



VANDEWALLE & ASSOCIATES INC.

To: Steve McNeil, Sturgeon Bay City Administrator; Marty Olejniczak, Sturgeon Bay Director of Community Development; Bill Chaudoir, Door County EDC Executive Director
From: Jolena Presti and Brian Vandewalle, Vandewalle & Associates
Date: August 22, 2012
Re: Four Seasons Market: Project Feasibility Analysis and Partner Identification

The City of Sturgeon Bay and the Door County Economic Development Corporation are pursuing the opportunity to leverage regional agricultural assets and opportunities to diversify and grow the local economy through the creation of a Door County Four Seasons Market (Market) along Sturgeon Bay's West Waterfront Area. The Door County Four Seasons Market will become the Door County Food Initiative centerpoint—the local and regional hub to:

1. Increase the market opportunity and exposure of Door County as a special agricultural area;
2. Increase the potential for producers to have increased connections with consumers in northeast Wisconsin as well as to the major population centers in the region—Milwaukee and Chicago; and
3. Advance the development of new regional food products and brands, grow new businesses, and expand existing businesses in Door County as an economic development strategy.

Our research on the feasibility of creating the Market, both its feasibility in the West Waterfront Area, and its ability to encourage economic growth in the entire Door County region is recommended as feasible based on the following:

1. Local and regional developers we interviewed feel the physical location of the site presents a catalytic redevelopment opportunity for the region. The developers said the proposed use mix is desirable and marketable if well-executed. They identified the waterfront location, the central location of the site in Sturgeon Bay, and site visibility as key assets to help support project feasibility.
2. We found significant interest from producers and other partners in Door County – all interviews and discussions were met with a positive response. Many producers have said they want to be part of the Market.
3. Due diligence has identified that there is a high level interest for venture capital investment from people with close connections to Door County. Preliminary operating projections indicate the Market can operate with a positive net operating income.

4. Our interviews have revealed significant interest in the agricultural and value-added food economy, including existing business expansion, new product development, and food distribution and networks. The idea that the Market will be used to build upon existing efforts and provide a home-base for growth in the Door County regional food economy was met with excitement.

Project Background

Located at the heart of the community, Sturgeon Bay's West Waterfront Area offers a unique opportunity to revitalize a highly-visible and underutilized waterfront. The economic benefits of this effort if executed to maximize development potential will reverberate throughout the City and region.

The Market will be a destination for residents and visitors alike and become the gateway to the food and arts experiences of Door County. With the rich agriculture and cultural traditional and economic assets in the community, the Market will act as a dedicated home for promoting these resources and making them highly accessible to the public.

The City of Sturgeon Bay and its partners in the region have rallied behind the concept of the Market and momentum is building behind the idea, this memorandum is the result of the next stage of due diligence to facilitate implementation.

Specifically, the scope of this task included: analysis of existing conditions and connections; analysis to guide business model development and shape physical layout and programming; identification of project partners: organizations, businesses and entrepreneurs, and developers to test market feasibility and start discussing roles for potential partners; and preparation of a preliminary feasibility report that: summarizes findings of due diligence and identifies relevant information related to regional assets; recommends partnership opportunities; and provides an initial assessment of Four Seasons Market feasibility.

This phase of work has been conducted based on primary research. Interviews were conducted over a 4-month period with:

- Fifteen stakeholders particularly focused on local and regional food industry leaders
- Three local and regional developers in order to further understand the potential feasibility for the Market as well as determine if there is interest in this project from potential partners, tenants, and developers.



- Many other conversations and informal interviews were conducted over the process as we discussed the project concept and feasibility with our connections in Door County communities and the regional development community.

All interviews were positive toward the Market concept and the vast majority of stakeholders suggested they want to have a role in the Market. Potential roles that were discussed spanned from the sale of products at the Market, to individuals expressing specific interest in having space at the Public Market, to owning an element of the overall Door County Four Seasons Market.

Door County Food Economy Existing Conditions and Opportunities

The Door County Four Seasons Market will offer local food options to both residents and tourists within Door County and nearby areas, and will capitalize upon the strength of both the agricultural and tourism economies. According to the 2010 Census, Door County has a population of 27,785 people, and the Door County Visitors Bureau estimates that about 2



million people visit the County each year.¹ In 2010, tourism in Door County generated an estimated \$382.2 million in visitor spending.²

Along with tourism, agriculture is a major economic contributor to the County, providing 2,098 jobs (11% of all jobs) and contributing \$90 million to County income.³ The County includes an area of 482 square miles – and Door County farmers own and manage 44% (or 134,472 acres) of the County’s land. This includes cropland, pasture, tree farms, farm forests and wetlands. Of the farms in Door County, 87.7% are owned by an individual or a family. Further, more and more County farmers are selling directly to consumers. In 2011, 119 farms generated \$1.16 million in direct-marketing sales.^{4 5}

The prevalence of local, family-owned farms, in combination with high levels of agricultural output and tourism spending benefit project feasibility—and highlight the Market’s ability to provide a unique niche within the local food economy.

¹ <http://www.doorcounty.com/media/door-county-fact-sheet/>

² *The Economic Impact of Expenditures by Travelers on Door County*, 2010, Davidson-Peterson Associates. <http://www.doorcounty.com/images/uploads/siteuploads/2010DoorCountyTourismEconomicImpactFactSheet.pdf>

³ <http://door.uwex.edu/files/2010/10/DoorCty-AgEconomicImpact1.pdf>

⁴ <http://quickfacts.census.gov/qfd/states/55/55029.html>

⁵ *UW-Extension Door County Agriculture: 2011 Economic Impact*. <http://door.uwex.edu/files/2010/10/DoorCty-AgEconomicImpact1.pdf>

Door County as a National Agricultural Producer

Door County's top commodities and their 2007 sales include: milk (\$27.7 million), grains (\$8.7 million), cattle and calves (\$7.6 million), vegetables (\$5.3 million), and fruits and berries (\$5.0 million).⁶ Much of these products are produced for national consumption. In fact, Wisconsin ranks fourth in the production of cherries in the United States, and **all** of those cherries are produced in Door County. Seaquist Orchards Farm Market, a potential project partner, based in Ellison Bay, has the largest acreage of cherries in Wisconsin and produces about 2/3 of the entire state's cherries – about 950 acres, along with smaller acreages of apples and pears.

