

LAND DISPOSITION REPORT COMMON COUNCIL OF THE CITY OF MILWAUKEE

DATE

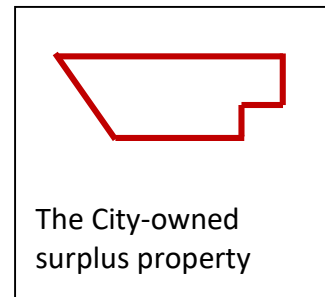
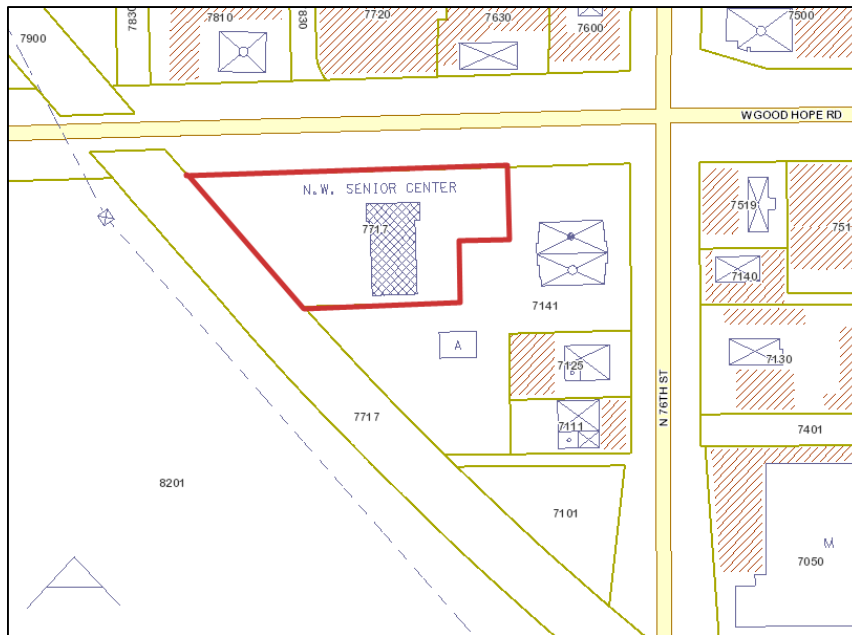
October 10, 2017

RESPONSIBLE STAFF

Amy Turim, Real Estate Development Services Manager (414-286-5732)

PROPERTY AND BACKGROUND

The City-owned parcel located at 7717 West Good Hope Road (the "Property") has an area of approximately 95,988 square feet and is currently improved with an 11,500 square-foot vacant building. The Property is zoned CS or Commercial Service. The Property is located in the Menomonee River Hills East neighborhood, in the 9th Aldermanic District, and has been declared surplus to municipal need by previous action of the Common Council.



The Milwaukee Public Library Board of Trustees (the "Board") issued a Request for Proposals ("RFP") on November 4, 2014 for the development of two new Milwaukee Public Library facilities, one of which is to replace the Mill Road Library. In line with MPL's strategic plan, the RFP asked for conceptual proposals for a private development partner that would in part:

- Acquire the Property at minimal cost in exchange for a mixed-use development to replace the Mill Road Library Branch.
- Meet MPL's requirements for a modern library, with a highly visible ground floor location, easily accessible parking and a single public entry point.
- Create a two-unit condominium and convey the Library shell to the City at no cost.
- Provide a signature design that reflects 21st century architecture and public library service.
- Comply with City public construction and RPP and SBE requirements for the Library Unit.

DEVELOPER AND DESIGN SELECTION

In response to the RFP, the Board received three proposals from the following entities: (1) Housing Authority of the City of Milwaukee, (2) Gorman & Company and Northwest Side CDC, and (3) Maures Development Group and CommonBond Communities. On December 16, 2014, the Board voted to express interest in the proposal from Maures Development Group and CommonBond Communities. A series of community listening sessions throughout 2015 resulted in a revised proposal and identification of additional funding sources. Royal Capital Group became Maures' new partner and the Board voted for the Developer to proceed with a tax credit application in January 2016. Although tax credits were not awarded in 2016, the Board continued to work with the Developer and voted to approve the Developer's tax credit application in 2017, which was successful.

