

LAND DISPOSITION REPORT (AMENDED)
COMMON COUNCIL OF THE CITY OF MILWAUKEE

DATE

September 5, 2018

RESPONSIBLE STAFF

Yves LaPierre, Department of City Development Real Estate

COMMITTEES:

- 9/10/2018 City Plan Commission – Vacations and CSM with dedication of ROW
- 9/12/2018 Public Works - Vacations
- 9/18/2018 Zoning Neighborhood Development

BUYER

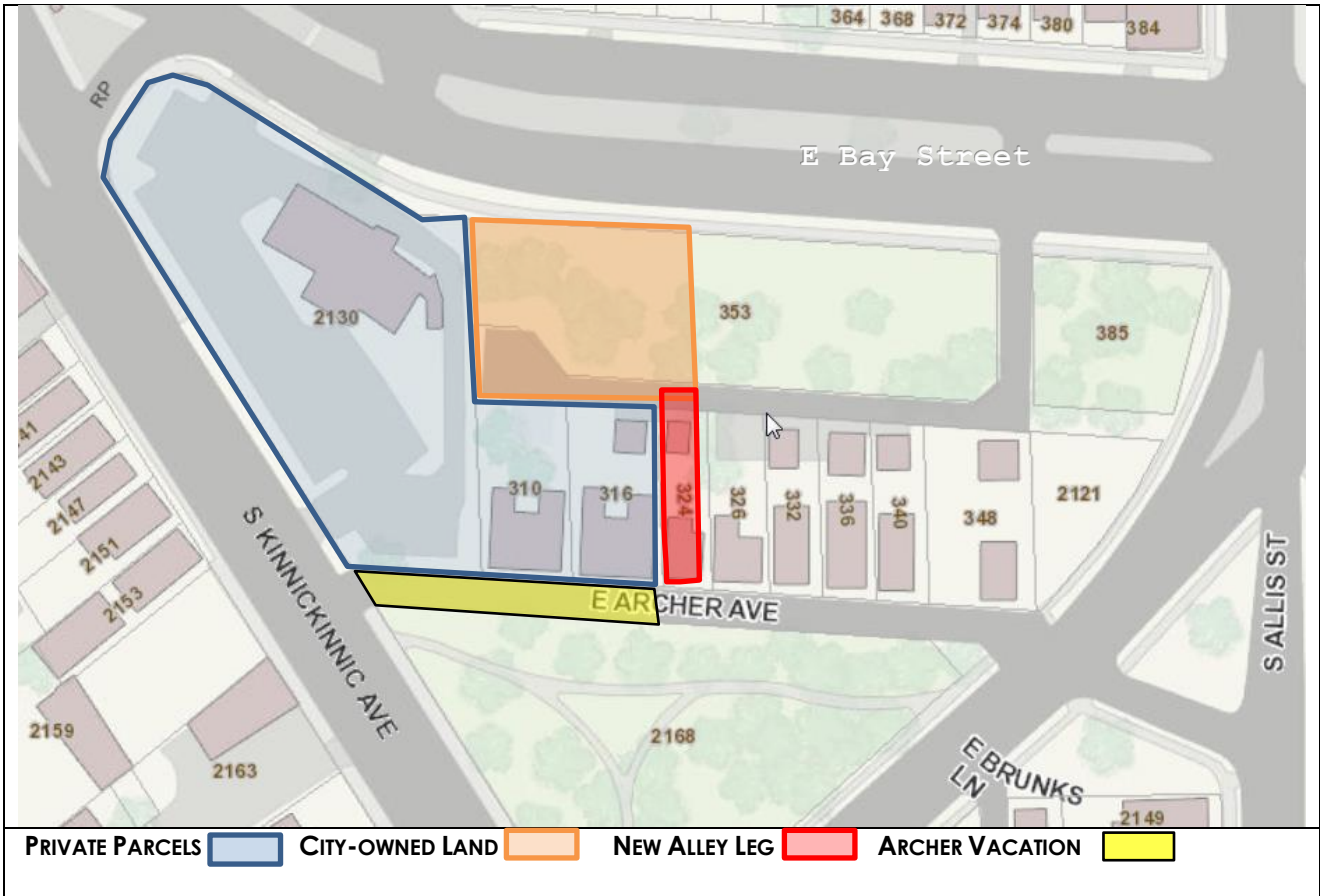
The Buyer is Hamburger Lofts LLC, a Wisconsin limited liability company (hereinafter “Developer”), an assignee of New Land Enterprises, LLP. Developer has modified its project site plan and construction timing which requires Developer and City to enter into a Restated and Amended Purchase, Sale, and Development Agreement.

