



November 11, 2008

Mr. W. Martin Morics  
City of Milwaukee Comptroller  
City of Milwaukee – City Hall Room 404  
200 East Wells Street  
Milwaukee, WI 53202

Re: Westpointe Square

Dear Mr. Morics:

This letter is being sent as a follow up to the meeting on Wednesday, November 5<sup>th</sup> in your office. Per your request, Wisconsin Redevelopment (WR) has formulated a letter to outline specific deal points for the Westpointe Square project. Specifically you asked WR to provide an explanation of the anticipated financing and how the needed \$350,000 in HOME funds will be utilized. A summary of the deal points are as follows:

1. Wisconsin Redevelopment, LLC will form a separate company to own the Westpointe Square property. For discussion purposes, we will refer to that company as Westpointe Square, LLC or the “WS”. WS will be made up of Wisconsin Redevelopment, LLC as the Managing Member and Wisconsin Preservation Fund, Inc (a 501(c) 3 nonprofit organization), as the Limited Member.
2. Prior to taking ownership of the property WS will require the following items take place:
  - a. A new fully executed offer to purchase will need to be completed. This offer will essentially match the original offer. The offer expired as both LISC and Associated Bank determined the extent of their respective losses, which as outlined by Mr. Ries is substantial. The offer contingencies are as follows:
    - i. The current owner, West End, will need to provide clear title to the property including removing any and all liens including the \$103,025.74 construction lien that currently shows up on the title policy.
    - ii. LISC and Associated Bank will need to agree on the final payoff amount of their respective loans and agree to defer their payoff until the benchmarks listed below have been met and the City of Milwaukee provides the \$350,000 in HOME funds.
    - iii. WS will develop a final scope of work and secure a guaranteed maximum construction contract within 60 days of acceptance to complete the outstanding work necessary to make the building habitable and economically viable.
    - iv. Environmental due diligence.
    - v. WS will be allowed to begin marketing the project upon acceptance of the Offer to Purchase.
    - vi. WS will need to secure a commitment for construction and permanent financing as outlined in 75 days.

3. As outlined in the financial forecasts sent to you, WS is projecting total development costs of \$1,054,527, of which \$600,000 is targeted for building's acquisition.
4. The anticipated project financial loan source are a \$625,000 first mortgage with a fixed 10 year term/30 year amortization and a 6.75% interest rate; the \$350,000 HOME Funds; and if necessary a second mortgage supplied by the current lenders, LISC and Associated Bank, for \$78,620. This second mortgage could be lowered or raised based on the current available first mortgage interest rate and the final development costs once firm bids are determined. For example, a 5.63% fixed rate mortgage will eliminate the present gap. In any case, any adjustments in the project financials will be made with the second mortgage. No additional HOME funds will be sought.
5. If for some reason the financial gap is eliminated and there are excess funds, the saving will be split on a 50/50 basis between the above mentioned lenders and the City of Milwaukee.
6. WS suggests the needed \$350,000 in HOME funds be put into the project in thirds, once the following benchmarks are achieved:
  - a. One third at completion of construction and certificates of occupancy are obtained;
  - b. One third when 13 of the 14 residential units are leased
  - c. The final third when 4 of the 6 commercial units have been leased at the average rents outlined in the pro forma.
  - d. All residential and commercial leases will at least need to run a one year term.
7. WS will need to secure construction financing of \$454,527 and deferral of the payoff price to LISC/Associated of \$600,000 until final HOME installment.
8. The original construction loan of \$454,527 will then be rolled into a permanent mortgage loan.
9. WS understands that the City's HOME fund contribution is contingent upon WS and the City Milwaukee entering into a cooperation agreement as outlined in this letter.

The timing of this process is as follows:

11-15-08	Fully Executed Accepted Offer to Purchase
2-1-09	WS completes due diligence and has GMP contract with contractor
6-1-09	All work completed and lease-up begins in full force
12-1-09	Lease up benchmarks met. City of Milwaukee funds project, Permanent loan in place, LISC/Associated paid off.

I hope that this letter helps clarify the process and the project. I realize this process has been a difficult for all involved. WR looks forward to making this development a project that will be financially viable, positively contribute to the economical well being of the 27<sup>th</sup> business district and benefit those for whom this development was intended. If you have any other questions or concerns please do not hesitate to call me at 414-640-2175.

Very Truly Yours,



Robert Lemke, President  
Wisconsin Redevelopment, LLC

Cc Mr. Craig Kammholz  
Mr. Leo Ries  
Mr. Todd Hutchison