

**LAND DISPOSITION REPORT
REDEVELOPMENT AUTHORITY
COMMON COUNCIL OF THE CITY OF MILWAUKEE**

DATE

July 12, 2005

RESPONSIBLE STAFF

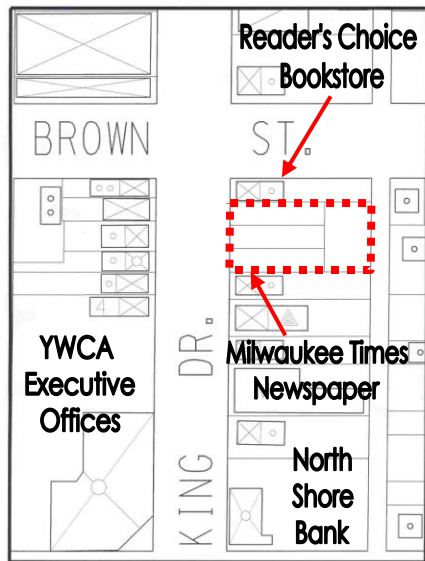
Dwayne Edwards, Real Estate Section (286-5735)

REDEVELOPMENT PROJECT AREA

North Dr. Martin Luther King Jr. Drive-West Reservoir Avenue: A redevelopment district created in 1985 to preserve historic buildings and to promote commercial-service development in the King Drive Historic District. The area is the southern gateway to the King Drive commercial district and is near the new Bronzeville Cultural and Entertainment District.

BACKGROUND: REQUEST FOR PROPOSAL

The property was advertised through a Request for Proposals on the Authority's web site and three proposals were received before the deadline. After staff review, the top two finalists were interviewed. Staff recommends acceptance of the proposal from the adjoining owner with whom Authority staff had worked in the early 1990's for site development. A feasible project was not submitted at that time.



REDEVELOPER

The Readers Group LLC, which will be a new, Limited Liability Company formed by Robert and Carla Allison. Ms. Allison is president and operator of The Reader's Choice Bookstore, Inc., which opened in 1995 in a building acquired from the Redevelopment Authority at 1950 North Dr. Martin Luther King Jr. Drive.

PARCEL ADDRESSES & DESCRIPTION

1940, 1944 and 1948 North Dr. Martin Luther King Jr. Drive and 227R West Brown Street: A 11,250 SF vacant lot with 75 feet of frontage on King Drive and a depth of 150 feet. Site access is from the

alley. The property has some minor environmental concerns at the rear due to its past use as an automotive garage. Remediation will consist of soil management and the Authority will work with the Redeveloper on a soil management plan and case closure.

PROJECT DESCRIPTION

Construction of a two-story, commercial and residential building. The ground floor will house three commercial tenants facing King Drive and two or three additional business areas accessed by a side entrance. One new business will be a card and gift shop that will be operated by the buyers. Another tenant will be Academic Business & Cultural Academy, an affiliate of The Reader's Choice that annually produces "CHOICES: Milwaukee's Black Festival of Books." The Reader's Choice may relocate to the new building and the Allison's would then open an ice cream parlor in the existing bookstore. The second level of the building will provide four two-bedroom rental apartments. All construction will conform to the Minimum Standards for New Construction in the King & Reservoir Redevelopment Project Area. Estimated construction costs are not yet known.



OPTION TERMS AND CONDITIONS

The purchase price will be \$45,000, or \$4.00/SF, which was the minimum price in the RFP. An \$1,800 Option Fee is required to be submitted within ten days of acceptance by the Common Council. The fee is non-refundable, but shall be credited toward the purchase price if the Redeveloper closes on or before April 26, 2006. A \$4,500 performance deposit will be submitted at closing and shall be held until satisfactory completion of the project.