Door County also provides fish for national consumption. Of the 50 or so full-time commercial fishing concerns operating on Lake Michigan, about half work in Door County.⁷ Dan's Fish, Inc. another potential project partner, located in Sturgeon Bay, specializes in freshwater fish. The company processes, distributes, and exports and imports fish from all around the world. Dan's fish also manufactures value-added products such as breaded seafood and cheese, and manufactures products such as Great Lakes whitefish, including fish roe. The company also owns Sturgeon Bay Cold Storage and Seafood International based in Estonia in the European Union.



Door County as a Growing Local Food Hub



While Door County produces a great deal of agricultural goods for national consumption, the demand for local food options is growing both among tourists and residents. Over 95 businesses are currently listed by the University of Wisconsin-Extension Door County as agricultural producers that grow or raise food or fiber for sale within Door County and nearby Kewaunee County, and/or restaurants and retailers that use or sell locally produced agricultural products within Door County.⁸

Door County has historically offered, and continues to offer, local foods throughout the County. Existing establishments include locally-owned value-added food shops or "farm markets," a local brewery and local distilleries, a Sturgeon Bay community garden, and the

⁶ <http://door.uwex.edu/files/2010/10/DoorCty-AgEconomicImpact1.pdf>

⁷ <http://www.doorcountytoday.com/culture/door-county-almanak/door-county-almanak-hickey-brothers-fishery/>

⁸ *Door County Local Producers Guide*, May 2012. UW-Extension Door County. <http://door.uwex.edu/files/2011/08/alphaProducerpublication5-8-20121.pdf>

inaugural Door County Beer Festival in 2012. As the Beer Festival reflects, the availability of quality locally-sourced foods is intrinsically linked to area tourism and demand for local products. Rob Fisher, Vice President of Sales at Capital Brewery once remarked “Tourists are looking for what’s local, what’s new, what’s different.” The high tourism dollars and increasing interest in locally-sourced foods are producing a climate ripe for growing new local foods outlets. A study of market potential in 2011 estimated an additional demand of \$3.8 million to fill local food needs of over 33,000 residents⁹ and even more tourists.

Hickey Bros. Fishery in Bailey’s Harbor is one commercial fishing facility offering fresh fish to the local foods and tourism markets, such as at local farmers’ markets in the County in summer. According to 2012 Wisconsin DNR records, there are 28 individuals within the County that hold commercial fishing licenses (licenses are granted to individuals not companies). Dennis Hickey has noted that the freshwater fishing industry is one major draw for tourism in the area, and the market is strong for local fish consumption in restaurants and markets.¹⁰ Currently, it appears local fish is more prevalent in restaurants, with a gap in the direct connection between producer and consumer.

In addition to Seaquist Orchards’ aforementioned contribution to the national food economy, they are an important contributor to the local food and tourism economy through sales of their preserves, ciders, and other value-added goods at their own farm market as well as through private label distribution. Other locally-owned value-added shops include Bea’s Ho-made, Wienke’s, and Renard’s Cheese, who, as owners and operators of Rosewood Dairy cheese factory, are the only cheese manufacturer in Door County.

Furthermore, many retail businesses now offer and promote locally-sourced food as part of their product line and local producers are interested in benefitting from the market demand. In a survey completed in 2007, 35% of agricultural producers indicated plans to expand their operations, and area retailers spent an average of over \$15,000 on locally-sourced food in 2007, or about 24% of total food expenses.¹¹ Food related businesses, such as Wild Tomato, The Cookery, Wienke’s Market, Narrow Gate Farm, and Country Ovens are taking advantage of the wealth of available locally-sourced products.



⁹ ESRI Retail MarketPlace Profile 2011

¹⁰ <http://www.doorcountytoday.com/culture/door-county-almanak/door-county-almanak-hickey-brothers-fishery/>

¹¹ Dougherty, Michael L., Gary P. Green, and Dean S. Volenberg; *An Evaluation of Food and Culture Tourism in Door County: Fresh Food Producers and Local Food Tourism Networks*; 2008.

Rounding out agriculturally based-products made in Door County is the category of beer, wine and spirits. The interest in craft and regional beers and spirits is increasing nationally, and Wisconsin and Door County are also poised to experience growth in this area. In 2012, northeast Wisconsin was designated the “Wisconsin Ledge” American Viticultural Area wine-producing region by the U.S. Department of the Treasury’s Alcohol and Tobacco Tax and Trade Bureau. Bob and Noreen Pollman, owners of Shipwrecked Brewery and Door Peninsula Winery, and a number of other businesses in the County, are local leaders in this industry and recently opened Door County Distillery in Carlsville where they produce Vodka, Cherry Vodka, and Gin. Overall, according to the Door County Wine Trail there are 7 wineries/vineyards in the County. Additionally, there is one other distillery, Lo Artisan Distillery, in the County, located in Sturgeon Bay. These local products could also have a place in this project, both in the retail public market as well as the restaurant and brewery.

Based on the existing agricultural assets and the current and growing interest among both residents and tourists for local food options, the Four Seasons Market is well-situated to thrive as a gateway to all that Door County has to offer by way of locally-sourced food.

While the Market will be based in Sturgeon Bay, Door County and its communities have a tremendous economic opportunity to further capitalize upon the existing food and agricultural assets in the region. A central Door County food hub can be launched from the creation of this Market and build from the momentum generated in Sturgeon Bay to build greater connections in the food sector. While rich in assets, currently producers are not able to maximize the potential value of their efforts and convert their raw materials into edible food products within the region. This gap in the food economy presents an opportunity to develop a Door County Food Initiative which can develop strategies and tactics to give producers a price advantage as well as carry the value of the “Door County” name in food that is processed in the region.



The Door County Four Seasons Market can

become the Door County Food Initiative centerpoint—the local and regional hub to:

1. Increase the market opportunity and exposure of Door County as a special agricultural area;
2. Increase the potential for producers to have increased connections with consumers in northeast Wisconsin as well as to the major population centers in the region—Milwaukee and Chicago; and
3. Advance the development of new regional food products and brands, grow new businesses, and expand existing businesses in Door County as an economic development strategy.

Site Development Strategy

Conversations with three developers (local and regional) have indicated that the West Waterfront area is prime for redevelopment, even in a challenged economy. A local Market will both meet community needs and desires, and attract tourism dollars.

The project area is accessible to the nearby cities of Green Bay and the Fox Valley, and the greater Chicago-Milwaukee Mega region. Key local assets for creating the Market within the West Waterfront Area include:

- Prime location in Sturgeon Bay along the waterfront and in the heart of the community.
- Near iconic businesses and attractions, including the Door County Maritime Museum, Harbor Club Marina and the public boat launch and many of the West Waterfront Area properties reflect historic agricultural uses, including storage and transportation of seed and feed.
- On the waterfront and near the Madison Avenue business district, providing accessibility and visibility—and the opportunity to create a waterfront public open space for events and activities, currently lacking in the area.

