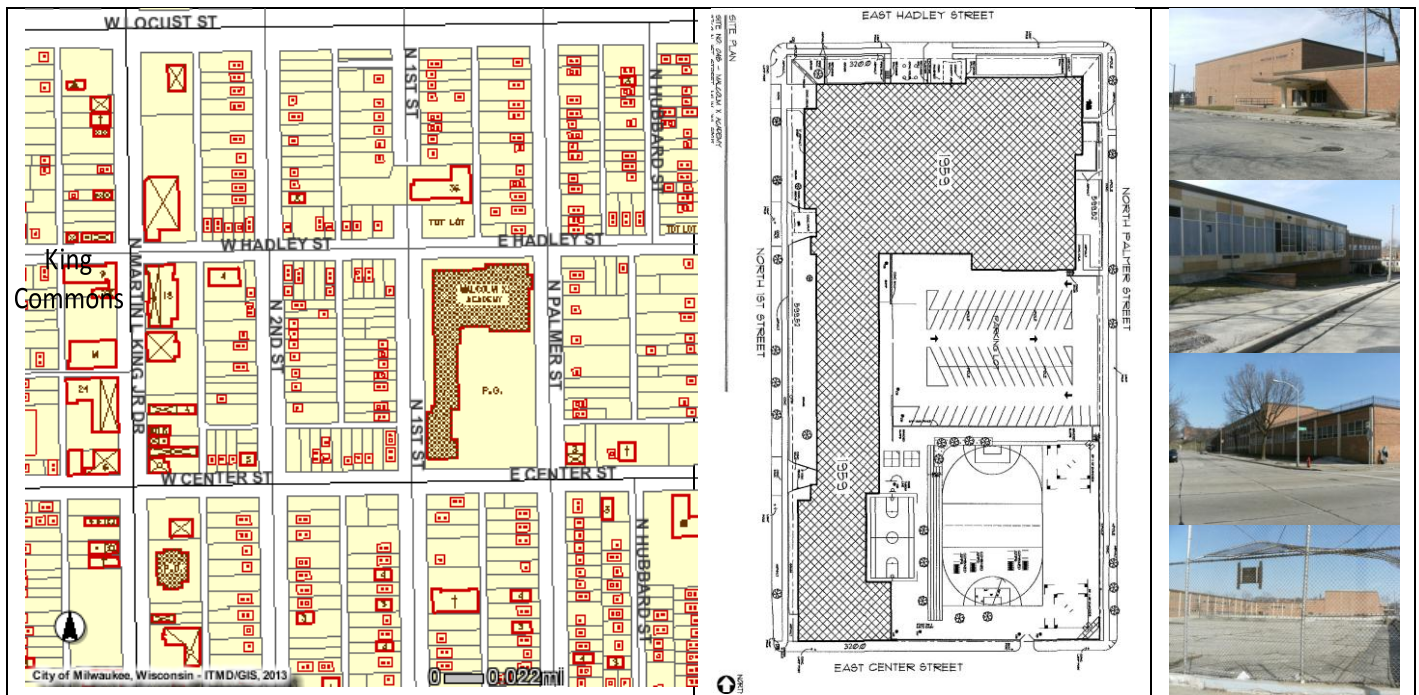


(ATTACHMENT 1) ACTION ON A REQUEST FOR A CLOSED SESSION TO DISCUSS STRATEGIES REGARDING THE POTENTIAL SALE OR LEASE OF THE PROPERTY LOCATED AT 2760 NORTH 1ST STREET, MILWAUKEE, WISCONSIN (THE FORMER MALCOLM X ACADEMY) AND FOR AUTHORIZATION TO SUBMIT A REVISED REQUEST TO THE CITY TO SELL THAT PROPERTY

TERM SHEET – REVISED BOARD ITEM
 FOR SALE OF PARCEL AT 2760 NORTH 1ST STREET
 (Former Malcolm X Middle School)

Property: Former Malcolm X Academy Middle School at 2760 North 1st Street in the Harambee Neighborhood. Constructed in 1960-61, the building has 170,948 SF on three levels and includes about 57 classrooms, library, cafeteria, an NBA-size gymnasium, smaller gyms and an auditorium. The school is situated on a full City block with 4.92 acres and has a large paved playground and parking area. Site challenges include a steep slope that drops approximately 30 feet from the highpoint at the corner of Palmer and Hadley to the low point at 1st and Center Street.



Buyer: 2760 Holdings, LLC, a limited liability company formed by James Phelps of JCP Construction, Inc. Mr. Phelps previously worked with Common Bond in 2011 on possible redevelopment of this property. He was also involved with development of scattered site affordable housing in the Lindsey Heights neighborhood as well as construction of the MSOE soccer field and the Moderne apartments. Mr. Phelps plans to work with KBS Construction on the project. KBS recently developed or performed work on the Global Water Center, UWM dormitories, Journey House-Longfellow School, North End Apartments.

The parties expect to involve the Martin Luther King Economic Development Corporation as a team member. Welford Sanders is the Executive Director of the non-profit development corporation that has been active in neighborhood development since 1999. MLK EDC's major project includes four phases of

King Drive Commons, a housing and commercial revitalization effort in a 14-block area of the Harambee neighborhood.

