’s land area is composed of three large tracts. Although one of these tracts is not

currently on the market, the proposed plan can be phased in a manner that would permit these owners to see the success of the future park and their neighbors. It is believed that this success and the eventual land economics will encourage the owners of this site to make it a part of the Business Park.

- **Proposed Uses:** The proposed roadway layout in the park provides logical separations between manufacturing, wholesale/distribution and office/retail uses in the plan. Just over 8% of the land is dedicated to office/retail uses along Madison Boulevard. This accessible and visible location dictates these higher value commercial uses. It is important, however, that this critical area of the park be developed carefully in order that: (1) the manufacturing and warehouse uses are not perceived to be “behind” this office/retail area (as is the case with the Arlington Park); and (2), a stronger and more visible entryway and “front door entrance” is created, thus establishing a character and quality level for the entire park that is easily recognizable from the Interstate 565 corridor.
- **Balch Road Extension:** The proposed Balch Road extension is not shown on this plan due to the desire to minimize the impact of industrial traffic into the residential areas of the City. Ultimately, however, the need for this north-south connector to I-565 may dictate that slight variations in this development plan occur. Balch Road could then serve as a logical separator between industrial uses to the west and residential uses to the east.
- **Warehousing/Distributions uses** account for 35% of the park and **Manufacturing** is 56% of the total area. Warehousing sites are afforded good access and decent visibility from the major roadways in the area, while manufacturing tracts are targeted along the railroad and in portions of the site that might accommodate larger acreage users. While the exact mix and layout of end users in the park is flexible, it is believed that the proposed plan represents a viable first step for the IDB to begin marketing efforts.
- **Phased Infrastructure Program:** Table 3.1 outlines a conceptual cost estimate for the anticipated infrastructure capital costs for the proposed plan. While the overall \$7.225 million total seems daunting, the City can and should anticipate that some of these costs can be phased over the 20-30 year life of the Business Park. Additionally, if initial successes are achieved, it is likely that many of the future infrastructure costs may be borne by state or federal agencies devoted to assisting local communities in the economic development of their area. The proposed road layout and utility extensions can be designed and built to accommodate the “phased approach,” thus limiting the IDB’s exposure to high up-front costs with no foreseeable future returns.