The following summarizes our pre-development analysis, concept development, and recommendations based on our experience in advancing regional food economies as an economic development strategy and primary research conducted for this study.

The strategy for redevelopment of this critical blighted waterfront site in Sturgeon Bay will require public sector involvement, potentially including site preparation and infrastructure, however the real estate project itself should be approached as a privately-led master development.

Reuse of this site must seek to maximize tax value and increase 24/7 activity in the area.

The planned real estate project includes the Market, lodging, and a smaller commercial building to connect the business district to the waterfront project.¹²



¹² A potential commercial tenant has already come forward and expressed interest in around 2,000sf of retail space in the project area. As a local outfitter and kayak/canoe sales and rental business, they would require waterfront access as well as retail space.

Developer recruitment efforts must consider the ability of a developer to maximize value of the site based on previous experience and understanding of the project vision. The vision does not consider one-story, low-impact development to be the highest and best use for this key site in the community. For instance, if a hotel developer cannot be found for this site, a residential building of similar value and with a similar building plan is Plan B for this project.

The recommended development scenario is as follows:

1. The City obtains site control to ensure highest and best use on the site.
2. The City maintains ownership of the baywalk and balance of the public area.
3. A private development entity is selected to develop the balance of the site in a manner consistent with the tax base and economic development objectives detailed in this document.

The following estimated site development budget presents a snapshot of the potential project cost which can illustrate project value, in terms of tax base, for the community.

Sturgeon Bay West Waterfront Redevelopment Site Estimated Site Development Budget <i>This estimated budget has been developed for planning and preliminary analysis to help assess project value and feasibility.</i>	
Site Acquisition	\$ 450,000
Door County Four Seasons Market Building - New Construction <i>New construction estimated for 2-story, 38,000sf at \$110/sf</i>	\$ 4,180,000
Hotel Building - New Construction <i>New construction estimated for 4-story, 60 room, 34,000sf (8,500sf footprint) at \$125/sf</i>	\$ 4,250,000
Maple Street Commercial - New Construction <i>New construction estimated for 2-story, 7,000sf at \$100/sf</i>	\$ 700,000
Madison & Maple Workforce Residential <i>Construction of 66,000 sf (56 units) 4-story at \$100-120/ sf</i>	\$ 7,260,000
Site & Right-of-way Improvements* <i>Estimate considers site preparation costs assuming soil cap, relocation of sewer (hotel site) and fiber optics (Market site) and amenities including public plaza, baywalk, walkways, parking and site amenities. Estimate does not consider granary rehabilitation or seawall improvements if needed.</i>	\$ 750,000
Design, Engineering, Architecture, Administrative <i>Estimated at 6% of total above construction costs</i>	\$ 1,028,400
Dock Improvements <i>Cost estimates provided by Roen Salvage. Estimates include the docks and center pier as illustrated in the 9/15/12 adopted redevelopment plan. Estimate includes cost of utilities.</i>	\$ 855,000
Contingency <i>Estimated at 5% of total costs</i>	\$ 973,670
Estimated Total	\$ 20,447,070
<small>*Site Development Costs: The site concept plans were prepared to avoid suspected (Phase II indicated) brownfield hotspots. Utilities do criss-cross through the middle of the site creating unavoidable conflicts with new development. The Market will require a fiber optic relocation and the hotel will require a sanitary sewer relocation. Grants may be pursued to assist with site development and improvements including but not limited to: USEPA and State of WI brownfield redevelopment related grants; DNR Stewardship grants for public land acquisition; CDBG-Public Facilities grants for infrastructure related to blight elimination; WI Coastal Management grants for waterfront related projects; and other grants as applicable.</small>	

The main purpose of this study is to study and advance the Door County Four Seasons Market concept. The remainder of this report focuses primarily on advancement of the Market concept.

Door County Four Seasons Market Feasibility

The Market is envisioned as a showcase for Door County products, current and historic. Foods to be showcased will include cherries, apples, fish, dairy, meats, and other regional value-added and heritage foods and beverages. This vision drives business model development, site and building layout, and programming.

As a showcase, the Market will also act as a gateway and trailhead for Door County agritourism, provide year-round access to retail products, and promote the growth of participating producers and businesses.

As a catalyst for blight elimination to elevate the Waterfront and Westside business district areas, the Market will also be a destination for local residents; a place for community events indoor and outdoor, and offer active waterfront space for residents and tourists.



Building Program and Design Considerations

The conceptual Market plan has been programmed as an estimated 38,000sf two-story building with the following estimated building program.

First Floor:	
Public Market or “Granary Market”	8,000sf
Fish Market (potential to include meat market within)	1,200sf
Restaurant and Brewery	7,500sf
Central Hall and Common Space	2,800sf
Second Floor:	
Restaurant and Brewery	6,000sf
Restaurant Outdoor Seating	800sf
Gathering and Event Space	7,500sf
Gathering Outdoor Space	1,800sf
Central Hall and Common Space	2,200sf

The following description of the recommended mix of uses in the Market and tenant considerations provides additional detail to the building plan.

Restaurant and Brew Pub

- Gateway to Door County craft brewing: Local beer brewed on site and consumed along with food crafted from locally-sourced ingredients as much as possible.
- With potential for a 300+ seat restaurant onsite, the owners, Bob and Noreen Pollman, are one option to provide an anchor for the Market building development. As an anchor, the brewery and restaurant would further solidify the development as a year-round destination.
- First Floor: 7,500 square feet, open views of beer brewing tanks, glass exterior walls to allow views up and down the Bay, dining area, bar, brewery, kitchen, host area, storage; outside patio seating; private stairwell; designated loading area.
- Second Floor: 6,000sf indoor space; 800sf outdoor deck space; bar and seating area; stage/music space; open views of beer brewing tanks; numerous windows and glass hallway wall to allow views up and down the Bay; outside deck seating (exterior walls open to deck for warm weather).

Public Market or “Granary Market”

- 8,000 sf retail and display, Door County showcase and retail sales focused on locally grown and crafted: Cherry products and heritage exhibit or “cherry museum”; apple products and heritage exhibit; cheese and other dairy; meat and poultry; beer, wine and spirits; showcase foods relevant to the cultural heritage of Door County.
- Based on positive conversations with industry leaders including Seaquist Orchard, Wood Orchard, Wienke’s, Renard’s Cheese, Bea’s Ho-Made, Waseda Farms, and others, there is enough buy-in to consider participation from all or most of the above in the Public Market to take it to the next step of feasibility.
- Retail operations could be under one market operator (a single point of sale) with individual vendors renting their space (or stalls) within the Public Market. Space could be rented on a percentage of sales basis revenue instead of by square foot.