While waiting for the tax credit decision in 2017, the Board issued an RFP for architectural services for the build-out of the new Library. The Board heard presentations from Zimmerman Architects, Engberg Anderson and Moody Nolan in March of 2017 and ultimately selected Zimmerman Architects as the architect.

DEVELOPER

Maures Development Group, LLC and Royal Capital Group, as co-developers, have formed Mill Road Library Redevelopment, LLC (the "Developer").

Maures Development Group, LLC ("Maures"), founded in 2006, is owned by Melissa N. Goins. Maures has a strong history of both residential and commercial development in the City of Milwaukee ("City"), including many catalytic projects and partnerships. Maures is committed to community improvement through focus on redevelopment in Milwaukee's central city neighborhoods. Previous projects include the Century City Lofts located on North 35th Street south of Capitol Drive; the SoHi Lofts and Lindsay Heights NSP scattered site partnership with the City; Teutonia Gardens on the northwest corner of Teutonia and Center; Heart and Hope Place on North Dr. Martin Luther King Jr. Drive; and Franklin Square on Center and Hadley Streets near 14th Street. Current multi-family projects include the Historic Garfield Apartments and The Griot in Milwaukee. Maures has developed and owns over 225 apartment residences, with an aggregate development total of nearly \$45,000,000.

Royal Capital Group, LLC ("Royal Capital"), founded in 2010, is owned by President Kevin Newell. Royal Capital has developed \$100,000,000 in multi-family and mixed-use assets within its market area. Royal Capital has worked diligently to partner strategically and promote the community opportunities through its subsidiary companies and Urban Chance non-profit. Previous projects include the Maple Lawn Apartments in Fitchburg, WI; the Seven Oaks Apartments in Madison, WI; the 5th Avenue Lofts and the Arbor Green Apartments in Kenosha, WI; the 700 Lofts in Milwaukee, WI; and the Silvercrest Apartment Community in Silver Lake, WI. Current multi-family projects include the upcoming Hills Luxury Commons in Historic Brewers Hill and the Madison East in Madison, WI.

The Developer will be using Engberg Anderson as its architect.

PROJECT REDEVELOPMENT

The Developer proposes to raze the existing structure and construct a new building on the Property. The Developer proposes a 65-unit apartment building, with the new MPL branch on the first floor (collectively, the "Development").

The Development will be the new location of a new library branch, replacing the existing Mill Road Library branch located at 6431 North 76th Street. The new Library will have a highly visible, prominent location as required by MPL. The branch will contain 17,000 square feet of the ground floor. MPL also will have a separate area for building mechanicals in the building and on the roof. The new Library will include approximately 60 parking spaces for use by MPL staff and patrons.

Below: Developer's site plan 7717 West Good Hope Road.



Construction will be according to MPL construction specifications. A main library entrance will be provided on Good Hope Road and another library entrance will be on the east side of the building for easy access from Good Hope Road and the parking area.

The major secondary use is a 65-unit apartment, which will be four stories tall, with townhome style apartment units on the first floor and traditional apartments on floors two through four. The apartments will have separate entrances on Good Hope Road and in the rear of the building approximately 65 parking spaces will serve the apartment tenants. The units will be a mix of three, two and one-bedroom units. The apartments will be mixed income, with approximately nine units being market-rate housing and the remainder being affordable to households at or below 60 percent of area median incomes. Resident amenities include: community/media room, fully equipped fitness room, free WiFi in each residential unit and common areas, on-site management and bi-level unit offerings.

In the event the Developer includes any commercial use in addition to the contemplated residential use, the following uses are prohibited: tavern, adult retail or entertainment establishment, animal services or any use requiring a liquor license.

