

LAND DISPOSITION REPORT COMMON COUNCIL OF THE CITY OF MILWAUKEE

DATE

February 2, 2015

RESPONSIBLE STAFF

Matthew Haessly, Real Estate Specialist, DCD

PARCEL ADDRESS & DESCRIPTION

611 West National Avenue ("Property"). A 76,350 SF mixed-use building on a 21,000 SF parcel acquired by the City on January 5, 2015 through property tax foreclosure. The building was previously owned by Esperanza Unida. The four-story structure is located within the Walker's Point National Register Historic District.



City Parcel



Adjacent County/State Parking lot

BUYER

611 West National Avenue Milwaukee, LLC is a single-asset limited liability company controlled by Northpointe Holding, LLC. Callan L. Schultz and Andrew J. Dumke are Northpointe's managers and members. Northpointe has real estate experience. The Buyer and its affiliate, Keystone Development, currently own approximately 1,700 apartment units in Wisconsin, Michigan and Ohio. It is currently constructing 333 additional units in Wisconsin.

PROJECT DESCRIPTION

The Buyer proposes to renovate the first floor of the building for commercial uses. The second, third and fourth floors will be converted into 36 apartments (33 two-bedroom and 3 three-bedroom units). The Buyer will use WHEDA multi-family financing and federal and state Historic Tax Credits to fund the renovations. A condition of the WHEDA financing will require that 20 percent of the units will be restricted to individuals or families with incomes at or below 80 percent of the county median income. The remaining units will be market rate.

Rehabilitation/construction of the property will begin approximately 60 days after closing. All exterior and interior construction will be completed under the historic guidelines and restrictions of the National Park Service. Construction will take approximately ten months.

Unit amenities will include individual forced air heat, central air conditioning, stainless steel

appliances, granite countertops, European cabinets and two full bathrooms. A new roof will be installed along with new HVAC for the first floor. The development will include 54 surface parking spaces (13 on-site and 41 on an adjacent lot owned by Milwaukee County). The estimated renovation costs are \$6,000,000. Total investment is \$7.25 million.

PURCHASE TERMS AND CONDITIONS

The purchase price is \$1,300,000. The conveyance will be on an “as is, where is” basis, including environmental concerns, if any. The deed of conveyance will contain a restriction prohibiting the Buyer or its successors from applying to the City for tax-exempt property status.

The building's south wall is covered by a well-known mural, “Mural of Peace,” by Milwaukee muralist Reynaldo Hernandez. The City's sale agreement will include a requirement that, if the Buyer installs new windows that penetrate the mural, the Buyer must integrate the windows in a manner that is acceptable to the Department of City Development such that the windows substantially blend into, and minimize disturbance of, the existing mural. The Buyer is in contact with Mr. Hernandez regarding the status of the mural.

DUE DILIGENCE CHECKLIST

Address: 611 West National Avenue

The Commissioner's assessment of the market value of the property.	The Property is situated in the Walker's Point National Register Historic District and is a contributing property to the district. The Property has considerable deferred maintenance and is being sold “as is, where is,” without any guarantees. The purchase price for the Property is \$1,300,000.
Full description of the development project.	The Buyer proposes to leave the first floor of the building as commercial uses. The second, third and fourth floors will be converted into 36 apartment units of two and three bedrooms. The Buyer will use WHEDA financing and Historic Tax Credits to fund the renovations. A condition of the WHEDA financing will require that 20 percent of the units will be restricted to individuals or families with incomes at or below 80 percent of the County median income. The remaining units will be market rate.
Complete site, operations and landscaping plans and architectural renderings for new construction or redevelopment.	The Buyer is seeking State and Federal Historic Tax Credits; therefore, the Buyer must comply with all historic standards.
Developer's development project history.	Northpointe Holding/Northpointe Development has developed eleven apartment projects in Wisconsin, including two projects that converted historic school buildings into residential uses. Northpointe is an affiliate of Keystone Development, which owns approximately 1,700 apartment units in Wisconsin, Michigan and Ohio. Project management will be provided by ACC Management Group, Inc. ACC manages approximately 2,000 units in 48 developments.
Capital structure of the project, including sources, terms and rights for all project funding.	The Buyer has provided a commitment letter from a Wisconsin bank to finance the purchase. The Buyer is in discussions with WHEDA regarding permanent financing through WHEDA's multi-family loan product. The property is a “certified historic structure” for rehabilitation purposes; the Buyer will apply for State and

	Federal historic tax credits to offset a portion of renovation costs. No financial assistance is sought from the City of Milwaukee.
Project cash flows for the lease term for leased property.	Not applicable.
List and description of project risk factors.	<p>In light of the Buyer's successful purchase, redevelopment and operation of eleven apartment projects and the Buyer's thorough evaluation of the property over a period of months, the project risk is low.</p> <p>The City will incur risks in holding this building. The structure has significant deferred maintenance issues, including but not limited to an inadequate HVAC system, poorly functioning elevators and inadequate security. The mounting deferred maintenance and potential security risks will grow the longer the City holds the property.</p>
Tax consequences of the project for the City.	The Buyer anticipates investing \$7.25 million in the project. The property will be fully taxable. The deed of conveyance will contain a restriction prohibiting the Buyer or its successors from applying to the City for tax-exempt property status.