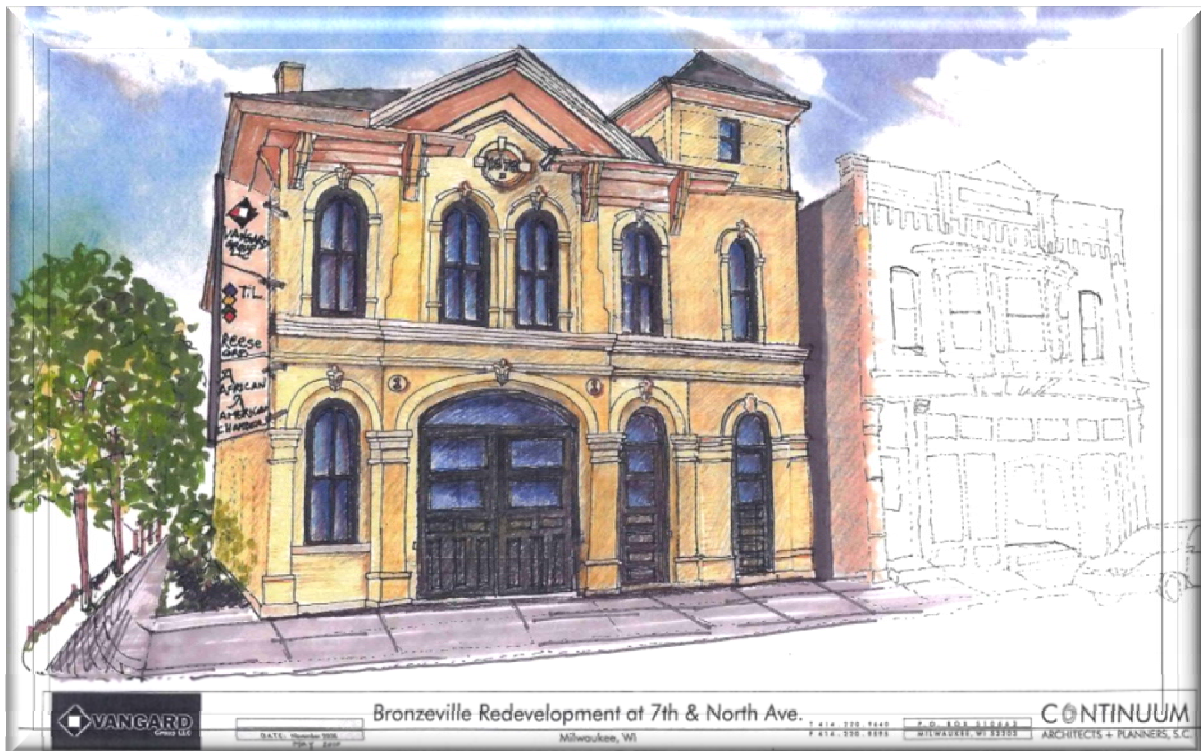


Bronzeville Redevelopment - 642 West North Avenue



Request for TIF Funding for Inner City Arts LLC

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Presented to: Zoning, Neighborhoods and Development Committee

Tuesday, July 20, 2010

Bronzeville Redevelopment - 642 West North Avenue

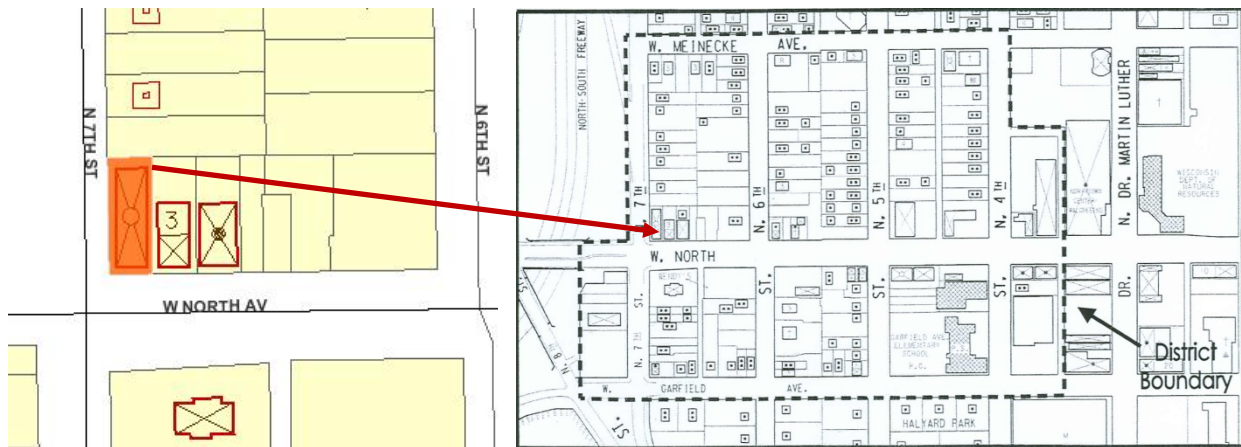


Table of Contents	2
Project Summary	3
Ownership Summary	3
Public Use: Plan Review Room	4
Rent Rates	4
Project Description	4
Tenants	5
Financing	5