Project: Redevelopment of the school and site as a multi-use project envisioned by the MPS Building Usage Evaluation and the UWM Community Design Solutions King Drive Visioning Charette (summary attached). Upon sale, the developer would obtain a mix of financing available to private parties – New Market Tax Credits, WHEDA allocated Low Income Housing Tax Credits (LIHTC) and/or bond financing – and perform the following tasks:

- Demolish unneeded sections of the current building – approximately 30,000 SF along 1st.
- Create a two to three unit condominium to accommodate the various uses and outline the terms for operation and maintenance of shared uses.
- Remodel the school for lease to MPS for a new middle-school International Baccalaureate program.
- Apply for a WHEDA tax credit allocation to develop a mixed-use building along Center Street that would offer affordable family or intergenerational housing and provide space for needed commercial businesses. An initial application is expected to be made in February 2014. If LIHTC financing is not obtained, Buyer shall pursue other financing mechanism.
- Coordinate use of community building features – the gymnasiums and auditorium – by the community during non-school hours through partnerships with the MLK Economic Development Corporation and community groups.
- Install site features including parking, playgrounds and gardens for shared use with MPS, housing residents and the community through the operating agreement in the condominium documents.
- Make temporary landscape improvements to the mixed-use site after demolition and prior to construction of the mixed-use component.

Final building designs will be subject to approval by the City of Milwaukee and will require Common Council approval of Detailed Planned Development zoning. The property is currently being rezoned to General Planned Development to allow Buyer to submit a LIHTC application to WHEDA in February 2014.

Purchase Price

The Buyer will pay \$15.00/SF for the space that will remain for school use after the partial demolition – approximately 143,000 SF for a price of \$2,145,000. Of the price, \$300,000 will be allocated to site preparation and demolition expenses that will be the Buyer's responsibility and reflects the effective price for the future mixed-use building site.

Closing Terms

Final terms will be outlined in an Offer to Purchase to be executed within 30 days of sale confirmation by the Milwaukee Common Council. Basic terms will be standard items in a commercial offer to purchase and will include, but are not limited to: conveyance on an "as is, where is" basis, customary prorations and credits, including a \$10,000 Right to Negotiate Fee paid by Buyer, and Buyer payment of all title insurance costs and closing costs. Closing shall occur within 60 days following execution of the offer to purchase. The deed will be subject to the following deed restrictions:

1. The property shall not be used for any use that has the effect of diminishing the annual average number of pupils enrolled in Milwaukee Public Schools, as determine pursuant to Wis. Stat. §121.05;
2. Should all or part of the property, except that portion occupied by MPS, become tax exempt, Buyer or its successors and assigns shall pay a Payment in Lieu of Taxes ("PILOT") based on the value of the property times the tax rate for MPS and the City of Milwaukee;
3. MPS and the City of Milwaukee shall have a Right of First Refusal to purchase all or part the property if the property or any part thereof shall be offered for sale during Buyer's ownership of

the property. This right would not apply to a conveyance to a tax-exempt entity that may be created by Buyer to take ownership of the school condominium during the lease period or other similar conveyances or rights granted in connection with LIHTC or other project financing, provided that all or some of the principals are still parties to the new entities.

The offer will also include performance requirements regarding project financing and construction to ensure timely performance by the Buyer.

MPS School Renovation and Lease

Buyer shall contract for remodeling the school condominium and shared amenities (except for asbestos abatement by MPS) according to specifications developed by MPS. Buyer shall competitively bid the majority of construction items such as mechanicals, masonry, electrical, fire protection, limited asbestos abatement, roof, replacement paving. Buyer is a general contractor and will self perform carpentry, concrete and partial demolition activities. MPS expects to retain an outside consultant to verify the reasonableness of the costs of self-performed activities and will require that all self performed costs not exceed a reasonable threshold. Buyer shall comply with prevailing wage requirements and the HUB, COIN and Student Participation requirements of MPS (see attachment).

Upon completion of school remodeling as certified by MPS staff, MPS shall lease the premises on a triple net basis for a term based on the Buyer's financing, but for a 10-year minimum. Rent is expected to be based on amortization of school remodeling expenses at an interest rate equivalent to developers' cost of funds, not to exceed 4.0%, of school project expenses and fees and the purchase price allocated to the school portion of the property (\$1,845,000) and payment of any condominium fee related to shared items. A final lease will be presented to the Board of School Directors prior to execution.

MPS shall purchase the school condominium unit at the end of the lease term for \$1.00, or other amount that ensures payment of unamortized school project costs and fees. MPS also will have the right to purchase the school condominium at any time during the lease term upon payment of all unamortized expenses related to the school renovation.

Buy Back Option

In the event that Buyer is unable to obtain zoning approval or financing for all or part of the project, MPS will have the option to reacquire all or part of the property. Buyer shall also have a "Put Option" to have the City on behalf of MPS buy back all or part of the property.

School Portion: After one year following closing, the City on behalf of MPS may reacquire the full property if the condominium has not been created for the school portion of the property. Buyer shall be repaid its purchase price with a price adjustment for any site preparation/demolition costs if Buyer retains the mixed-use portion of the property.

Mixed-Use Component: After three years following closing, the City of Milwaukee, on its own behalf, shall have the right to reacquire the mixed-use portion of the property if Buyer has been unsuccessful in obtaining financing for and has not started construction of the mixed-used component. Buyer shall be reimbursed documented site preparation/demolition costs (estimated at \$300,000).

This Term Sheet does not constitute a binding agreement. The terms set forth herein and other provisions customary of a transaction of this sort shall be incorporated in one or more agreements among MPS, City and Buyer. Approval of the Term Sheet shall provide approval for the execution of all additional Project Documents and instruments necessary to implement the project.