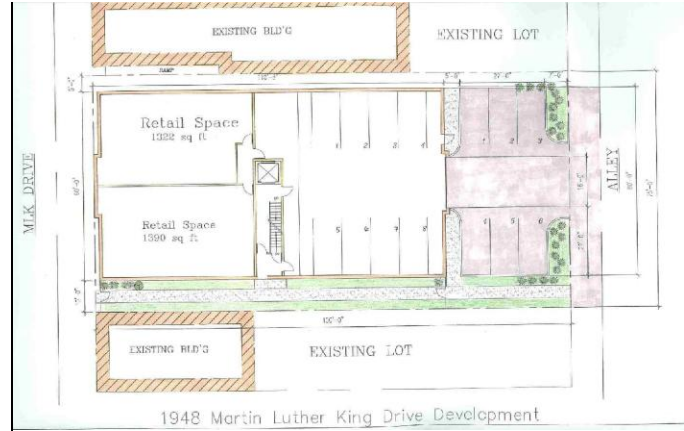
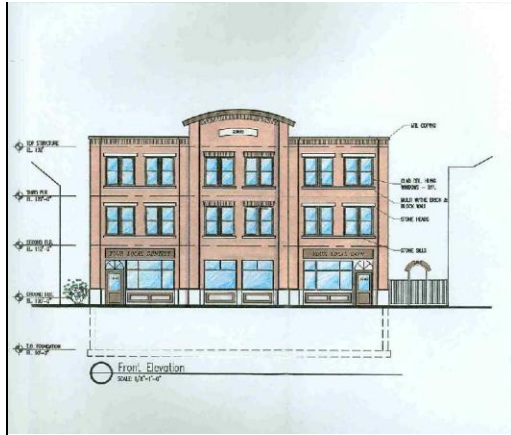
A short initial option period – three months – will be granted so that the Redeveloper can more fully develop the proposal. On or before October 26, 2005, the Redeveloper must submit preliminary architectural plans – scaled site plan, floor plans and building elevations that identify building materials – that conform to the Minimum Construction Guidelines for King Drive in the King & Reservoir Redevelopment Plan. In addition, a detailed construction budget and financing strategy must be submitted. If acceptable, a six-month extension shall be granted at no cost to the Redeveloper to obtain final plans and firm financing. No additional extensions would be available.

SECONDARY OFFER

If The Readers Group fails to make the required submittal by October 26, 2005 or to satisfy the closing contingencies by April 26, 2006, the Authority shall accept without further action the proposal submitted by Cross Development Group, Inc (CDG). This group, CDG, is composed of Carla Cross, President of Cross Development and Management, Cory Nettles, a partner with Quarles and Brady, and Danielle Morgan, recent graduate Marquette University's Associates in Commercial Real Estate (ACRE) program.

Construction of the King Drive Building, a three-story, commercial and residential building will have approximately 11,250 SF. The ground floor contains 2,712 SF for two commercial tenants and is designed for maximum flexibility for uses such as an exercise facility, coffee shop, a flower shop or small restaurant. Rent is expected to be \$12/SF. The second and third floors will offer eight market-

rate residential condominiums that will sell for \$262,000 to \$282,850. All units will have two bedrooms and will range in size from 1,335 to 1,483 SF. Residential parking will be provided in a ground floor, enclosed garage, while commercial tenants will use a surface parking lot. All construction will conform to the Minimum Standards for New Construction in the King & Reservoir Redevelopment Project Area.



Total project costs are expected to be \$2.4 million. CDG is targeting 40% of the construction costs to Milwaukee-based firms and several construction jobs to residents of CDG's target area.

Once the secondary offer is accepted as the primary offer, CDG would be required to submit the \$1,800 Option Fee within fifteen days of acceptance. Since the preliminary plans are generally acceptable, CDG would have six months from acceptance in which to obtain final acceptable construction plans and financing and to close the transaction. The option fee would be credited toward the purchase price if the sale closes within the initial six-month option period. Since CDG has not submitted a previous development proposal, one three-month option extension would be available similar to other property sales by the Authority. CDG would be required to submit a \$250 renewal fee that would not be credited toward the purchase price as well as a satisfactory written report on its efforts to obtain final plans and financing. The purchase price and performance deposit would remain the same as the primary offer.

PAST ACTIONS

The Redevelopment Authority held a public hearing on July 12, 2005, after which it conditionally accepted the proposal of Robert and Carla Allison for the primary Option to Purchase and the proposal of the Cross Development Group, Inc., as the secondary offer.

FUTURE ACTIONS

Upon Common Council approval and any required approvals by regulatory bodies, the Redeveloper will refine its preliminary submission. If the primary Redeveloper fails to perform, the Authority shall accept the secondary offer. For either buyer, approval of final plans in conformance with King Drive standards and evidence of firm financing are conditions of sale. An Agreement for Sale will be negotiated prior to closing to ensure satisfactory performance and reversion of title in the event of default.