

COMMERCIAL REAL ESTATE SALES

DEPARTMENT OF CITY DEVELOPMENT

FEBRUARY 2022

OUTLINE

1. Property Overview
2. Commercial Sales Process
3. Considerations
4. What Changes Have Been Made
5. Success Stories

WHAT DO THESE PROPERTIES LOOK LIKE?

MANY ARE ON COMMERCIAL CORRIDORS

MOST AREAS ARE IN NEED OF REINVESTMENT

DCD WANTS TO SEE THRIVING NEIGHBORHOODS WHERE THESE PROPERTIES ARE LOCATED

MANY SALES ARE SUPPORTED BY COMMERCIAL CORRIDOR GRANTS

2543 N. King Drive



WHAT DO THESE
PROPERTIES LOOK LIKE?



2673 N. King Drive



COMMERCIAL SALES PROCESS

[MILWAUKEE.GOV/CRE](https://www.milwaukee.gov/CRE)

ACQUISITION AND SALE ROADMAP



- CHECK FOR POSSIBLE DO NOT ACQUIRE (DNA) CONDITIONS

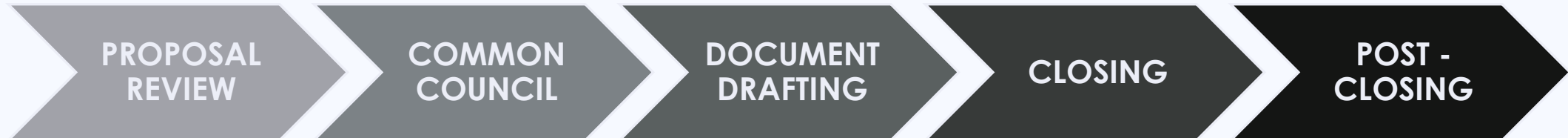
- 3-4 LISTS PER YEAR
- SECURE AND MAINTAIN PROPERTIES

- WITH DNS
- WORK WITH OCCUPANTS (IF ANY)

- RECOMMEND DISPOSITION OF PROPERTY

- RFP OR OPEN LISTING

ACQUISITION AND SALE ROADMAP



- BUYER BACKGROUND CHECK
- SELECTION COMMITTEE
- SUB-COMMITTEE REVIEW (AS NEEDED)
- ALDERMANIC SPONSORSHIP

- ZONING AND NEIGHBORHOOD DEVELOPMENT COMMITTEE

- EACH CONTRACT IS UNIQUE TO THE SALE OF THAT PARCEL BECAUSE EACH PARCEL IS UNIQUE

- RE-REVIEW BUYER BACKGROUND CHECK
- REVIEW FINANCING

- DEPARTMENT OF NEIGHBORHOOD SERVICES
- VACANT BUILDING REGISTRATION FOLLOW UP
- MONITORING AND CONTRACT COMPLIANCE

CONSIDERATIONS

Balance of “selling parcels and putting them back on the tax rolls” vs. “restricting sales.”

Parcels that the City acquires by tax foreclosure (Wis. Stat. 75.521) typically suffer from severe deferred maintenance and deterioration.

City incurs costs to own and hold tax-foreclosed properties. Off tax rolls. Lawn/Snow. Board/Secure. Change locks. Manage. Sell.

Private market sales do not impose sale restrictions or conditions like the City employs such as “general buyer policies,” contractual duty to rehab, remedies in case of breach of rehab.

1937 N Martin Luther King Jr. Drive

BIG PICTURE



MCO 304-49, Disposal of City Real Estate (local law) strikes a policy balance. For sales of commercial properties (development property), MCO 304-49 requires:

Common Council approval of each sale. 304-49-5-a.

A due diligence checklist that describes the sale and project, including project funding and project risk factors. 304-49-5-b.

That the buyer satisfy “general buyer policies” (unless the council approves otherwise). 304-49-9. These include proof of funds (preamble in 304-49), not tax delinquent, no outstanding city judgment, no outstanding health or building code violations or orders, no conviction of violating Health or DNS order within past year, and hasn't lost property to tax foreclosure in past 5 years.

A deed restriction prohibiting tax exemption (unless the Council approves otherwise by 2/3 vote). 304-49-13.

ORDINANCE → PROCESS



2249 N. Humboldt Boulevard

CHANGES



NEW UPDATED OFFER TO PURCHASE

- ✓ A **Performance Deposit** with a hard cut-off such that if the Project is not completed and a Certificate of Occupancy (COO) is not provided to DCD by the required deadline, the City keeps the Performance Deposit (the Buyer loses it). The amount required is adjusted by DCD depending on the parcel involved, the project, the economics of the deal. Sale terms are reviewed by the Council because the Council approves all commercial sales under MCO 304-49.
- ✓ A **Performance Restrictive Covenant** has been added by DCD (in addition to the “no tax exemption” restrictive covenant), and is included in the recorded Deed by DCD. COO must be obtained prior to conveyance to a third party.
- ✓ **DCD notes and calendars** the Project deadline, and the “Notice of Violation” recording deadlines.

DNS-DCD PARTNERSHIP

Vacant Building Program and restoration: After sales of commercial properties, DCD will collect from the Buyer and record with DNS the MCO 200-51.5 property registration (ownership) form and the MCO 200-51.7 vacant building registration form.

DCD will alert DNS of the City/DCD sale, the parcel, the Project, the Project deadline, and the “Notice of Violation” recording deadline.

The **buyer** will work with DNS on the possibility of a Vacant Building Exemption due to Active Renovation. If exemption is granted by DNS, the DNS exemption is not transferrable to successor owners.

DNS will conduct periodic inspections of the buyer’s rehab Project (this is **in addition** to DCD monitoring and calendaring Project completion deadline and “Notice of Violation” deadline).



CONSEQUENCES

If the buyer resells (flips) the property to a subsequent buyer prior to completing the Project and providing a COO to DCD, then DCD, since it is monitoring Project deadline and “Notice of Violation” deadline, will, if the Project is not timely completed, record with the ROD - **prior to the “Notice of Violation” deadline** - a “Notice of Violation” and DCD will notify the City Attorney’s Office of the need to take action in light of breach.

The buyer will lose its Performance Deposit. DCD will work with the City Attorney’s Office regarding enforcement of City rights. DCD will also notify DNS.

The successor owner will, in addition to other City remedies (loss of performance deposit, recording of “Notice of Violation,” taking legal steps to enforce contract and restrictive covenant), also be subject to code violations, code orders, and inspection by DNS.



IMPLEMENTATION



Amy Narr & Mario Diaz, Buyers
Photo Credit: Rick Wood / Milwaukee Journal Sentinel



3616 West Vliet Street