

Due Diligence Checklist
Address: 1643 South 9th Street (Part)

<p>The commissioner's assessment of the market value of the property.</p>	<p>The eastern portion of the parking lot located at 1643 South 9th Street (the "Property") is being sold "as is, where is," without any guarantees. The Property is zoned LB2 or Local Business and is located within the Greater Mitchell Street Business Improvement District.</p> <p>The Property, which is currently a public parking lot, has been subdivided into two portions by certified survey map ("CSM"). The eastern portion will be conveyed to the Buyer.</p> <p>The purchase price for the Property is \$210,000. The Property is in fair condition.</p>
<p>Full description of the development project.</p>	<p>Mitchell Street Apartments, LLC, an affiliate of Gorman & Company, Inc. (the "Buyer"), will be developing the Building to the south of the Property, into at least two condominium units: a public library ("Library") and market-rate apartments. The Buyer will make renovations to the Building that are historically appropriate for the Historic Mitchell Street commercial district.</p> <p>The Property will be used for parking for the Library and for the apartments located in the Building. The Property will be divided so that a minimum of 40 parking spaces are dedicated for the Library.</p>
<p>Complete site, operations and landscaping plans and architectural renderings for new construction or redevelopment.</p>	<p>The Property will be improved by the Department of Public Works, by grinding off up to two inches of the surface of the parking lots, resurfacing both lots with an asphalt and concrete mixture and restriping the lots. The entire Property, both the public and the Buyer's portions, will be improved under this agreement.</p>
<p>Developer's development project history.</p>	<p>The Buyer has a history of completing large-scale development dating back to 1984. The Buyer specializes in historic preservation, adaptive reuse of buildings and urban revitalization. The Buyer has a history of successful development projects in the City of Milwaukee.</p>
<p>Capital structure of the project, including sources, terms and rights for all project funding.</p>	<p>The estimated renovation and improvement costs to the Property are \$210,000. The Buyer is not seeking funding from the City for the purchase of the Property.</p> <p>The Building portion of the project does require a \$5.3 million leveraged loan, per the Term Sheet that is part of this Common Council File. The Developer will contribute \$800,000 toward the \$4.5 million budgeted by the City for the Library, to create the total of the levered loan of \$5.3 million. \$1 million of the levered loan will be used to build the Library Shell. Following completion of the Library Shell, \$4.3 million of the loan will be held in escrow to pay for the interior build-out of the Library.</p>

<p>Project cash flows for the lease term for leased property.</p>	<p>The Milwaukee Public Library will lease the Library condominium unit from the Buyer for an initial term of 10 years. The lease payment for year 2017 is expected to be approximately \$36,000 and approximately \$54,000 for the remainder of the lease, until the City acquires ownership of the Library. The rent payments will be used by the Buyer to pay (indirectly) interest on the loan made by the City as part of the financing for the Building project.</p>
<p>List and description of project risk factors.</p>	<p>The Buyer will provide improved parking for the Historic Mitchell Street area, through the Property purchase revenue being directed to fund improvements on both the private and the publicly owned portions of the Property. Without these improvements, all portions of the Property would continue to age and deteriorate, creating additional maintenance burden to the City.</p>
<p>Tax consequences of the project for the City.</p>	<p>The Property is currently City-owned and is not taxable. Conveyance of a portion of the Property under the Development Agreement will return a portion of the Property to the tax rolls. Additionally, conversion of a portion of the currently vacant Building into market-rate apartments should impact the Building's assessment. The Development Agreement will contain a PILOT Agreement indicating that if a tax exemption is applied for at any time, a PILOT Agreement must be executed.</p>