

**LAND DISPOSITION REPORT  
COMMON COUNCIL OF THE CITY OF MILWAUKEE**

**DATE**

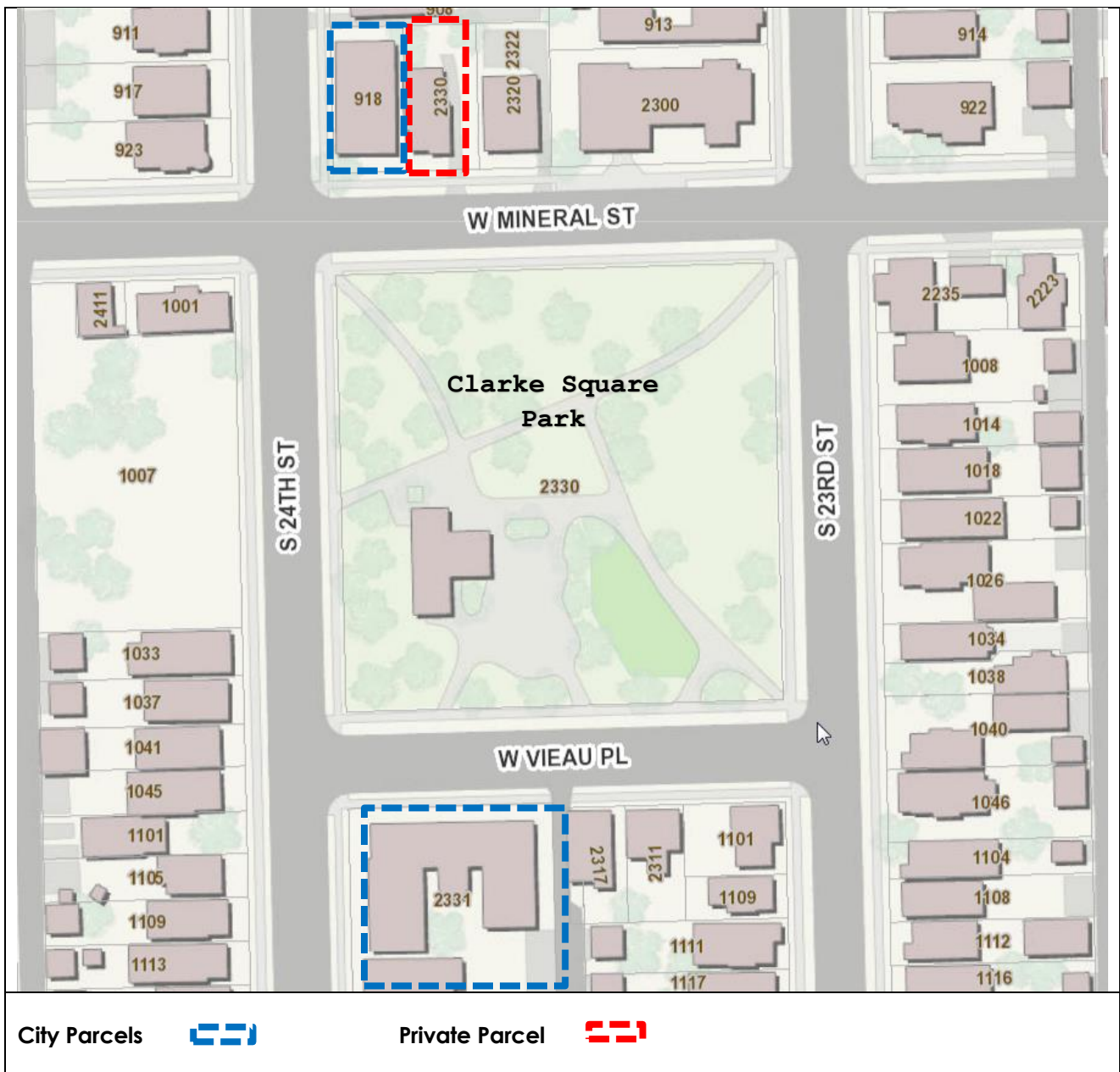
November 22, 2016

**RESPONSIBLE STAFF**

Yves LaPierre, Department of City Development, Real Estate

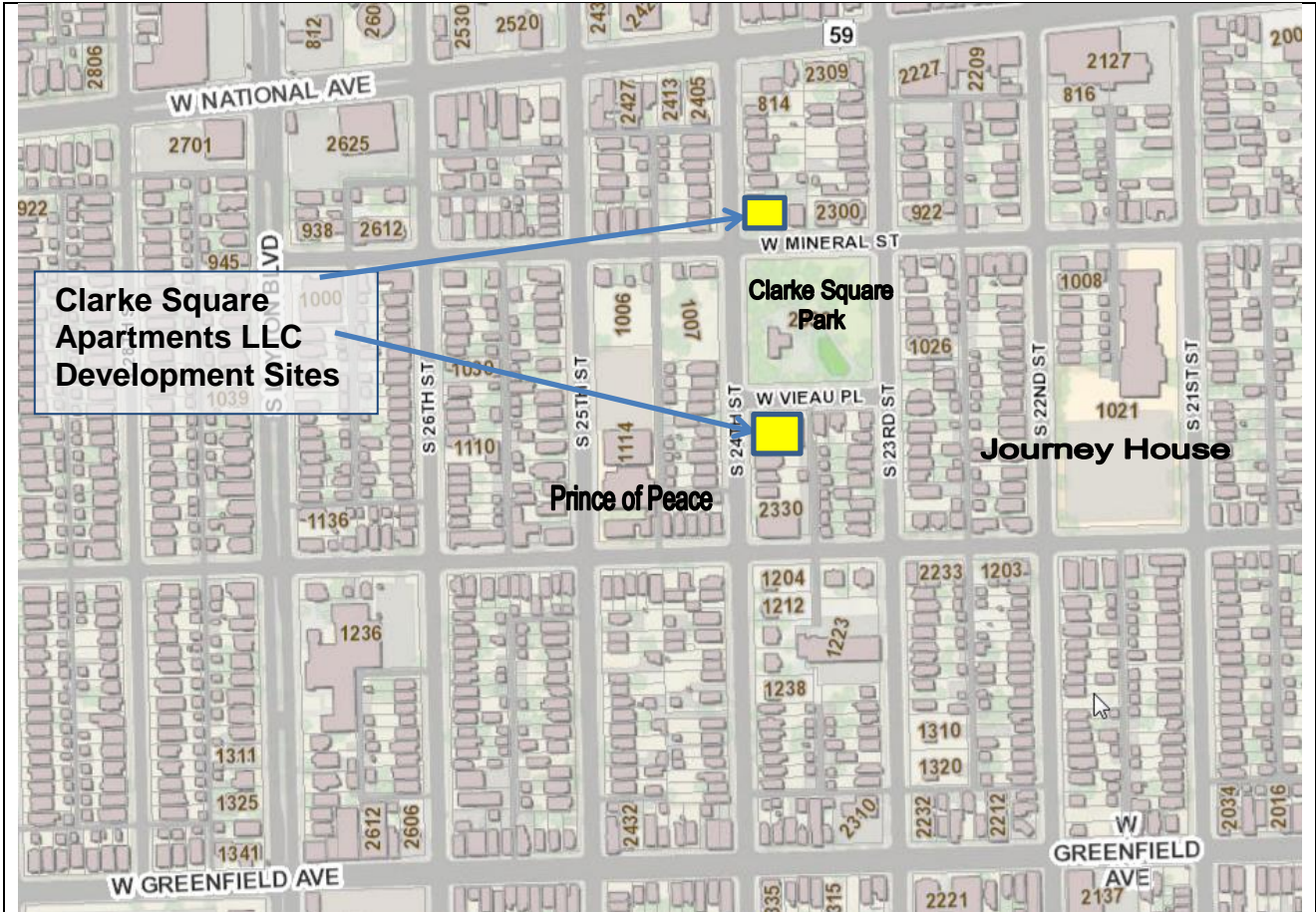
**PROPOSED ACTIVITY**

Authorize two property sales to Cardinal Capital Management Inc. ("Cardinal") d/b/a Clarke Square Apartments, LLC to create two building sites at Clarke Square Park. The action will allow the City of Milwaukee to enter into an option to purchase agreement with Cardinal as it awaits the award of WHEDA tax credits for the construction of affordable housing at these sites.



**PARCEL ADDRESSES AND DESCRIPTION**

Two parcels consisting of the City-owned vacant lots at 918 South 24<sup>th</sup> Street and 2331 West Vieau Place. The City-owned parcels total 24,391 square feet. The City-owned parcel at 918 South 24<sup>th</sup> Street will be combined with an adjacent private parcel to create one of the development sites. A Certified Survey Map will be required to combine these parcels.



**BUYER**

Clarke Square Apartments, LLC, a subsidiary of Cardinal Capital Management, Inc. Cardinal has extensive experience developing affordable housing with WHEDA tax credits across Milwaukee. Cardinal has developed several communities that offer supportive housing and veterans housing. For this project, Cardinal is partnering with Journey House of Milwaukee. Journey House has been focusing on developing housing for youth aging out of foster care. A portion of the units in the Clarke Square project will be reserved for youth aging out of foster care. Journey House will provide supportive services to residents. Journey House has served the near south side for over 45 years and is the lead agency for the Zilber Neighborhood Initiative in Clarke Square.