Alternatively, individual spaces with individual points of sale could be the format for retail operations. This detail would be further explored and detailed in preliminary business plan development.

- Other site considerations: Exterior walls are windows and doors allowing for outside displays and vending; controlled customer access at north plaza side and through the central hall; covered walkway connection to the granary tower for market use; outdoor space adjacent to the boardwalk could be outdoor seating; loading from the parking lot area.



Fish Market

- Showcase and retail sales of regional commercial fishing and heritage, adjacent to the water. Exhibit space to chronicle the fishing heritage in region.
- 1,200sf fish market. Dan's Fish, Inc. has expressed interest in participation; potentially to operate the fish market within the Market building. There is potential for a meat market to be combined/adjacent to this space, this will be determined during business plan development.
- Accessible through the market and central hall (allowing operating hours different from market). Provides opportunity for fish caught in area to be cleaned and prepped at the market.



Gathering and Event Space (second floor)

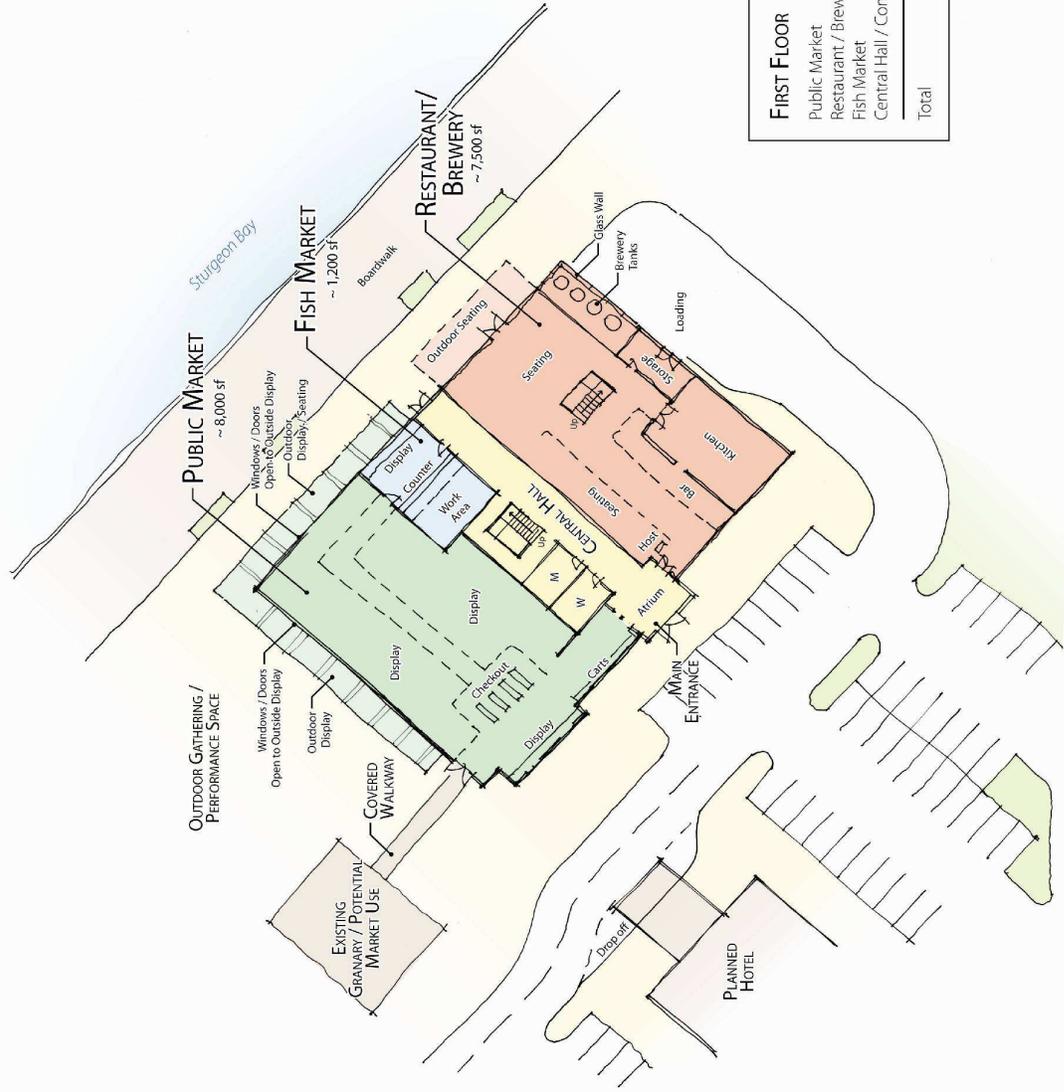
- 7,500sf indoor space; 1,800sf outdoor deck space. Revenue generating area for events, community uses and other potential tenants such as a Door County Food Hub and/or Arts Hub related office space. This level of detail will be further determined during preliminary business plan development.
- Numerous windows on north and east side to allow Bay views and potential skywalk connection to planned hotel.

Central Hall and Common Space

- First Floor: 2,800sf, directed view to the Bay.
- Second Floor: 2,200sf, open views to the Bay.
- Secured access to building uses off of the hall (allows for flexible business operating times). Public access and pass through to the water and public bathrooms.
- Main stairwell two stories with roof monitor allowing natural daylight.