PROJECT DESCRIPTION

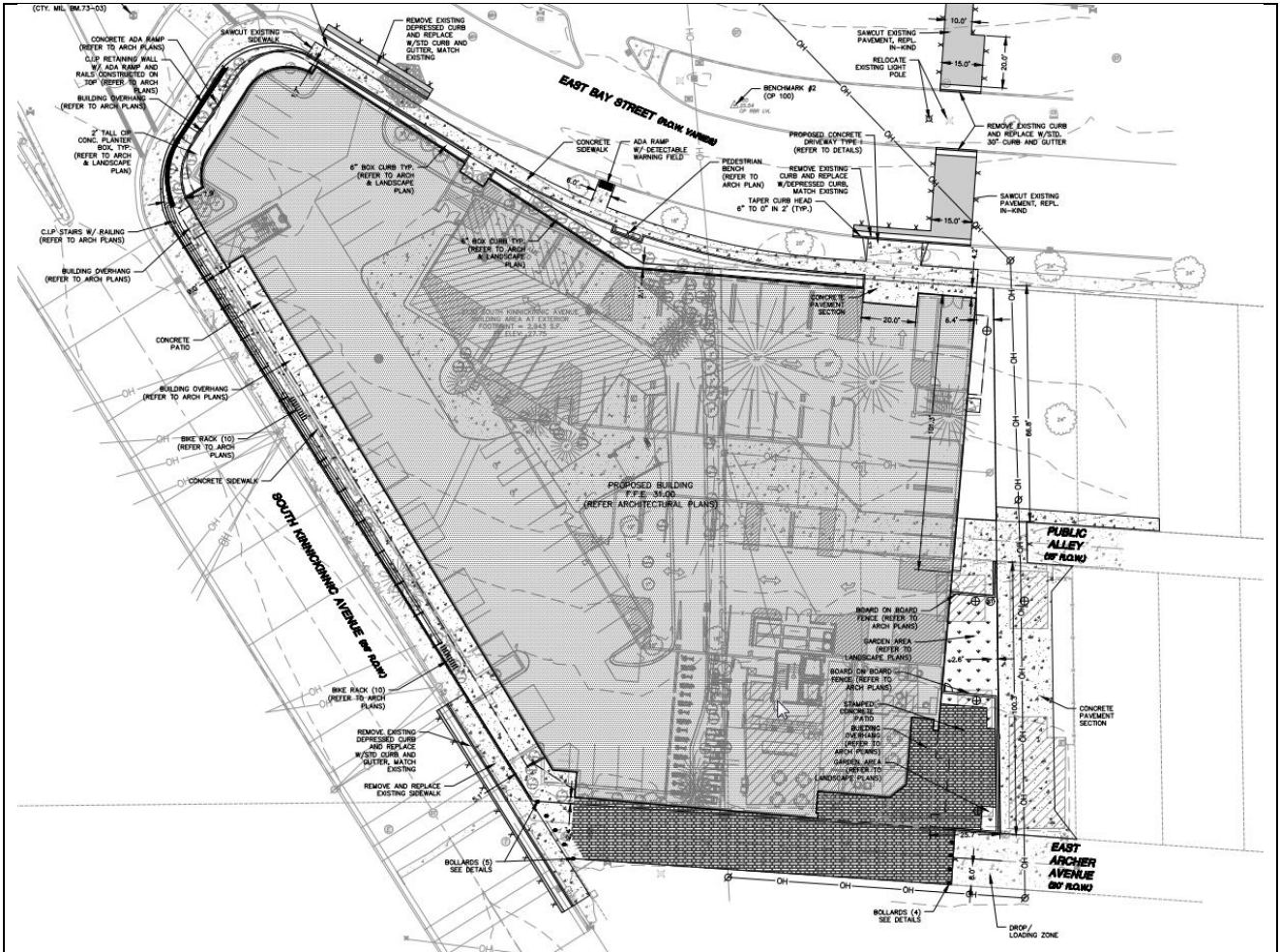
On July 31, 2017, the Common Council approved a plan to sell a portion of 353 East Bay Street for development according to the following map. At that time, the Developer proposed combining 105 feet of 353 East Bay Street and 310 to 316 East Archer Avenue with 2130 South Kinnickinnic Avenue into a single parcel for the development site and to accommodate a new exit leg of the alley.



