

BLIGHT DESIGNATION SUMMARY & LAND DISPOSITION REPORT
VILLARD SQUARE – 35TH & VILLARD

DATE

April 13, 2010

RESPONSIBLE STAFF

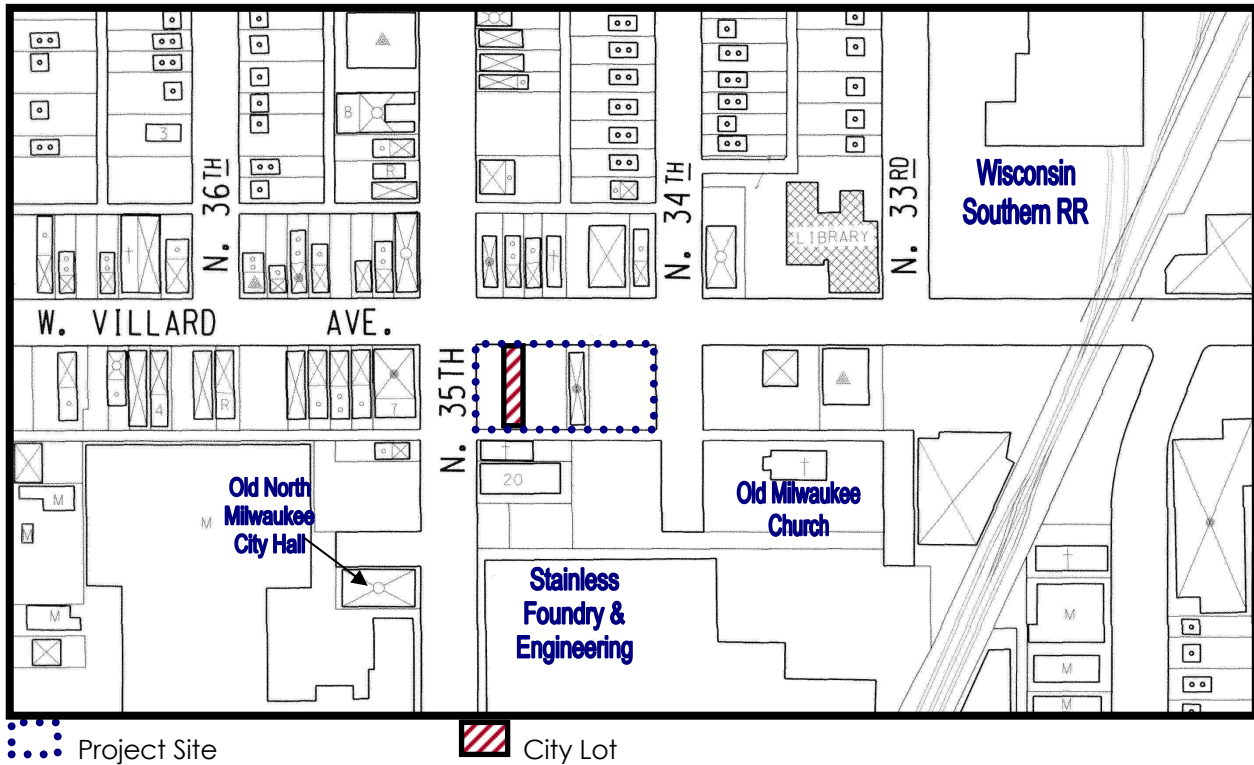
Clifton Crump, Economic Development (286-5805)

PROPOSED ACTIVITIES

Facilitate relocation of the Villard Avenue Library to Villard Square, a mixed-use affordable housing development to be developed at 35th & Villard. The Redevelopment Authority will participate in financing and ownership of the new library, but such participation requires that one City-owned and four privately owned properties be declared blighted. The Council previously authorized sale of the City lot and an amendment to the Detailed Planned Development zoning. Also, the action authorizes a Cooperation Agreement between the City and the Redevelopment Authority to finance library improvements and a lease with purchase option between the City and Authority for the library.

NEIGHBORHOOD

Old North Milwaukee. The 35th & Villard intersection is the central commercial corridor of the original Town of North Milwaukee. Major facilities include the Villard Library, Stainless Foundry and Wisconsin Southern Railroad.



DEVELOPER

Villard Square, LLC, a limited liability company formed by the Northwest Side Community Development Corporation (NWCDC) and Gorman and Company. NWCDC is a non-profit corporation founded in 1983 to facilitate community-based development on the northwest side of Milwaukee with special emphasis in the Villard Avenue corridor. Howard Snyder is Executive Director. Gorman and Company is a Madison-based multi-family development company founded in 1984

that specializes in developing affordable housing. Gorman has extensive Milwaukee experience including such projects as the Metcalfe Park Townhomes, Blue Ribbon Lofts, Golden Dome Apartments, Kunzelman Esser Lofts and Lindsay Commons (formerly London Square). Gary Gorman is President.

PARCEL ADDRESS & DESCRIPTION

3401, 3415, 3423, 3427-29 and 3431-33 West Villard Avenue: Five contiguous lots to be assembled to create a 29,142 SF development site with 255 feet along Villard Avenue and 120 feet on North 35th Street. One property is currently improved, but the structure will be demolished. The City lot at 3427-29 West Villard has been authorized for sale to the developer.

BLIGHT FINDING

The properties can be considered blighted pursuant to Wisconsin Statutes for the following reasons:

- The lots are undersized in today's market and have irregular and obsolete platting in relation to the surrounding neighborhood.
- The vacant status negatively impacts the surrounding neighborhood.