FIRST FLOOR

FOUR SEASONS MARKET
PRELIMINARY CONCEPT PLAN
Sturgeon Bay, WI

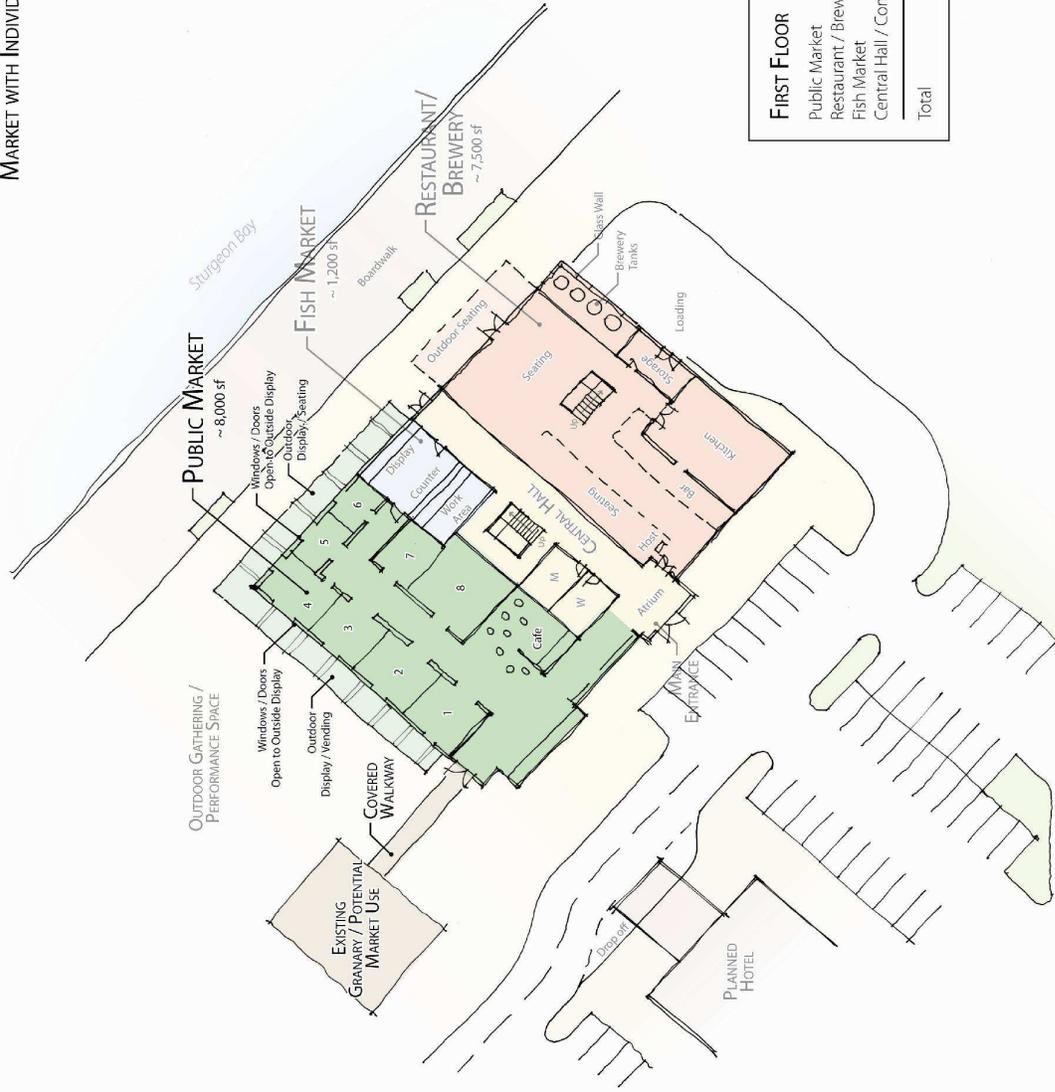


Note: Concept for Discussion Purposes Only - Not for Construction

Completed: April 25, 2012
Vandewalle & Associates, Inc.
© 2012

MARKET WITH INDIVIDUAL VENDOR CONFIGURATION
FIRST FLOOR

FOUR SEASONS MARKET
PRELIMINARY CONCEPT PLAN
Sturgeon Bay, WI



FIRST FLOOR	
Public Market	8,000 sf
Restaurant / Brewery	7,500 sf
Fish Market	1,200 sf
Central Hall / Common Space	2,800 sf
Total	19,500 sf

