

**LRB – FISCAL REVIEW SECTION ANALYSIS**

**DECEMBER 3, 2004 AGENDA  
PUBLIC IMPROVEMENT COMMITTEE**

**ITEM 34, FILE 040961  
Emma J. Stamps**

File 040961 is a resolution authorizing the transfer and expenditure of \$90,000 from the Development Fund to facilitate new residential construction along St. Clair Street, in the 14<sup>th</sup> Aldermanic District. (DCD-Real Estate)

**Background and Discussion**

1. Resolution 010624, adopted 9/25/2001, authorized RACM to solicit Offers to Purchase for the vacant Port of Milwaukee owned lot at 2469-71 South St. Clair Street in the 14<sup>th</sup> Aldermanic District for new residential construction. Less the 15 percent RACM development fee, all sales proceeds were to be credited to the Port of Milwaukee.
2. Construction Management Services (CMS), a bidder for the lot, discovered and notified DCD that no water and sewer mains were located near the vacant lot. After disclosing this finding to all other parties who had expressed interest in 2469-2471 South St. Claire, all bids were withdrawn, except CMS.
3. DCD accepted CMS' Offer to Purchase the lot for a net \$70,150 with contingencies, pursuant to Resolution 031105, adopted December 3, 2003, (superceding Resolution 010624). The contingency is that the city pay water and sewer main construction costs.

The Milwaukee Plumbing Code requires that all property be connected to the public water main and sewer systems within 30 days of sale. This property sale is also subject to that regulation.

Hence, CMS, placed a contingency on its Offer to Purchase that the city pay water and sewer main construction costs, estimated at \$195,000 using sales proceeds, grants, and other sources, and that CMS will pay for the cost of sewer and water laterals to each of the four homes that it plans to sell for \$225,000-\$250,000 each. DPW lets contracts for water and sewer main construction projects.

4. The city would pay the estimated \$195,000 for construction of sewer and water mains on St. Claire Street, according to Resolution 031106 adopted December 3, 2003:

- √ Development Fund grant to CMS \$80,000 (Resolution 031106, 12/3/2003)
- √ DPW donates \$21,000 design engineering costs
- √ Sales proceeds \$70,150
- √ To-be-determined resources \$23,850

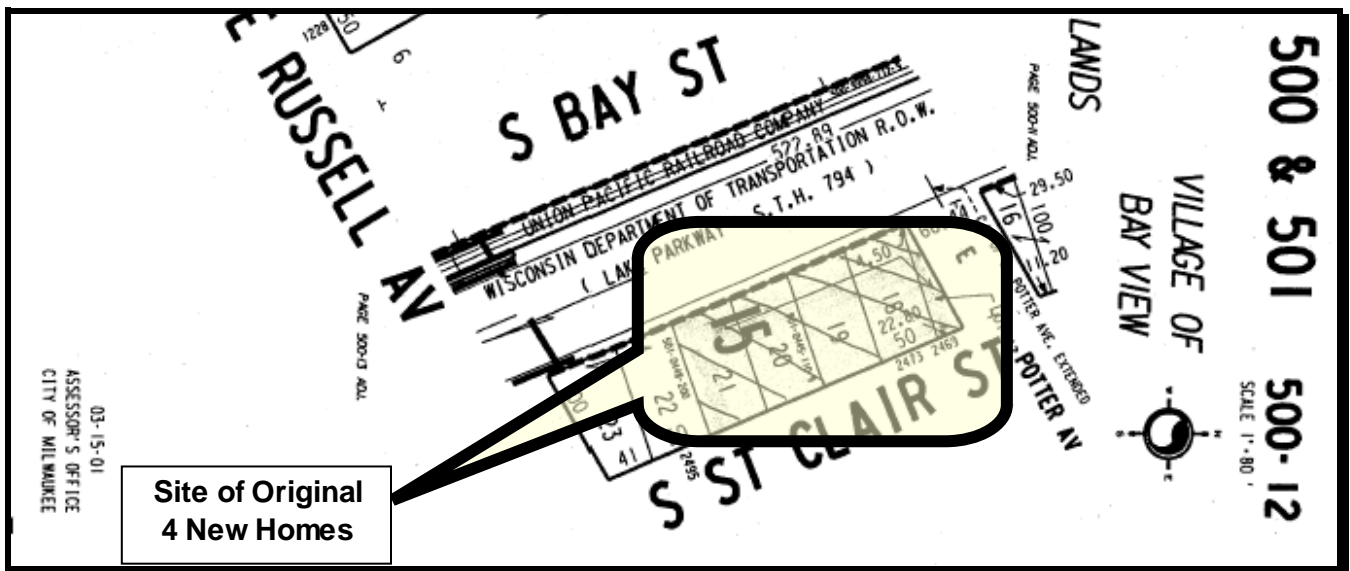
5. The sewer and water mains construction project did not go out to bid until April 2004, almost 5 months after Common Council approval (Resolution 031106). Contractors generally apply premiums to bids during spring, according to DCD, and as a result, an excessively high \$250,000 lowest bid came in. DPW rejected that \$250,000 bid and plans to re-bid the project later.
6. As of December 6, due to not having met its contingent obligation to construct the mains, the city still owns the vacant lot; the property has not closed.

7. DCD is requesting an increase in city grants to cover the rejected \$250,000 bid.
8. CMS recently amended its Offer to Purchase to increase new home construction from 4 to 5 units, according to DCD.
9. If File 040961 is adopted, the planned property sale will result in:
 

√ Sales Proceeds to the City from this project	\$80,000
√ City Expenditures/Contributions for this project	
1. Pledge back of Sales proceeds (for infrastructure costs payable to DPW)	(\$80,000)
2. Development Fund grant (Resolution 031105)	(\$80,000)
3. Development Fund grant (File 040961)	(\$90,000)
√ <b>Estimated Total Cost to City per Offer to Purchase Contingency</b>	<b>(\$250,000)</b>
√ <b>Estimated Sales Proceeds to Developer upon sale of 5 homes and increase to the property tax base</b>	<b>\$1.2 million</b>

**Fiscal Impact**

Adoption of File 040961 increases the city grant to CMS from \$80,000 to \$170,000 by authorizing the transfer and expenditure of a \$90,000 grant, using Development Fund capital funding to reimburse to the developer infrastructure costs for new water and sewer laterals, a contingency for File 031105. FMIS conversion issues prevented LRB verification of the Development Fund balance.



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