

Land Disposition Report – File 171029
Common Council of the City of Milwaukee

Date

October 19, 2017

Responsible Staff

Martha Brown, Deputy Commissioner, DCD

Parcel Address and Description

Former 37th Street Elementary School, 1715 North 37th Street (the “Property”). The Property consists of a 62,555 SF school building constructed in 1903, with two additions in 1911 on a 1.6-acre site. The Property has been vacant since 2006 and was declared surplus in January 2015. Under the requirements imposed by Wisconsin Statutes, Section 119.61, the Property was made available for sale to education operators only for a two-year period that ended in July 2017. The Property was not sold to an education operator during that time. A Request for Proposal seeking buyers for adaptive reuse was issued in July 2017.



Buyer

Heartland Housing, Inc. (the “Buyer”).

Other Heartland Housing development projects in Milwaukee include Prairie Apartments at 1218 West Highland Boulevard, Capuchin Apartments at 2502 West Tamarack Street, Maskani Place at 320 East Center Street and St. Anthony’s Apartments at 1004 North 10th Street (currently under construction).

Project Description

The Buyer proposes to convert the Property into a multi-generational campus, including apartments for seniors in the school building and newly constructed townhomes for families on the site. The unit mix will include approximately 50 senior apartments in the school building (approximately 20 studios, 24 one-bedroom and 6 two-bedroom) and 10 three-bedroom newly constructed townhomes.

The adaptation of the school building will maintain and restore its historic features, while creating bright and modern, sunlit apartments opening onto wide corridors. Residents will enjoy interior community

space in the former gymnasium as well as landscaped exterior open spaces such as a community garden, orchard, entrance patio and tot lot.

Heartland will partner with Community First and Washington Park Partners in its mission to provide high-quality affordable housing, while transforming a long vacant school into a community asset. Heartland has committed to seek out community businesses and residents for contracting and employment opportunities at the Property in areas such as landscaping, snow removal, security and property management. Heartland estimates 3.5 permanent jobs will be created and located on-site after construction. In addition, 10-15 new construction jobs will be created and 20-25 construction jobs retained.

Rehabilitation/construction of the Property will begin approximately 30 days following the acquisition of the Property. All exterior and interior construction of the school will be completed under the historic guidelines and restrictions of the National Parks Service. Construction will take approximately 12 months.

The Property is currently zoned RT4 and the City of Milwaukee has initiated an application to change the base zoning from RT4 to RM5 to permit multi-family development. The Buyer will be responsible for obtaining any required zoning entitlements relating to dimensional and design details of the project.

The use will be taxable.



Purchase Terms and Conditions

The purchase price is \$210,000. The Property appraised for \$170,000 in 2016 and had identified deferred maintenance of \$414,443. The building contains asbestos and lead-based paint that will require remediation during the redevelopment. Conveyance is on an "as is, where is" basis, including all known and unknown environmental and geotechnical conditions.

The purchase is contingent on the Buyer:

- Obtaining an allocation of Low Income Housing Tax Credits (LIHTC) from the Wisconsin Housing and Economic Development Authority, as indicated in the "sources and uses" statement in the proposal.
- Obtaining allocations of State and Federal Historic Tax Credits, as indicated in the "sources and uses" statement in the proposal.

If the Buyer receives an allocation of LIHTC in the 2017 round, the Buyer will be required, by April 1, 2018, to enter into a Purchase and Sale Agreement ("PASA") that outlines the Buyer's obligations. The PASA will require that the Buyer must:

- Provide a performance deposit to be returned upon completion of the project and issuance of a Certificate of Occupancy.
- Enter into an agreement requiring best efforts to utilize City-certified Small Business Enterprises and individuals certified through the City's Residents Preference Program for construction activity.
- Obtain any zoning entitlements required for the project.
- Receive final site plan approval from the Department of City Development.
- Receive a building permit.
- Present evidence of full project financing.
- Close on the purchase of the Property by January 1, 2019, with the option of extending the closing date should the Buyer need to re-apply for LIHTC in a future allocation round.

At closing, sales expenses will be subtracted from the sale proceeds. The remaining sale proceeds shall be deposited in the Milwaukee Public Schools Operations Fund.

The deed of conveyance will contain restrictive covenants for performance, prohibitions for tax exemption and certain uses, conditions under which a liquor license may be issued, and reversion of title provision for non-compliance.