

Land Disposition Report
Common Council of the City of Milwaukee

Date
October 16, 2018

Responsible Staff
Rhonda Szallai, Real Estate Specialist - DCD

Parcel Address and Description

Former Phillis Wheatley Elementary School, 2442 North 20th Street (“Property”) consists of an 84,222 SF school building constructed in 1902 on a 3.8-acre site. The Property has been vacant since 2011 and was declared surplus in January, 2015. Under the requirements imposed by Section 119.61, Wisconsin Statutes, 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 and was listed for sale through a competitive Request for Proposals process with a deadline of September 14, 2018. Three Proposals were received and evaluated by Department of City Development (“DCD”) staff. The strongest proposal was selected and presented to Alderman Stamper for his support.





Buyer/Developer

Royal Capital Group LLC ("RCG") or its newly created LLC or designated affiliate of RCG.

RCG has completed or is currently working on projects in the Milwaukee area such as: 550 Ultra Lofts, 700 Lofts, Hills Luxury Commons and the Mill Road Library Redevelopment.

Project Description

Phyllis Wheatley School Redevelopment as proposed by RCG will feature three residential buildings, inclusive of the school, and two new construction buildings of two stories each. Catering to families, this development will offer 82 apartment homes comprised of (21) two-bedroom units and (61) three-bedroom units, with 115 surface parking stalls. The Developer's vision is to create a place for residents committed to a healthy personal lifestyle and building a cohesive community.

The housing component will be a mixed-income opportunity featuring market-rate units and apartments affordable to households that make 30 percent, 50 percent or 60 percent of the county median income.

On-site community amenities (open to the public) will include: community commercial kitchen, fitness center/gym basketball court, playground and café.

The amenities available to residents will include: community room, Wi-Fi in each residential unit, fitness center, business center, movie theater and on-site management office.

RCG is committed to improving the lives of their residents through active, responsible property management and the thoughtful coordination of relevant services centered on the social determinants of health. This approach involves the completion of an in-depth analysis to better understand the needs of the families that reside at each respective apartment community. Upon completion of the needs analysis, they allocate resources to property staff that allows them to effectively implement programs, events and activities that often result in increased resident engagement, morale and retention. RCG is committed to carrying this approach into the Phyllis Wheatley School Redevelopment by incorporating programs that will cater to healthy outcomes for those that reside at and/or visit this future development.

The development will create eight full-time and four part-time jobs on-site that will include: Property Manager, Maintenance Technician, Commercial Kitchen Director, Assistant Director, Health Club staff (3), Trainer, Café/Barista (2), Server and Cleaner/Crew.

RCG will be partnering with Engberg Anderson Architects and ACC Property Management for on-site property management. The project will preserve the character-defining features of the existing school building and plans for the new construction will be reviewed and approved by the DCD Design Review Team.

Project funding will be a combination of conventional debt, tax credit equity, historic tax credit equity, Developer equity, Tax Incremental Financing and Affordable Housing Program funds from the Federal Home Loan Bank.

Purchase Terms and Conditions

The purchase price is \$585,000 and the scope of work is estimated at \$19.8 million. 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 and acceptance of the Buyer Contingencies included in RCG’s purchase proposal.

The purchase is contingent on the Buyer:

- Obtaining an allocation of Low Income Housing Tax Credits 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.
- Buyer shall have until May 31, 2019 for a Due Diligence assessment of the Property.
- Buyer must receive local and state approvals associated with the proposed use by July 30, 2019.

A Low Income Housing Tax Credit application will be submitted to WHEDA by December 14, 2018 and tax credit awards will be announced around March 2019. The Buyer is required to enter into a Purchase and Sale Agreement (“PASA”) that outlines the Buyer’s obligations by July 1, 2019. Closing on the purchase of the building is required by January 1, 2020. A year-long construction period is anticipated.

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.
- Receive a building permit.
- Present evidence of full project financing prior to closing on the sale.
- Close on the purchase by January 1, 2020, with the option of extending the closing date for one year should the Buyer need to re-apply for LIHTC’s in the 2019 allocation round.

At closing, sale proceeds, less sale expenses, 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.