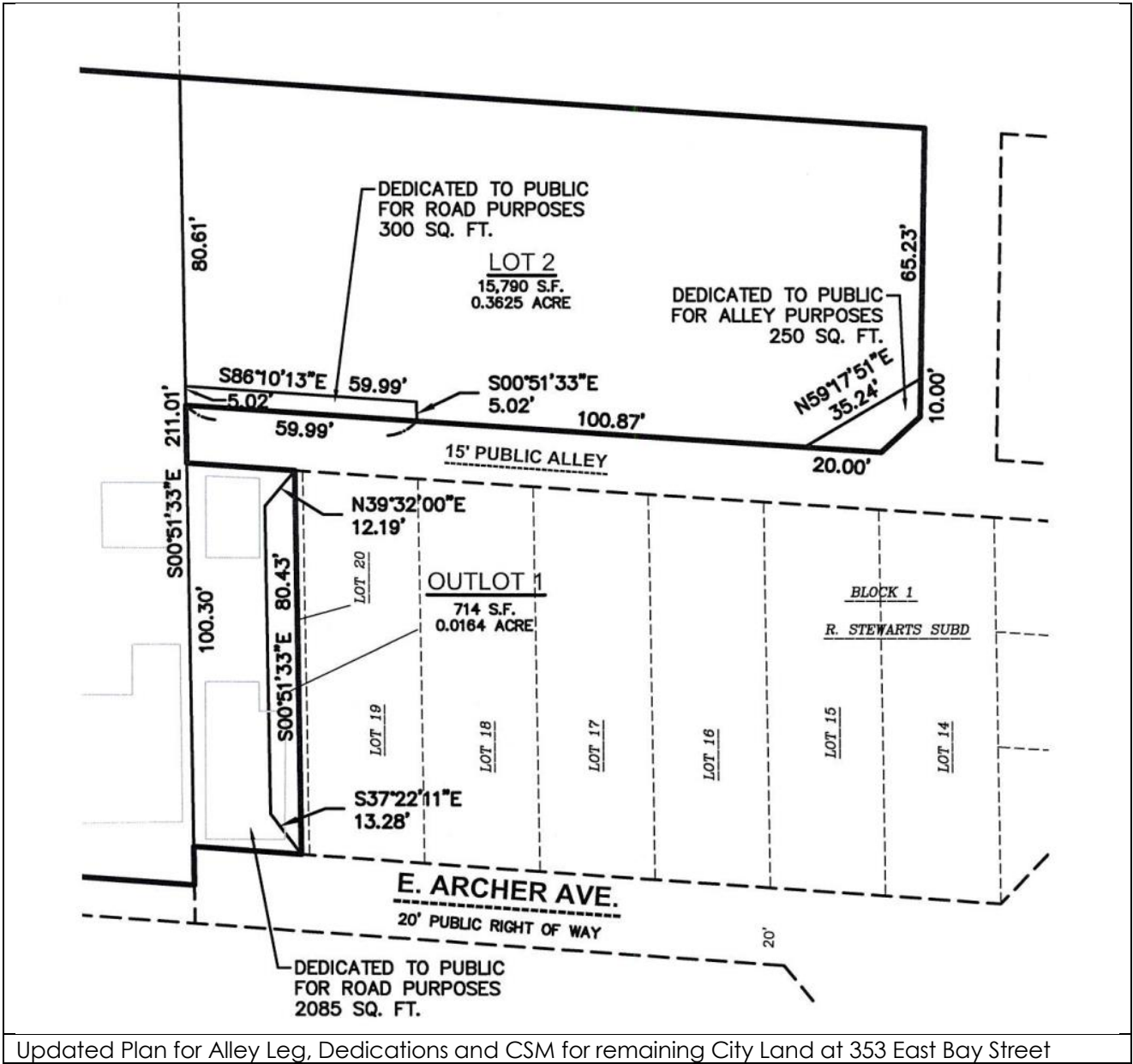
Now, the Developer is proposing a modified scheme that includes a new alley leg to be accessed from East Archer Avenue (currently 324 East Archer Avenue highlighted below in red) to connect to the existing alley to the north to route traffic to East Bay Street (as depicted below). The new proposal requires 100 feet, instead of 105 feet, of adjacent city land at 353 East Bay Street. The Developer is also now proposing vacating the west end of East Archer Avenue to accommodate a plaza to connect the new development to Zillman Park. Developer will combine the 100 feet of 353 East Bay Street and 310 to 316 East Archer Avenue and the northern 10 feet of the vacated East Archer Avenue with 2130 South Kinnickinnic Avenue into a single parcel using a certified survey map prior to closing on the sale of the City portion of 353 East Bay Street. New alley leg will be constructed on property Developer has acquired at 324 East Archer Avenue.