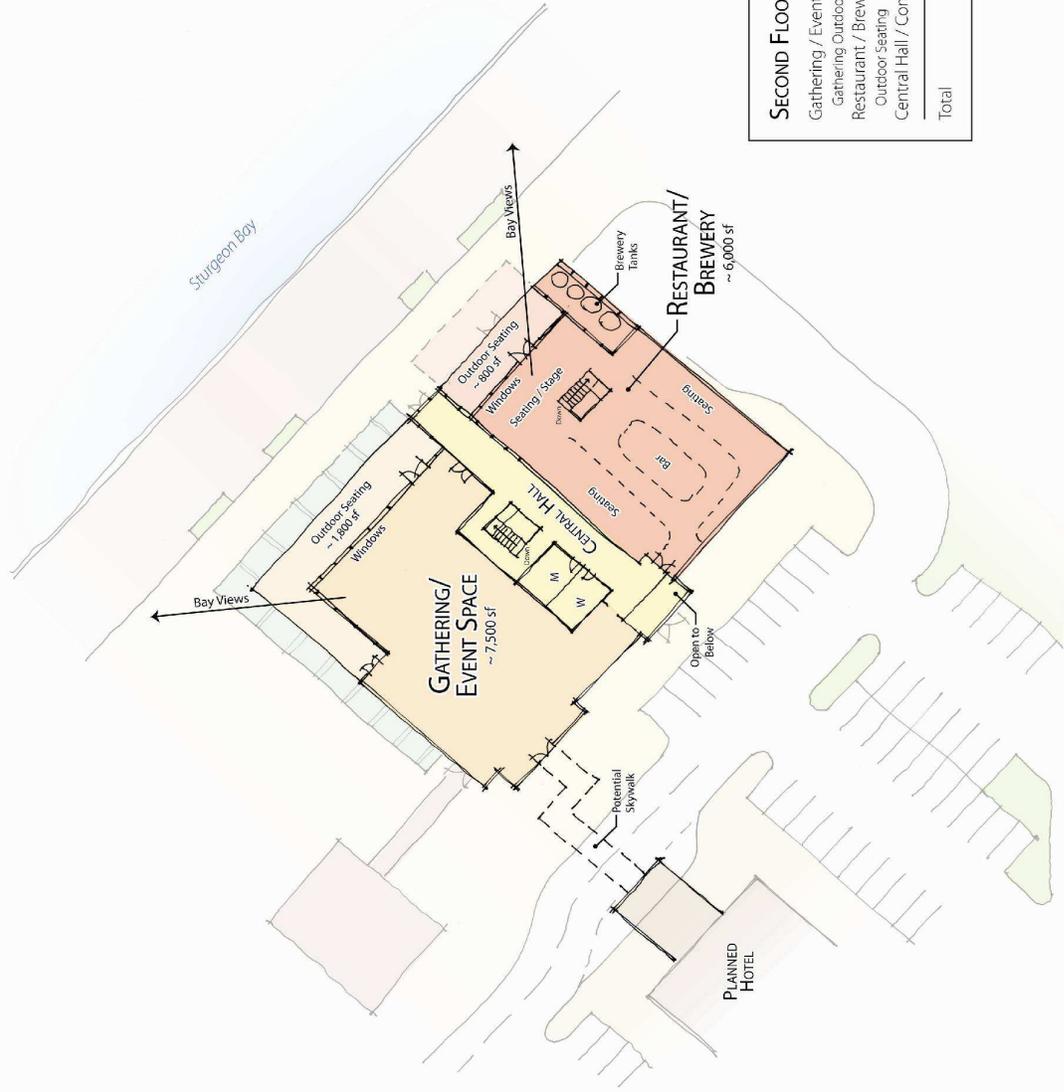


Note: Concept for Discussion Purposes Only - Not for Construction

Completed: April 25, 2012
Vandewalle & Associates, Inc.
© 2012

SECOND FLOOR

FOUR SEASONS MARKET
PRELIMINARY CONCEPT PLAN
Sturgeon Bay, WI



SECOND FLOOR	
Gathering / Event Space	7,500 sf
Gathering Outdoor Space	1,800 sf
Restaurant / Brewery	6,000 sf
Outdoor Seating	800 sf
Central Hall / Common Space	2,200 sf
Total	18,300 sf



Note: Concept for Discussion Purposes Only - Not for Construction

Completed: April 25, 2012
Vandewalle & Associates, Inc.
© 2012

Public Market Business Model Development

Business models considered for this project include the cooperative model – producer-owned and member-owned, grocery store model, the shareholder private business model, and nonprofit organization model. Based on our experience and research specifically related to Door County and the Sturgeon Bay market, a shareholder business model is recommended for the Public Market element of the Door County Four Seasons Market.

The shareholder model requires private business investments and relies on private capital and selling shares within a private group of investors. For the Public Market the goal would be to find 5-10 investors who are already committed to or invested in the region and are used to start-up investments.

To advance this project with this business model, individual investors who have an interest in seeing the Door County food economy advance would be recruited to bring forward capital. Investors, who could be producers, distributors, or general investors, would act as shareholders providing equity (or stock) to the project. This arrangement would make the Public Market a shareholder company. Initial operating capital and furniture, fixtures, and equipment (FF&E) would be raised through the shareholder investment model. This model does not require traditional bank debt and does not entail development of a membership cooperative or nonprofit organization.

The shareholder business model is recommended over a cooperative or nonprofit organization because there is a fairly mature producer market (for example cherries) but there is not a strong, coordinated cooperative market currently. We have seen other markets struggle to find success due to a lack of committed members. So, while the cooperative model is interesting, and a potential fit in theory, it doesn't seem to be feasible in a short timeframe. Further, we do not feel a nonprofit organization would be good fit for this portion of the food system.

The shareholder model is seen as most beneficial for this Market, in large part because a private developer will be able to see the local buy-in/investment, and feel a stronger sense of confidence in the local investor community's commitment to the project.

Over time however, the investor group, once a return on investment is achieved, may choose to move the Public Market into a producer cooperative model. At that point the original investors can move on to their next investment project and the Market would be up and running, and able to return investment or dividends to the producers as the owners/shareholders.

Door County Four Seasons Market/Food Showcase Development Assumptions:

1. An owner operator purchases 50% of the Market building for Restaurant/Brewery development. A private investment group invests in the remaining 50% of the building under a master lease with the developer.
2. The investor group hires the Market Manager, and gets the Public Market up and running, bringing in the key producers and businesses (vendors) to ensure long-term project success. Including the Public Market itself, this includes renting out the Fish Market and the Flex/Office/Event 2nd floor area.
3. The Public Market investor group will sign a 3-year lease at start-up. Therefore enough capital needs to be raised to cover the first 3 years of operations.

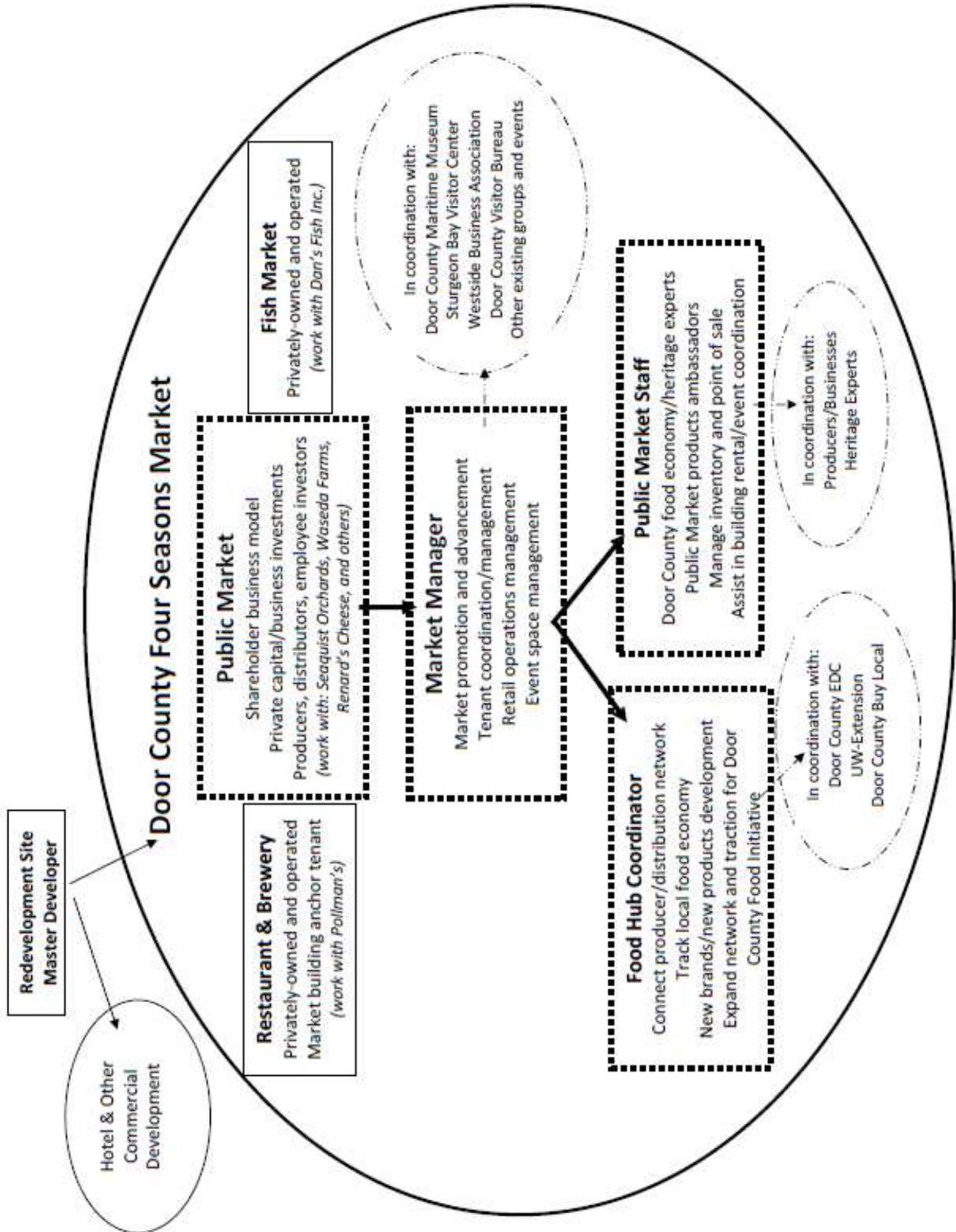
4. Instead of debt service, if there is any profit, the Market will pay dividends to the investor group. After the investor group sees a return on their investment, a producer-owned cooperative could be formed. The producer cooperative would be owned by the vendors as well as other relevant businesses brought into the project or launched from advancement of the Food Hub initiative.