**PROJECT DESCRIPTION**

The project involves the creation of two building sites for two, three-story apartment buildings. The building at 24<sup>th</sup> Street will have 17 units and the building at Vieau Place will have 23 units. Each building will have one underground parking space per unit, along with extra surface parking spaces. The units are a mix of one, two and three-bedroom units. Units will be rented to income-qualified tenants.

The architect is Dimension IV of Madison. The estimated project costs are up to \$7.9 million. The project will be financed with WHEDA Low Income Housing Tax Credits, grants, loans and funds from

the City/County Supportive Housing Services. SBE participation is targeted to meet current City goals for 25 percent of hard costs and 15 percent of professional services.



PARTIAL ELEVATION STUDY  
WITH TYPICAL EXTERIOR FINISHES

**JOURNEY HOUSE CLARKE SQUARE**  
MILWAUKEE WI. SITE.

 **CARDINAL**  
CAPITAL MANAGEMENT, INC.  
[www.cardinalcapital.us](http://www.cardinalcapital.us)

**OPTION TERMS AND CONDITIONS**

The City-owned properties will be sold for \$50,000. Closing will occur once Cardinal has final plans approved for permitting and financing in place, but no later than December 31, 2018. At closing, the Commissioner of the Department of City Development (DCD) is authorized to make a price adjustment based on demonstrated financial infeasibility. A \$5,000 performance deposit will be required to ensure Cardinal's satisfactory completion of this project. Construction will be expected to commence within one month of closing and the Buyer will have one year to complete.

The total option period is for two years to allow Cardinal multiple applications for WHEDA tax credits should the project not receive an award in 2017. A \$1,250 non-refundable Option Fee is required within 10 days of Common Council approval and shall be credited toward the purchase price if the sale closes prior to December 31, 2017. The base option period is until December 31, 2017, which allows time for an April, 2017 award from WHEDA for a tax credit allocation. The City is permitted to terminate the option early if the Buyer fails to submit a tax credit application to WHEDA or the project is not awarded a WHEDA tax credit allocation. The City may extend the option for up to six months based upon the Buyer's submission of a \$500 non-refundable renewal fee and DCD approval of a satisfactory progress report on the Buyer's effort to sell the tax credits and obtain financing. The Commissioner of DCD also may grant discretionary extensions due to environmental concerns, title problems or delays caused by the City or due to changes by WHEDA for the tax credit program.

City closing contingencies include DCD approval of final construction plans, evidence of firm financing and equity. A Purchase and Sale Agreement will be executed to outline performance obligations and assure satisfactory compliance through reversion of title power. Final building plans must be consistent with the preliminary plans the Buyer submitted before the final City land sale and conform to the approved Detailed Planned Development zoning.

The conveyance will be on an "as is, where is" basis, with the Buyer being responsible for any environmental and geotechnical conditions. The deed of conveyance will contain a restriction prohibiting the Buyer or its successors from applying to the City for tax exempt property status. At closing, a 30 percent disposition fee shall be paid to the Redevelopment Authority of the City of Milwaukee, less sale expenses, and the remaining proceeds shall be credited to the Delinquent Tax Fund.

**DUE DILIGENCE CHECKLIST****PROPERTIES: 918 SOUTH 24<sup>TH</sup> STREET AND 2331 WEST VIEAU PLACE**

Market value of the property.	Two City-owned vacant lots acquired through tax foreclosure. The properties are in the Clarke Square Neighborhood in the 8th Aldermanic District. The properties are being sold "as is, where is," without any guarantees. The sales price for the properties is \$50,000 or approximately \$2 per square-foot. The sales price is based on asking prices for similar projects.
Full description of the development project.	Two, three-story buildings with 40 units of affordable housing with associated underground parking, landscaping and garden areas. Apartments are a mix of one, two and three-bedroom units. Apartments will be rented to income-eligible tenants.
Complete site, operations and scope of work for development.	Please see the Land Disposition Report for details.
Developer's project history.	Cardinal has developed numerous projects in Milwaukee such as: <ul style="list-style-type: none"><li>• Veterans Manor</li><li>• United House</li><li>• Empowerment Village – Lincoln</li><li>• Empowerment Village – National</li><li>• Farwell Studio Apartments</li></ul>
Capital structure of the project, including sources, terms and rights for all project funding.	The project will be funded with a mix of private financing, grants, funds from the City/County Supportive Housing Services and WHEDA Low Income Housing Tax Credits.
Project cash flows for the lease term for leased property.	Not applicable.
List and description of project risk factors.	Department of City Development staff determined that there is very low risk in selling the properties to Cardinal, based on the Buyer's history and commitment to the City and ability to finance and complete the project in a timely manner.
Tax consequences of the project for the City.	Two formerly tax foreclosed properties will be returned to the tax rolls. Development of the City-owned lots with a \$7.9 million commercial project will greatly increase revenue to the City of Milwaukee.