LEGEND

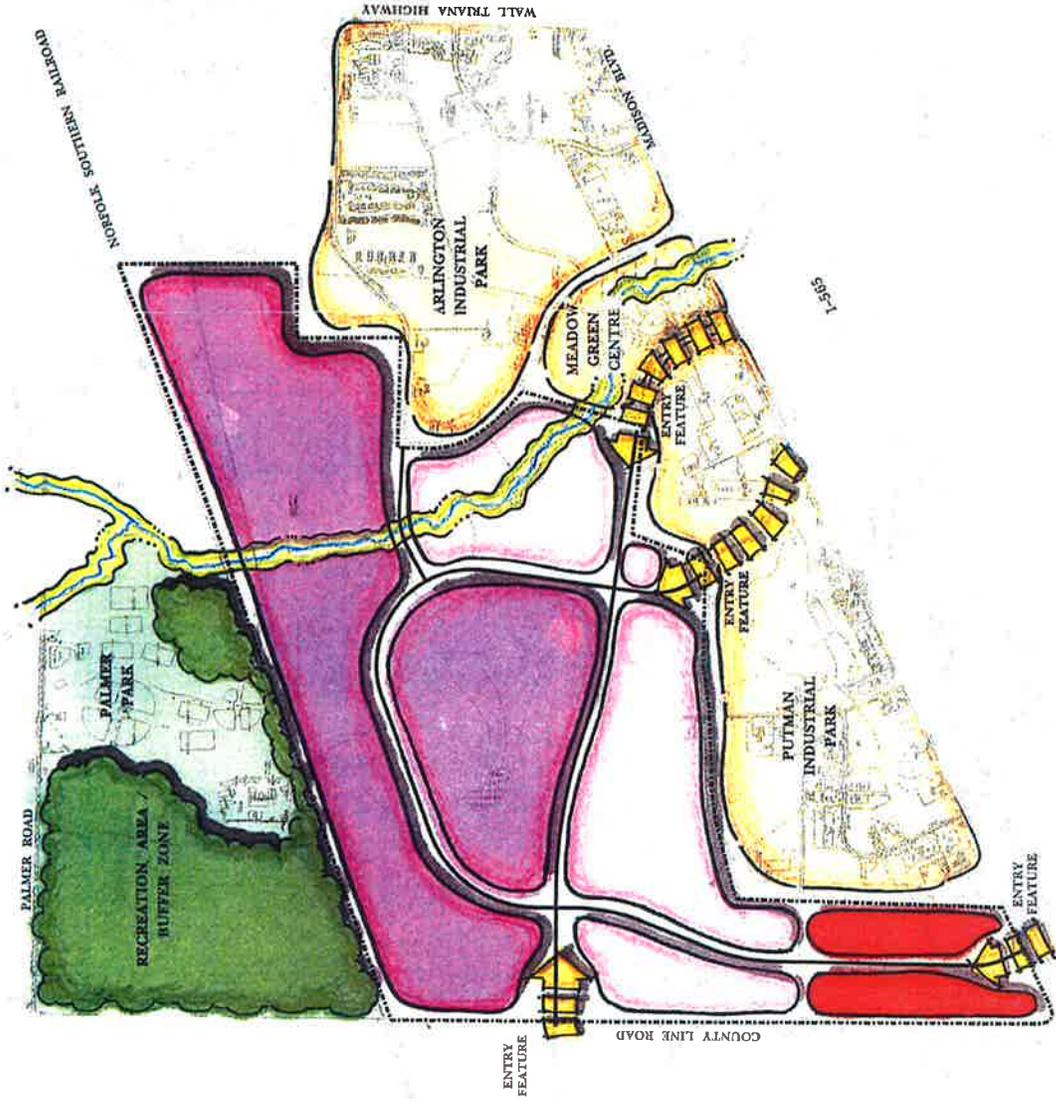
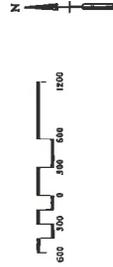
- OFFICE - RETAIL
- DISTRIBUTION - FLEX SPACE
- MANUFACTURING

DEVELOPMENT SUMMARY

TOTAL SITE AREA: 802 AC.
 AREA IN R.O.W.: 48 AC.
 OPEN SPACE AREA: 14 AC.
 NET AVAILABLE AREA: 740 AC.

OFFICE: 60 AC (500,000 SF)
 DISTRIBUTION - FLEX: 262 AC (4,500,000 SF)
 MANUFACTURING: 418 AC (8,500,000 SF)

KEY ISSUES
 ENVIRONMENTAL RESTRICTIONS
 MULTIPLE OWNERS
 FLEXIBLE LAYOUT - DESIGN



CITY OF MADISON
MADISON INDUSTRIAL DEVELOPMENT STUDY
 MADISON, MADISON COUNTY, ALABAMA

CONCEPT PLAN

BWSC
 BARGE WAGGNER
 SUNNER &
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 1000 1/2 AVENUE SOUTH, SUITE 200
 MADISON, ALABAMA 36801
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TO AIRPORT

Ultimately, the proposed plan provides the City with an opportunity to reclaim some existing assets (rear portions of existing parks) and combine them with new opportunities (these large tracts at County Line Road and Madison Boulevard) to create a first class business environment for the 21st century. There is little doubt that industrial recruiters and real estate professionals, will be successful in the attempt to market and sell land in a park that combines the following attributes:

- 800 available acres with lot sizes to match prospect wishes;
- virtually direct access and visibility to Interstate 565 and the Huntsville International Airport and Multi-modal parks;
- rail access and existing business/industrial zoning in place; and
- proximity to a potential customer base of current Madison and Huntsville area businesses.