Public Market Staff

Within this business structure, a Public Market Manager with experience in retail would be hired. The Market Manager would coordinate Market promotion, retail operations, and the Market development activities of the facility. In addition to the manager, a producer/distribution connector (Hub Coordinator) would be hired to track the local food economy (who is doing what) and would thereby advance the Door County Food Initiative or Food Hub. This role is critical to ongoing operations of the Public Market, but also advancement of the food economy.

As a retail establishment, there would need to be daily retail employees at the Public Market. These employees would need to be knowledgeable on all of the products within the store to the point that they are able to well-represent the various vendors and promote the food of Door County. As this is a trailhead to Door County foods, staff would function as an ambassador to the County's food industry. In coordination with the recommended business model, employees of the Public Market could become shareholders. As shareholders, employees would be invested in the company and likely have a stronger commitment to the vision, and could see personal gratification in their work as a growth opportunity.

As a Public Market with a single point of sale, each tenant (or stall) would not need to have individual staff; alternatively producers could have their own points of sale, at individual stalls they staff themselves. This topic would be further explored during preliminary business plan development and in securing commitment from future Market businesses.



Market Start-Up and Operations

Door County Four Seasons Market demand has been estimated based on due diligence conducted in this phase of work. With the strong interest already conveyed by a restaurant and brewery

Anticipated Demand for Market Square Footage	Available Square Footage (sf)	% Estimated sf Demand	Estimated sf Demand
Restaurant/Brewery (includes allocation of common space @ 2,500sf)	16,800	100%	16,800
Public Market (includes allocation of common space @ 1,750sf)	9,750	50%	4,875
Fish Market w/potential to include Meat Market (includes allocation of common space @ 750sf)	1,950	100%	1,950
Gathering and Event Space	9,300	0%	-
Total	37,800	63%	23,625

owner/operator, as well from fish, meat, cheese, cherry, apple, and other produce and value-added businesses in Door County, 63% occupancy has been estimated. From a development standpoint, generally, a predicted occupancy of over 50% at this stage of project start-up indicates high feasibility.

Preliminary Operating Projection

The following Preliminary Operating Projection scenario has been developed in order to further assess feasibility. An operating plan, along with a financial plan, and marketing plan need to be completed in the next phase of project development in the preliminary business plan.

In this phase of feasibility study, it has been assumed that the Market building will be developed by one developer with ~50% sold to the Restaurant/Brewery operator and the remainder of the building managed with a master lease between the developer and the Public Market investor group who will manage and promote the Public Market, Fish Market, and 2nd Floor Flex/Office/Event space.

The following Preliminary Operating Projection presents estimated income and expenses for years 1-5; assumptions are noted within the pro forma. From this analysis we can further assess project feasibility. Overall it is estimated, with conservative estimates on income potential¹³, that the Market can have a positive net operating income starting with Year 1, and begin to pay back the investment group over time. From this data we can extrapolate the need for around \$500,000 for start-up in private investment in order to cover expenses for the first three years of market operations.

The Market business plan should go into a fine level of analysis with monthly cash-flow projections to assess cash inflows and outflows and in particular consider the seasonality of the Door County consumer market. The combination of vendors and the sale of both fresh as well as prepared foods will weigh heavily into the Market's attraction of local consumers and visitors, as well as the year-round function of the facility.

¹³The rent/sf estimates projected are low, not yet considering the income to be achieved through the above base rent lease rate to be based on the % of gross sales. Public market revenues are often much higher, on a per square foot basis, than those of adjacent grocery or hardware stores. Public market vendors merchandise intensively, and can realize astonishingly high per-square-foot sales. *Public Markets & Community Revitalization*, ULI; 1995.

