

## LRB – RESEARCH AND ANALYSIS SECTION ANALYSIS

**JULY 3, 2007 AGENDA**

**ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE**

**ITEM 5 FILE 070378**

**Emma J. Stamps**

File No. 070378 is a resolution approving the Land Disposition Report for the properties between 20<sup>th</sup> and 24<sup>th</sup> Streets and North Avenue to Brown Street for sale to a for-profit corporation comprised of Legacy Midwest Renewal Corporation, Irgens Development Partners, and Williams Development Corporation for residential development, in the 15th Aldermanic District.

### **Background**

1. The Common Council File #051272, adopted September 26, 2006, and Redevelopment Authority approved a Land Disposition Report, creation of a Tax Incremental District No. 65 (20<sup>th</sup> and Brown), a Cooperation Agreement between the Redevelopment Authority and the City of Milwaukee, and contingent borrowing to implement a Project Plan for several properties between 20<sup>th</sup> and 24<sup>th</sup> Streets and North Avenue and Brown Street.
2. In February 2007, the Common Council passed a revised ordinance relating to the sale of city-owned real estate that eliminated a former requirement to declare city owned property surplus by Common Council resolution prior to the Department of City Development accepting offers to purchase.

### **Discussion**

1. The terms of the Land Disposition Report approved in 2006 have changed.
2. The Neighborhood Improvement Development Corporation (“NIDC”) owns 2058-60 North 22<sup>nd</sup> Street. The Housing Authority (“HACM”) owns 2231-35 West Lloyd Street. These entities plan to sell these properties to Redevelopment Authority (RACM).
3. Three companies listed below have formed Legacy Partners Development LLC for the purpose of developing the site.
  - Legacy Midwest Renewal Corporation, Sally Peltz
  - Irgens Development Partners, Michael Irgens
  - Williams Development Corporation, Bill Orenstein
4. File 070378 provides for assembling the aforementioned properties to create one development project consisting of:
  - Legacy Partners Development LLC executes the Purchase and Sale Agreement
  - The Redeveloper designs and develops up to 60 but no less than 50 single-family homes measuring at least 1600 square feet, each having at least 3 bedrooms and 1-1/2 baths, and up to 24 but not less than 18 townhouse units
  - All units are to be sold to owner-occupants selling for \$175,000 per single-family home and \$160,000 per townhouse
  - Up to 10 units are reserved for low-moderate income households
  - Lot purchase prices are \$2,000 per single-family and \$1,000 per unit of townhouse
  - \$13.5 to \$16.5 million estimated construction cost, including public improvements
  - Redeveloper performs work associated with land division, stormwater management, marketing and building the homes (responsible for establishing design guidelines)

- DCD starts reconstruction work on West Garfield Avenue as soon as possible after the Development Agreement between the City and the Developer is executed, and starts the construction on the remaining public improvements after 4 units are under construction
  - DCD will approve any other use and disbursement of TID funds consistent with the approved plan
  - Redeveloper performs neighborhood outreach
  - Redeveloper commits to 25% EBE participation
  - After taking a 15% return on costs, the Redeveloper pays RACM 50% of the remaining income
  - Closings and construction are developed in clusters at staggered intervals
5. Adopting File 070378 approves the Land Disposition Report that also includes an amended Term Sheet for TID No. 65 (20<sup>th</sup> and Brown) and an amended listing of properties for sale, marketing and construction and also reconstruction work between 20<sup>th</sup> and 24<sup>th</sup> Streets and North Avenue to Brown Street for sale to Legacy Partners Development LLC.

### **Fiscal Impact**

The sale price is \$2,000 per single-family building lot and \$1,000 per unit of any townhouse lot. The fiscal note indicates an estimated total sale revenue of \$118,000 for the minimum required building lots (at least 50 single-family plus at least 18 townhouse units):

\$2,000 X 50 single-family lots	=	\$100,000
\$1,000 X 18 townhouse units	=	<u>\$ 18,000</u>
Minimum sale revenue (gross)	=	\$118,000

If the Redeveloper builds out the maximum units under the revised term sheet, gross sale revenue is estimated at \$144,000 or \$26,000 greater than that minimum build out revenue:

\$2,000 X 60 single-family lots	=	\$120,000
\$1,000 X 24 townhouse units	=	<u>\$ 24,000</u>
Maximum sale revenue (gross)	=	\$144,000

The aforementioned sale revenue calculations are subject to adjustments for other sale expenses and a 30% RACM administrative fee. Net sale revenue will be deposited in General Fund or returned to the appropriate grant program administered by the DOA - Community Development Grant Administration. The fiscal note on file at the time of this writing does not quantify those individual deposits.

The fiscal note does not address other incomes paid to RACM pursuant to the 15% - 50% income distribution clause contained within the revised Term Sheet.

Cc: Marianne Walsh Rocky Marcoux W. Martin Morics Prepared by: Emma J. Stamps X8666  
Mark Nicolini Martha Brown Craig Kammholz LRB – Research and Analysis Section  
Joe'Mar Hooper James Scherer Tom Gartner June 26, 2007