TABLE 3.1
MADISON INDUSTRIAL DEVELOPMENT BOARD BUSINESS PARK
OPINION OF PROBABLE CONSTRUCTION COST

ITEM	DESCRIPTION	UNIT	QTY.	UNIT PRICE	AMOUNT	TOTAL
A	OFF-SITE INFRASTRUCTURE					\$ 312,000
1.	ROADWAY IMPROVEMENTS					\$ 250,000
	Madison Blvd. (lanes and signal)	LS	1	\$ 113,000.00	\$ 113,000	
	County Line Road (lanes and signal)	LS	1	\$ 72,000.00	\$ 72,000	
	Intersection (Madison @ County Line)	LS	1	\$ 65,000.00	\$ 65,000	
2.	ENTRY FEATURE @ PUTMAN					\$ 62,000
	Landscaping Misc.	LS	1	\$ 18,000.00	\$ 18,000	
	Signage	LS	1	\$ 44,000.00	\$ 44,000	
B	ON-SITE INFRASTRUCTURE					\$ 6,569,300
1.	SEWER SERVICE					\$ 578,000
	8" Sanitary Sewer Line	LF	13,400	\$ 35.00	\$ 469,000	
	Manholes	EA	40	\$ 2,100.00	\$ 84,000	
	Service Laterals	EA	50	\$ 500.00	\$ 25,000	
2.	WATER SERVICE					\$ 626,800
	8" Water Line	LF	19,000	\$ 30.00	\$ 570,000	
	Fire Hydrants	EA	20	\$ 2,000.00	\$ 40,000	
	Gate Valves/Miscellaneous	EA	12	\$ 1,400.00	\$ 16,800	
3.	ROADWAY & DRAINAGE					\$ 4,424,500
	Earthwork/Paving/Drainage	LF	20,740	\$ 175.00	\$ 3,629,500	
	Lighting	EA	139	\$ 5,000.00	\$ 695,000	
	Misc.(erosion control, seeding, etc.)	LS	1	\$ 100,000.00	\$ 100,000	
4.	ENVIRONMENTAL REMEDIATION					\$ 650,000
	Wetlands Mitigation	LS	1	\$ 50,000.00	\$ 50,000	
	Floodplain Reclamation	CY	100,000	\$ 5.00	\$ 500,000	
	Pond/Drainage Modifications	LS	1	\$ 100,000.00	\$ 100,000	
5.	ENTRY FEATURES					\$ 190,000
	Madison Blvd. Entrance	LS	1	\$ 118,000.00	\$ 118,000	
	County Line Road Entrance	LS	1	\$ 72,000.00	\$ 72,000	
6.	UTILITIES					\$ 100,000
	Electric (underground ditch)	LF	20,000	\$ 5.00	\$ 100,000	
	SUBTOTAL					\$ 6,881,300
	CONTINGENCY (5%)					\$ 344,065
	TOTAL COSTS					\$ 7,225,365

Table 3.1 Prospective Pro Forma (page 2 of 2)

Space Type	Build-out Rate Yr	Total SF	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Out year
Office	18%	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	550
Flex	10%	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500	4500
Manufacturing	10%	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500	8500
Revenue	Cost per Assessment Rate/ \$1000	Rate	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Out year	
Office	27.5	0.2	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Flex	27.5	0.2	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Manufacturing	27.5	0.2	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Value per year	\$22,000		\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Sub-Total			\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000
Flex Space	27.5	0.2	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875
Value per year	\$61,875 (unabated)		\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875	\$61,875
Sub-Total			\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750	\$618,750
Manufacturing	27.5	0.2	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500
Value per year	\$93,500 (unabated)		\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500	\$93,500
Sub-Total			\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000	\$935,000
Total Revenue			\$1,540,688	\$1,618,375	\$1,690,625	\$1,727,138	\$1,758,213	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750	\$1,773,750
Total Expense/yr*			\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327	\$657,327
Net per year			\$883,361	\$961,048	\$1,023,198	\$1,069,811	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886	\$1,100,886
Cumulative			\$946,922	\$1,907,970	\$2,931,168	\$4,000,979	\$5,101,864	\$6,242,750	\$7,463,636	\$8,764,522	\$10,146,408	\$11,610,294	\$13,159,180	\$14,793,066	\$16,511,952	\$18,325,838	\$20,235,724	\$22,241,610	\$24,343,496
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	Out year				