Total development costs are estimated to be \$15.5 million. The Developer will be financing a portion of the investment through its award of Federal Low-Income Housing Tax Credits ("LIHTC") allocated through the Wisconsin Housing and Economic Development Authority ("WHEDA"). The Developer will secure a loan from MPL in the amount of \$2,350,000 (the "Loan") to be used by the Developer to build the Library shell in accordance with plans and specifications approved by the City and MPL and including, at a minimum, a list of items to be attached as an exhibit to the Development Agreement. The Loan will be funded upon the closing of the LIHTC financing, conditioned upon the parties having a fully executed Development Agreement. The Loan has a term of 30 years and a rate equal to the current Applicable Federal Rate, as established by the U.S. Internal Revenue Service (commonly known as "AFR") as of the date of closing. Payment of principal and interest shall be deferred for the term of the Loan on a non-compounded basis and repayment of the Loan is subject to available cash flow except that in the event the Developer fails to complete and convey the new Library to the City or MPL, then the Loan shall be immediately repaid upon demand by MPL and the Developer shall pay all of MPL's costs to date, including costs of designing the interior build-out of the new Library and any legal fees. The Developer also will secure additional long-term financing for the Project, which is anticipated to be secured by December 31, 2017.



Above: View from the northwest from Good Hope Road.
Building will be located at 7717 West Good Hope Road.
Below (following page): View from northeast from Good Hope Road.



PURCHASE, SALE AND DEVELOPMENT AGREEMENT

The City, MPL and the Developer agree to negotiate and substantially agree upon the terms of the Purchase, Sale and Development Agreement prior to October 31, 2017, containing terms consistent with this LDR and the attached Term Sheet and customary for such agreements. Within the same time period, the City, MPL and the Developer shall substantially agree upon the terms of a Condominium Declaration, Bylaws and other documents governing the condominium.

The consideration will be a purchase price for the Property of \$78,000, plus future conveyance of the new Library in a "gray box" condition. Conveyance terms for the Property will be similar to other City transactions. The Property conveyance will be by quit claim deed on an "as is, where is" basis. The Property will be sold as taxable property. The Developer may not be in violation of the City's General Buyer Policies per MCO 304-49-8. The Developer understands that closing may be contingent upon the Department of City Development's Design Review Team review and approval of the Developer's final site plans, landscaping plans and building elevations. The Developer has agreed to work with the City's Development Center and if needed, the Board of Zoning Appeals to obtain all necessary approvals and permits to implement all improvements at the Property. All landscaping along the street frontage will be in accordance with Milwaukee Code of Ordinances Section 295-405 (Milwaukee zoning code-landscaping). The sale proceeds, less closing expenses and a 30 percent disposition cost reimbursement to the Redevelopment Authority of the City of Milwaukee, shall be deposited into the City of Milwaukee's General Fund.

The Development Agreement between the Developer, MPL and the City will contain a payment in lieu of taxes ("PILOT") agreement should the Property become tax-exempt in the future. However, the PILOT agreement shall not apply to any portion of the Property subsequently conveyed to MPL for the library branch. The Developer also will comply with the City's requirements for Small Business Enterprise and Residents Preference Programs and other applicable requirements for community participation in development agreements, pursuant to Chapter 355 of the Milwaukee Code of Ordinances for construction of the Library shell as in effect on the date the Development Agreement is executed.

Parties anticipate that closing on all financing and on the Property will occur no later than February 28, 2018. The City, at its sole discretion, may extend the closing for up to one six-month period upon the Developer's presentation of a detailed written report to the City and MPL that the City and MPL deem demonstrates substantial progress on the development of the Project. If the closing date is extended, all dates and deadlines set forth in the Term Sheet shall be adjusted accordingly. Parties anticipate that construction of the Project shall commence within 30 days following the date of closing and that the Developer will achieve substantial completion of the Library shell within 9 months following commencement of construction. MPL will finish the library interior, which is expected to take approximately 7-9 months. Full building completion should occur approximately 18 months following the initial closing.

LIBRARY REACQUISITION

After completion of the building shell, a two-unit condominium will be created: the Library Unit and the Developer Unit with both entities having equal votes on condominium ownership and management matters. MPL and the City Attorney will negotiate the condominium declaration with the Developer and will present the document to the Board for approval.

The library condominium will be conveyed via special warranty deed to the City at no cost to the City other than customary closing costs. Closing costs may be paid from any purchase price not needed for initial sale expenses and that will be held by DCD until the second closing. After acquisition, MPL will complete the interior finish of the library.