Bronzeville Redevelopment - 642 West North Avenue

Project Summary

This redevelopment project, the first since adoption of Tax Increment District #59, converts space previously used by the Inner City Arts Council at 642 West North Avenue into corporate offices for two Milwaukee based companies, Vanguard Group LLC and Endeavour Corporation. In addition, this rehabilitated building will house a plan review room for area contractors interested in bidding on construction jobs.

The redeveloper and owner is Inner City Arts LLC, a limited liability company comprised of Vanguard Group, LLC, Endeavour Corporation, and Osprey, Inc.

This project includes a layout of the building's interior by NBD's consultant Community Design Solution (CDS) of UW Milwaukee School of Architecture. Working in conjunction with the developer, the proposed uses for the building will serve the needs of the building's owners, tenants, and community members.

Ownership Summary

Vanguard Group, LLC is a real estate and business development company. Kalan Haywood, president, has led this company in developing over 500,000 SF of residential and commercial space since 2006. Additionally, Vanguard owns develops and manages its own commercial development projects. Joint-venture partnerships are their primary specialization.

Endeavour Corporation, led by member Randy Roth, is a real estate development company who focuses on the retail development sector. In its 15 years under Roth, Endeavor has developed over \$100 million in real estate projects in over 20 cities across the United States. Projects include single and multi-tenant retail, as well as mixed use.

Osprey, Inc. is a subsidiary of Impact Seven (I-7), a 39-year-old community economic development corporation located in Almena, Wisconsin. William Bay is president of both corporations. Impact Seven provides loans funds and capital to businesses. I-7 has a venture capital fund, twelve revolving loan funds, a microloan program, and is an allocatee of New Market Tax Credits (NMTC). Since its inception Impact Seven has developed over \$85 million in single and multi-family housing.

Bronzeville Redevelopment - 642 West North Avenue

Public Use: Plan Review Room

The plan review room will serve small and emerging contractors, housing complete sets of construction plans for bidding on projects in the City of Milwaukee. Although a general public use, the cost of managing and maintaining this space will not be borne by a public entity but by the developer and its tenants. This is a valuable benefit for many small and emerging contractors who are unable to absorb the cost of purchasing complete sets of plans. The inclusion of this space within the proposed project will prove very valuable when the construction market rebounds. Additionally, this space allows contractors the opportunity to take notes, and bid in one setting as opposed to having to copy plans and construct bid estimates at their separate offices. This unique offering in Bronzeville will generate new customers for neighboring businesses, while increasing pedestrian traffic in the district.

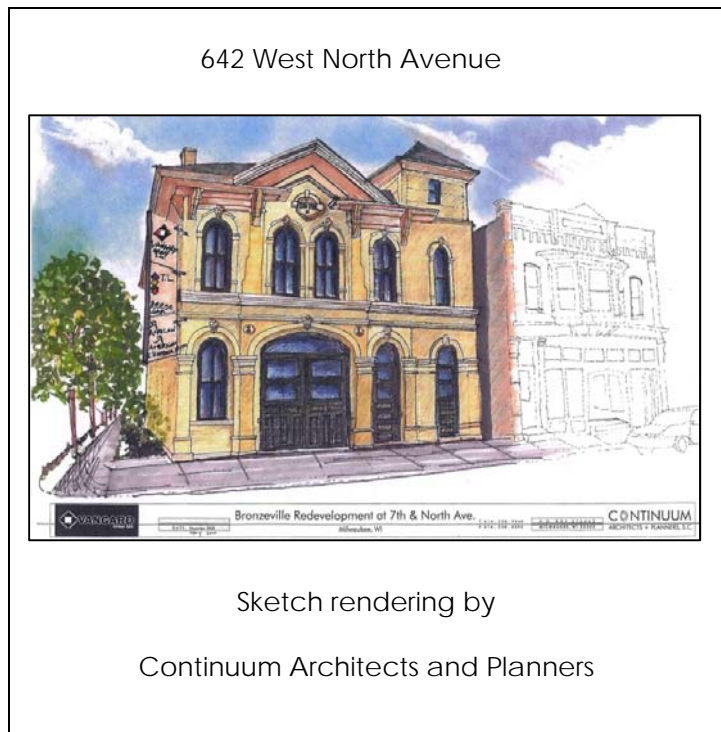
Rent Rates

Market rental rates in this area have historically been low. Rental rates to be paid by tenants of this project sets market above \$9.00 psf. This is important in the establishment of the long term rental rates for Node 1 of the Bronzeville District. With this precedence, new businesses seeking to locate in the district may utilize this rate or above in attempts to secure financing for projects in this area. Additionally, financiers can utilize this rate to analyze projects.