As part of the vacation of East Archer Avenue the City will retain the southern 10 feet of the former street which will be leased to Developer according to a long term ground lease (“Lease”) for rent of \$1.00 per year. Terms of the Lease will allow Developer to create a plaza, guarantee public access, and require Developer to perform routine maintenance of the leased land and East Archer Avenue as well as snow removal of the leased land, East Archer Avenue, and the entire alley from East Archer Avenue to East Bay Street.



Updated Site Plan



Updated Plan for Alley Leg, Dedications and CSM for remaining City Land at 353 East Bay Street



Rendering of plaza on vacated portion of East Archer Avenue



Project View at intersection of Kinnickinnic Avenue and Bay Street



View Looking North Along Kinnickinnic Avenue



View Looking West Along Bay Street

Estimated project costs are Twenty (\$20) million dollars. Project will be financed with Developer equity and private financing. Developer agrees to enter into a Human Resources Agreement with the City upon terms and conditions mutually agreeable to Developer and the City in which Developer agrees to use best efforts to use Small Business Enterprises for 25% of the construction and supply costs and 18% of professional services costs and to use unemployed and underemployed residents for no less than 40% of total "worker hours", pursuant to the City's Resident Preference Program. The portions of the project which will serve as the basis for determining said percentage requirements (construction and supply costs, professional costs and "worker hours") are to be negotiated and agreed upon by Developer and the City.

PROPERTY SALE TERMS AND CONDITIONS

The purchase price for the City land will be \$161,500 and Developer is responsible for all costs associated with development including the vacation, dedication, relocation and construction of the adjacent City alley as well as the vacation of the west end of East Archer Avenue for the plaza. The City will cooperate with the vacation of said roadway. Sale proceeds, less sale expenses, will be deposited in the City General Fund.

City will convey the property via quit claim deed in an "as is, where is" condition with no warranties or representations, express or implied, and with all faults and defects, including environmental and geotechnical conditions, known or unknown. Such provisions shall bar all tort, warranty, and misrepresentation claims – including any action based on non-disclosure. No additional environmental investigation shall be conducted by the City, but may be conducted by Developer at its option. Developer shall be responsible for all closing costs. The deed will include a restriction prohibiting the Developer or its successors or assignees from applying to the City for tax-exempt property status. The City has provided the Developer with a Historic Land Use Investigation.