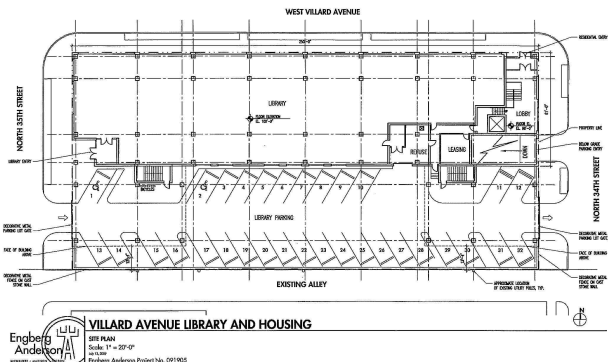
PROJECT DESCRIPTION

Villard Square, a four-story mixed-use building containing approximately 29,142 SF. The upper levels will contain 47 affordable housing units that will be targeted toward grandfamilies/intergenerational housing where parents are not the primary caregivers. The housing units will be a mix of one, two and three-bedroom units.

The Villard Avenue Library will relocate to the ground floor from its free-standing location at 3310 West Villard. The library will contain approximately 12,000 SF and will have use of a 32-car surface parking lot along the alley. The library entrance will be at the corner of 35th & Villard. The Library and Department of City Development staff must approve the design and construction specifications for the library. The developer will finish the library to a "grey box" condition and the City shall be responsible for the interior build-out. The City shall be consulted on proposed contractors.



Rendering from 34th & Villard



35th Street Elevation



Villard Avenue Elevation

Total costs are approximately \$10 million, of which approximately \$3.1 million is associated with the library. Financing for the housing component will be primarily Federal Affordable Housing Tax Credits that have been allocated by the Wisconsin Housing and Economic Development Authority (WHEDA). The developer is estimating 25% EBE participation.

NEW MARKET TAX CREDITS/COOPERATION AGREEMENT

The new Villard Avenue Library will be financed through \$2.75 million in City Capital funds and approximately \$600,000 through a forgivable New Market Tax Credits loan to be obtained by the Redevelopment Authority. A Cooperation Agreement between the City and the Redevelopment Authority is authorized to provide the Capital funds to the Authority for library construction.

The Authority will apply for New Market Tax Credits through either WHEDA or MEDC. Upon receipt, the Authority will execute an agreement with the issuer or possibly create a limited liability company to receive the credits. A Purchase Agreement with the developer provides the mechanism to provide funds for library construction. Upon completion, the Redevelopment Authority will acquire the library condominium unit.

CONDOMINIUM DOCUMENTS & PURCHASE AGREEMENT

After construction, Condominium Declaration and Plat will be filed to create two condominium units: the Library Unit and the Housing Unit. As outlined in the Purchase Agreement, the developer will convey to the Redevelopment Authority the first-floor Library condominium, consisting of approximately 12,000 SF of unfinished space. The adjacent surface parking lot will be considered a limited common element for primary use by the library. The price for the Library Unit will be the hard construction costs, plus the soft costs, including developer profit, general conditions and overhead as well as other standard expenses such as architectural and engineering fees. Closing will occur within 30 days of completion, but not later than June 15, 2011, subject to delays outside the developer's control.

The Library Unit will have separate HVAC, plumbing and lighting systems to the extent permitted by building cost and utilities will be separately metered. Maintenance of the surface parking lot will be the responsibility of the Library Unit. Shared expenses will be limited to roof repair and replacement, foundation repair, maintenance and insurance based on the proportionate share of square footage on floors one through four. Each condominium unit will be responsible for maintaining the exterior wall and windows of its units and structure.

The condominium association will have four members, two of which will be appointed by the Library Unit. Based on the independent design and operation of the two units, the condominium association will have a lesser role in management than a typical condominium association.

The Authority also will acquire a perpetual license for eight underground parking spaces for staff use. The license shall not require a fee, but obligates the Authority to pay its proportionate share of maintenance, repairs and operating expenses.

LIBRARY LEASE

The Redevelopment Authority will enter into a lease with purchase option with the City of Milwaukee for the Library Unit upon completion of construction and filing of the condominium documents. The lease will be long term to correspond to the compliance period of the New Market Tax Credits. No rent shall be paid to the Redevelopment Authority and the City will be responsible for all maintenance, repair and operation expenses under the lease. The City may elect to purchase the Library Unit under the terms of the lease.

FUTURE ACTIONS

Upon approval by the Redevelopment Authority and the Common Council, the City and/or the Redevelopment Authority will enter into the following documents that have been substantially

negotiated by the City Attorney in consultation with the Library Board and the Department of City Development:

- City-Authority Cooperation Agreement to provide Capital funding for library construction.
- New Market Tax Credit Agreement between the Redeveloper Authority and the issuer to receive proceeds from the tax credit sale. A limited liability company may need to be created by the Authority and the issuer to implement the funding.
- Purchase Agreement between Villard Square, LLC and the Redevelopment Authority to acquire the Library Condominium Unit.
- Library Lease between the City and the Redevelopment Authority for the Library Unit. No income will be paid by the Library under the lease and the library will be responsible for all expenses. The City has the option to purchase the Library Unit after the tax credit compliance period.
- License Agreement between the City and Villard Square, LLC for use of eight underground parking spaces.

Although substantially negotiated, changes may be made upon the recommendation of the City Attorney provided such changes are consistent with the intent of the Common Council and the Redevelopment Authority actions.