Door County Four Seasons Market/Producer Showcase						
Preliminary Operating Projection						
<i>This estimated budget has been developed for planning and preliminary analysis to help assess project value and feasibility in anticipation of business plan development</i>						
	Year 1	Year 2	Year 3	Year 4	Year 5	
INCOME						
Lease Revenue						
Public Market Vendors: Base Rent*	\$ 80,000	\$ 82,400	\$ 86,520	\$ 90,846	\$ 95,388	8,000sf @ \$10NNN*/sf, base rent increase begins YR 3
Public Market Vendors: % of Gross Sales	<i>Additional lease revenue TBD in business plan development</i>					Base rent will adjust with the addition of % of gross sales revenue
Fish Market Tenant	\$ 12,000	\$ 12,360	\$ 12,978	\$ 13,627	\$ 14,308	1,200sf @ \$10/sf NNN, base rent increase YR 3
Flex/Office/Event 2nd Floor Area	\$ 75,000	\$ 77,250	\$ 81,113	\$ 85,168	\$ 89,427	7,500sf @ \$10/sf NNN, base rent increase in YR 3
Restaurant/Brewery	<i>The restaurant/brewery space will be sold to an independent owner/operator</i>					
Common Area Charges						
Restaurant/Brewery	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	45% of CAM
Public Market	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	25% of CAM
Fish Market	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	5% of CAM
Flex/Office/Event 2nd Floor Area	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	25% of CAM
Total Income	\$ 177,000	\$ 182,310	\$ 191,220	\$ 200,568	\$ 210,378	
EXPENSES						
Personnel						
Market Manager	\$ 45,000	\$ 46,350	\$ 47,741	\$ 49,173	\$ 50,648	1 FTE, \$45,000
Public Market Staff	\$ 41,600	\$ 42,848	\$ 44,133	\$ 45,457	\$ 46,821	2 FTE, \$10/hr or \$20,800/annual
Fringe Benefits	\$ 12,990	\$ 13,380	\$ 13,781	\$ 14,195	\$ 14,620	Salaries x 15% per FTE
Facility Operations						
Common Area Maintenance	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	5,000sf at \$2/sf
Office Equipment & Supplies	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	Assumes tenants provide own FF&E
Market Promotion, Development, Fundraising	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	Benefits all elements of the Four Seasons Market
Insurance	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	Estimated, not a professional insurance quote
Total Expenses	\$ 152,090	\$ 156,653	\$ 161,352	\$ 166,193	\$ 171,179	
Total Expenses with 3% Contingency	\$ 156,653	\$ 161,352	\$ 166,193	\$ 171,179	\$ 176,314	
Net Operating Income (NOI)	\$ 20,347	\$ 20,958	\$ 25,027	\$ 29,390	\$ 34,064	
Key Assumptions						
Operating Months per Year	12					
Operating Days per Month	25					
Fringe Benefits	15%					
Inflation Rate	3%					
Rent Growth over Inflation (begins at YR3)	2%					
*Vendor Rent Assumptions: Tenants/Vendors have a triple net (NNN) lease which means they pay rent to the property owner, and then pay all other expenses on their own: taxes, maintenance costs, insurance. Vendors bring in their own equipment, and there will be a future consignment of goods. In business plan development will need to develop the percentage of gross sales rent structure (the base rent will decline and percentage of gross sales added to lease revenue). Detailed research is needed on the annual gross sales and a fair estimation of % above base rent to charge specific to Door County and the vendors/producers involved in the Market.						
Cash Flow						
Beginning Balance	\$ -	\$ 20,347	\$ 41,305	\$ 66,332	\$ 95,721	
Cash In	\$ 177,000	\$ 182,310	\$ 191,220	\$ 200,568	\$ 210,378	
Cash Out	\$ (156,653)	\$ (161,352)	\$ (166,193)	\$ (171,179)	\$ (176,314)	
Ending Balance	\$ 20,347	\$ 41,305	\$ 66,332	\$ 95,721	\$ 129,786	

Door County Four Seasons Market Next Steps

This is a complex redevelopment project. While challenging to implement, if implemented strategically, it is a project that has the potential to add tremendous value to the community of Sturgeon Bay as well as Door County's regional economy.

The recommended next steps for project advancement are detailed below.

A. Co-Op Site Redevelopment Strategy:

1. Develop a site control and environmental planning strategy – pursue City acquisition of site.
2. Develop and implement an RFQ for developer recruitment, consider details related to acquisition, assessment, clean-up, etc. and grants as applicable.
3. Coordinate site redevelopment/reuse strategy with adjacent property owners (museum, Applebee's site, marina, tugs) etc. as a relationship development process for the mixed use project.
4. Coordinate efforts with the project team and selected development team to recruit market investors, lodging, and retail developers.

B. Advance the Four Seasons Market project:

1. Recruit tenants for the Market and bring together potential Public Market partners, in particular reconvene local producers who have already expressed interest in the project, outreach to others that have yet to be contacted.
2. Solidify a project team to create and advance ongoing strategies and tactics to develop this opportunity as an economic development project.
3. Identify funding sources, potential project early stage investors, and submit grant applications as needed in order to draft a preliminary Door County Four Seasons Market business plan to prepare the concept for private sector development.
4. Develop the preliminary business plan including the financial plan, operating plan and marketing plan (potentially funded via grant and other sources).
 - Financial Plan – develop Public Market financial plan and conduct due diligence to identify investors.
 - Operating Plan – detail operations and cash flow to indicate how the Public Market will function, questions to be explored. Consider potential for inventory be purchased on consignment rather than a traditional buy-low, sell-high market which is cash flow intensive.
 - Marketing Plan – develop the marketing strategy to brand, differentiate, and sell the vision and Public Market product and advance the Door County food economy.
5. Advance architectural analysis to determine if the Granary icon reuse is structurally and financially feasible.

C. Waterfront Infrastructure

1. Conduct further due diligence related to tug boat relocation and the potential determination of a new location and facilitate relocation, as needed.
2. Explore transient dock market feasibility.
3. Consider planning and design of waterfront infrastructure for public spaces and public/private development in the area including the Granary Tower.
4. Consider potential plan and design for a “water loop” recreational/transportation route to tie together the east and west sides of the Bay.

List of Organizations/Companies interviewed in this process (many others were informally engaged in conversations regarding the project over the past 4 months).

Bea's Ho-Made Products

Bob and Noreen Pollman

Dan's Fish

DC Visitors Bureau

Door County History Museum

Ice Cream Source

Jon Kruse

Mary Pat Carlson

Milwaukee Public Market

Renard's Cheese Store

Seaquist Orchard

UW-Extension

Waseda Farms

Wienke's Market

Wood Orchard Market

C & N Corporation, Conch Co Inc., Blind Dog Inc.

5806 State Highway 42
Sturgeon Bay, WI 54235
(920)743-7431; (920)868-2767; (920)868-2667

June 6, 2012

Stephen B. McNeil, City Administrator
City of Sturgeon Bay
421 Michigan Street
Sturgeon Bay, WI 54235

Dear Mr. McNeil:

Thank you for allowing us the opportunity to review your proposed "Four Seasons Market" site plan for the Sturgeon Bay, WI west side development.

The Pollman family would very much like to join the Sturgeon Bay business community. The "Four Season Market" may be the perfect vehicle to bring this to fruition.

With that said, allow this letter to serve as a written acknowledgement of our interest in building and operating a three hundred plus seat, year-round restaurant with manufacturing brewery. The proposed restaurant would feature inside and outside patio seating with a full bar complimented by our hand crafted ales. Our involvement in this project would be subject to successful mediation of various legal, financial, development and operating issues. Potentially, we believe, the most critical and foremost challenge in initiating this project is obtaining viable business partners in the proposed development, especially the procurement of a well known hotel company.

We look forward to a successful future business relationship.

Sincerely,

Bob & Noreen Pollman

cc: Marty Olejniczak, City of Sturgeon Bay
Bill Chaudoir, Door County EDC
Brian Vandewalle, Vandewalle & Associates, Inc.
Jolena Presti, Vandewalle & Associates, Inc.