*Expense based upon Principal and Interest Payments for 20 year term, 6% interest and \$7.225 million. (nominal payments in first two years)

3.4 Prospective Financial Pro Forma for the Proposed Business Park

The final key factor in the City's decision-making process for the IDB's strategic plan relates to the financial feasibility of the proposed plan, or as one IDB member stated "*Do the numbers work*" for the proposed business park and the funding of capital improvements needed in it? This section of the plan reviews a prospective financial pro forma for the business park over the coming years and attempts to quantify the financial implications for the City of Madison as it contemplates the infrastructure investments needed to put in place the proposed business park.

As with any prediction or estimate of future costs or revenue streams on a project, the answers provided are only as good as the assumptions made at the outset of the analysis. Outlined below are the key assumptions factored into the pro forma statement shown on Table 3.2:

- **Buildout:** The proposed plan is developed according to the land uses and square footages shown in Exhibit 3.1, and the buildout schedule is 10% of the total square footage for each use is built per year until full buildout occurs in Year 11 (Year 1 is used to construct the infrastructure for the Park).
- **Property Values, Inflation and Tax Rates:** The value of each property in the Park was estimated to be equal to a conservative (low) estimate of its current replacement value for tax purposes. All estimates of value (revenues or costs) were assumed to be in 2001 dollars and no inflation or tax increases were factored into future estimates.
- **Tax Abatements:** All manufacturing and distribution uses in the Park will seek and receive the available ad valorem tax abatement from the City, consistent with local and state laws. This abatement will consist of a ten year sliding scale (100% abatement in Year 1, 0% abatement in Year 11) and the abatement will apply to the proposed business's ad valorem taxes, minus the education portions that are excluded from abatement by state law. Office/retail uses are not eligible for abatements.
- **Infrastructure Costs:** All infrastructure items for the Park are to be constructed in Year 1 and they will be financed with a 20 year bond by the City. The total infrastructure costs amortized is \$7.225 million and the first two years of the bond repayment plan will permit nominal payments of interest only, with the amortization essentially occurring over the remaining 18 years.

Table 3.2, on the next two pages, illustrates a year by year and cumulative financial summary for the proposed municipal investments and returns related to the proposed business park. Table 3.2 indicates that in Year 11 the Park is built-out, in Year 15 the cumulative tax revenues exceed the cumulative capital costs, and by Year 21, all tax abatements have lapsed and the full impact of the increased tax base has generated almost \$7 million in net revenues for the City. Clearly, Table 3.2 provides a simplistic view of the potential revenues and costs associated with the proposed Industrial Development Program, but the model can be easily adapted to a new set of assumptions and a corresponding estimate of the City's "net out" date can be achieved.

3.5 Summary Conclusion

Exhibit 3.1 and Table 3.2 indicate that the foundation elements can be put in place for a successful new industrial program in the City of Madison. The proposed development plan for the new Madison Business Park provides a critical mass of undeveloped and well-located land for new manufacturing and distribution uses within the region, and by utilizing the tax abatement programs at their disposal, the IDB can proceed quickly into the "Revenue Neutral" phase of their master plan. By year 15 of the implementation plan, however, the tax abatement and tax revenue model depicted in Table 3.2 indicates that the IDB's program begins to reap the benefits of the initial costs. The "Revenue Enhancement" phase of the master plan commences, and the City's coffers begin to see positive influences associated with the Business Park.

With any model, however, the underlying assumptions of the analyses dictate the strength of its conclusions. The model shown in Table 3.2 attempts to provide conservative estimates of all future projections (i.e. low property values, high construction costs, etc.), thus making the overall evaluation more conservative in nature. The only projection that might be considered aggressive is the proposed absorption and buildout rates, but the strength of the regional economy and the location, accessibility and visibility of the site may warrant this schedule.