

Due Diligence Checklist – File #171029
1715 North 37th Street
Former 37th Street Elementary School

Market value of the property.	The property is a 62,555 SF former school building that has been vacant since approximately 2006. The property was appraised in 2016 for \$170,000, with identified deferred maintenance of \$414,443. The purchase price is \$210,000.
Full description of the development project.	<p>The property will be redeveloped into approximately 60 rental units consisting of 50 historic apartment units in the current structure and 10 newly constructed townhouse style units on the site. The unit mix will include studio, one, two and three-bedroom units. The site also will include 23 surface parking stalls. Also included in the project will be an 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.</p> <p>The project will preserve the character-defining features of the building. 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 beginning early 2019. Completion is anticipated by December 2019.</p> <p>The property is currently zoned RT4 and the City of Milwaukee has initiated an application to change the zoning from RT4 to RM5.</p> <p>During the construction phase, approximately 10-15 new jobs will be created and 20-25 retained.</p>
Complete site, operations and scope of work for development.	<p>See Land Disposition Report for site plan.</p> <p>The scope of work requires expenditure of approximately \$15 million and includes the building purchase; interior demolition; interior and exterior renovation completed under the historic guidelines, and additional new construction of 10 townhomes. The site also will include 23 surface parking stalls, community garden, orchard, entrance patio and tot lot for residents' use.</p>
Developer's project history.	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 10 th Street (currently under construction).

	Heartland Housing will partner with Landon Bone Baker Architects, Community First, Inc. and MacRostie Historic Advisors, LLC.
Capital structure of the project, including sources, terms and rights for all project funding.	The project will utilize a combination of private equity, historic tax credits, LIHTC from WHEDA, bank financing and potential other sources.
Project cash flows for the lease term for leased property.	Not applicable.
List and description of project risk factors.	The proposal includes financing contingencies that require allocations of Low Income Housing Tax Credits (LIHTC) and both State and Federal Historic Tax Credits. LIHTC are allocated through a competitive process overseen by the Wisconsin Housing and Economic Development Authority (WHEDA). The project will be at risk should any of the anticipated tax credit allocations not be secured in the budgeted amounts. Governor Walker’s recent imposition of a \$500,000 per project cap on the allocation of State Historic Tax Credits also presents a risk. The cap takes effect on July 1, 2018. The buyer has established a strong track record of applying for/securing tax credits for adaptive reuse of historic property, which should mitigate this risk. Also, the sale terms allow an option to extend the closing date for an additional year, should the Buyer need to re-apply for LIHTC in a future allocation round.
Tax consequences of the project for the City.	Project is fully taxable. Former tax-exempt property will be added to the City tax rolls. The project will stimulate additional taxable investment in the Washington Park neighborhood. Heartland also is committed to working with Community First and Washington Park Partners in joint efforts to improve the Washington Park Neighborhood and transform the long vacant 37th Street School into a community asset.