City closing contingencies include Developer preparation of a certified survey map and submission of such certified survey map to the Common Council for approval, DCD approval of final site and building plans, evidence of firm financing and equity, and Developer entering into and executing a Human Resources Agreement which will be negotiated and executed prior to closing. Evidence of firm financing and equity may include a first mortgage loan commitment and construction loan commitment, or any other documentation satisfactory to the Department of City Development ("DCD") Commissioner to demonstrate project financing is secured.

A Restated and Amended Purchase and Sale Agreement along with a ground lease, and any necessary easements resulting from the vacation of East Archer Avenue, will be negotiated and executed prior to closing. Pursuant to the Purchase, Sale, and Development Agreement executed by the parties in April 2018, Developer submitted a \$10,000 Performance Deposit to the City that will be returned once Developer obtains the certificate of occupancy according to the terms of the Restated and Amended Purchase, Sale, and Development Agreement. City shall have a retained reversionary interest in the property to guarantee Developer's performance. City's reversionary right is a material provision to the conveyance of the property, without which, City would not have entered into this transaction. Final site and building plans must be consistent with updated plans that were submitted and approved by Department of City Development and conform to the approved Detailed Planned Development zoning.

Closing shall occur on or before 12/31/2018. If Developer is unable to close on or before 12/31/2018, Developer may submit to the DCD Commissioner a written request for an extension of this Land Disposition Report for the closing. An extension will require a \$1,000.00 non-refundable renewal fee and submission of a written progress report on the Developer's efforts to secure firm financing and prepare final site and building plans. The DCD Commissioner shall grant the extension for the closing if Developer's progress can be verified. The renewal fee shall not be credited toward the purchase price.

Failure to comply with the schedule or any terms and conditions outlined in this Land Disposition Report, or any City policy generally applied to conveyance of City owned land per Wisconsin Statutes or Milwaukee Code of Ordinances, terminates Developer interest in the property.

DUE DILIGENCE CHECKLIST. KINNICKINNIC AVENUE AND EAST BAY STREET

<p>Market value of the property.</p>	<p>The property is 8,500 square feet located in the Bay View Neighborhood, in the 14th Aldermanic District. The property is being sold "as is, where is" without any guarantees. Sales price for the property is \$161,500 or approximately \$19.00 per square foot. Sales price is based on the price paid by Dermond Property Investments for city-owned land in 2016 so it could assemble a development site for the VUE apartments which are one block south of Developer's proposed development.</p>
<p>Full description of the development project.</p>	<p>Mixed-use development will be a six-story structure with 15,000 square feet of first floor commercial space, 183 parking spaces on the ground level and second level and up to 140 residential units on floors 3 through 6. Residential units will be primarily one and two-bedroom units and rents will be market rate. Green roof for storm water management and for tenants' use. Creation of a plaza on the vacated west end of East Archer Avenue and landscaping along property perimeter. Vacation, dedication, relocation and construction of the adjacent City alley.</p>
<p>Complete site, operations and scope of work for development.</p>	<p>Please see the Land Disposition Report for details.</p>
<p>Developer's project history.</p>	<p>Notable Milwaukee projects since 1993 include:</p> <ul style="list-style-type: none"> • Lyon Court Condominiums • Crescent Condominiums • Jefferson Block Apartments • Kilbourn Tower • Cathedral Square Condominiums • Rhythm Apartments • Trio Apartments
<p>Capital structure of the project, including sources, terms and rights for all project funding.</p>	<p>Developer will fund the project with its own equity and private financing.</p>
<p>Project cash flows for the lease term for leased property.</p>	<p>Not applicable.</p>
<p>List and description of project risk factors.</p>	<p>Department of City Development staff determined that there is very low risk in selling the property to Developer based on Developer's track record developing previous projects in Milwaukee and ability to finance and complete projects in a timely manner. Sale of City land will allow a more substantial development at this location.</p>
<p>Tax consequences of the project for the City.</p>	<p>The deed of conveyance will contain a restriction prohibiting the Developer, its assignee or its successors from applying to the City for tax-exempt property status. Development of City land and adjacent property with a new mixed-use retail/residential project will greatly increase taxable value of property.</p>