Project Description

Rehabilitation of the existing historic building will be for the corporate offices of Vanguard Group LLC and Endeavour Corporation, with a portion of the building to include a contractor's plan review room.

Building renovations include new windows, roof work, and updated heating, ventilation and air conditioning (HVAC). The buildings front facade will be restored to include original architectural features. The site work includes pavement maintenance/patchwork, landscaping, and construction of a parking area in the rear of the building. All exterior work on the building will conform to the United States Secretary of Interior Guidelines.



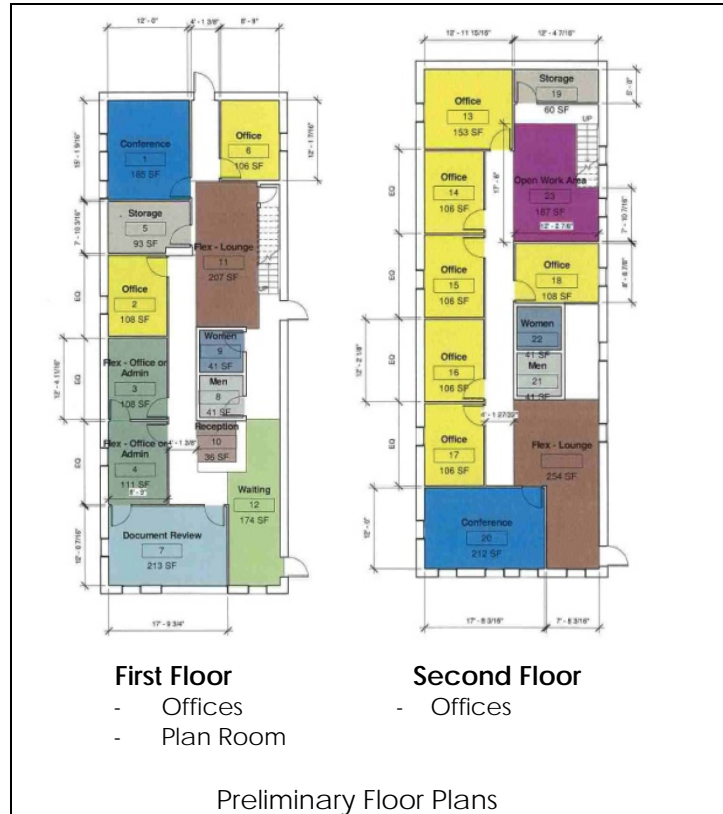
Bronzeville Redevelopment - 642 West North Avenue

Tenants

Vanguard currently has 4 full-time and two part-time employees, with plans to add at least two additional staff members within next two years.

Endeavour currently employs 3 full-time and 2 part time staff.

Total development costs are about \$500,000. Financing for the project includes developer equity, a loan from Impact Seven, a loan guarantee from Wisconsin Housing and Economic Development Authority (WHEDA), a TIF loan from Bronzeville Economic Development Fund, a Façade Grant, an Architectural Support Grant, and Milwaukee Arts Board grant.



The Redeveloper is committed to strong EBE involvement and is aiming for 40% EBE participation.

Financing

The developer has secured a financing commitment in the amount of \$262,542 from Impact Seven. Equity contribution shall be \$37,500. Grants totaling \$30,000 will be sought. The project seeks \$171,000 in financing from Bronzeville’s Economic Development Master Fund (EDMF). The Bronzeville TID term sheet states EDMF may be used for loans or grants, including commercial building redevelopment grants. NBD recommends financing the \$171,000, being structured as a recoverable loan. The development agreement will include language that, if the building is sold prior to a seven years term, the TID would receive the full amount loaned, \$171,000, at the time of sale. If not sold, the loan will be forgiven after seven years. This will also be attached to the deed.

We recommend this action because we feel this project will stimulate additional development in the District. As the first project in Bronzeville, we expect high visibility, as well as motivation for the market to seek catalytic redevelopment projects in this area. Subsequent plans include the release of Request for Proposals (RFPs) for parcels within the same block, as well as a mixed used project which is being reviewed by SB Friedman and DCD staff, among others. Lastly, this project does not require amending the TID, as funds are available within the current TID.