

(ITEM 9) ACTION ON A REQUEST TO SELL THE CENTRO DEL NINO PROPERTY LOCATED AT 500 EAST CENTER STREET

This item initiated by the Administration

BACKGROUND

1. The District owns approximately 18 million square feet of building space. Some facilities are vacant or under-used.
2. In recent years, the Board has declared under-used or vacant properties to be surplus on a case-by-case basis. In March 2006, the Board declared 10 properties to be surplus, and another two were declared surplus in August 2006. In addition, the Board recently declared the Sarah Scott Middle School and Milwaukee Education Center properties to be surplus.
3. The Centro del Nino (Center for Children) property – which is located at 500 E. Center St., is approximately 7,980 square feet in size, and sits on approximately 0.56 acres of land – was leased by the Board in 1993 from the United Community Center to be used for Head Start early childhood classrooms. The lease was structured with a \$4,000-per-month payment and an option to purchase the facility for \$192,000. All lease payments were credited against the purchase price. On June 30, 1997 the rental payments equaled the purchase price, and the District requested the Department of City Development and the office of the City Attorney to initiate the transfer of ownership of the property from the United Community Center to the Board of School Directors.
4. The Centro del Nino facility was closed in June 2006 as a result of action taken by the Board in March 2006. There has not been any use of the facility since that time.
5. In December 2006, the Board authorized the hiring of The Boerke Company to assist the District in the marketing, leasing, and sale of district real estate. The Centro del Nino facility is one of the properties initially included in the firm's contract.
6. The marketing efforts for the sale of this property included the following:
 - several e-mail notices to all individuals who expressed interest in MPS properties, informing them that this property was on the market;
 - a special link on The Boerke Company's website, identifying MPS properties for sale;
 - a notice from the Department of City Development (DCD) to 3,250 subscribers of its E-Notify system, indicating that this property was for sale;
 - a direct link on the DCD's website, listing MPS properties for sale;
 - advertisements in the *Milwaukee Journal Sentinel*;
 - an open-house showing of the property; and
 - mailing of informational packages and direct calls to individuals who appeared to be logical potential buyers.

ADMINISTRATION'S ANALYSIS

7. The Administration authorized The Boerke Company to obtain an appraisal of the property. The property was appraised at \$470,000.00.

8. Two written purchase proposals were received on the property. One offer was from a company called Urbanworks, LLC, and the other from an individual. The highest offer came from Urbanworks, LLC, in the amount of \$500,000.00
9. Urbanworks, LLC, is a husband-and-wife team of architects, each with 25 years of experience in construction and project management. In 1999 and 2002, they rehabilitated two projects on Martin Luther King Drive (MLK). One is at 2044 N. MLK (5,000 sq. ft. building leased to a daycare center). The second is at 2578 N. MLK (6,500 sq. ft. building leased to Alma Center, a non-profit group). Both of these properties are on the tax rolls.
10. Urbanworks, LLC, plans to rehab the Centro del Nino building and lease space to businesses. Urbanworks is currently in discussions with a group that is proposing to open a daycare center. The terms of the Urbanworks' offer are as follows:
 - The purchase price is \$500,000.
 - The buyer will submit \$25,000 in refundable earnest money within three days of the District's execution of the agreement. The earnest money is refundable if Urbanworks finds something wrong with the property during a 30-day due-diligence period or if the firm is not able to secure financing within 90 days.
 - The buyer has up to 60 days to obtain financing after the 30-day period to perform due diligence on the property. Both periods commence when the District executes a sale agreement. Closing would occur within 15 days once these two contingencies are met.
 - The deed transferring the property to the proposed buyer would include a permanent restriction ("Deed Restriction") prohibiting the buyer and any successor owner from (i) seeking a real property tax exemption for the property under Wis. Stat. 70.11 and (ii) using the property in full or in part for any school uses that would diminish the number of pupils reported as enrolled in the District.
 - The proposed buyers have been given notice of the fenced encroachment affecting the north side of the property and told that they can either purchase the property "as is" or give the District notice to rectify the situation. As of the drafting of this item, it is believed that Urbanworks will probably close "as is" and work with the encroachment themselves.

STRATEGIC PLAN COMPATIBILITY STATEMENT

11. The recommendation is consistent with the District's Strategic Plan, Section III, District and Community Support, Goal 6: The District is accountable for measurable results.

STATUTE, ADMINISTRATIVE POLICY OR BOARD RULES STATEMENT

12. In accordance with Administrative Policy 5.01, Facilities, the Board's authorization is required to declare property as surplus or to sell a property. Approval will also be required from the Common Council of the City of Milwaukee for the property sale.

FISCAL IMPACT STATEMENT

13. This item does not authorize expenditures. When the sale is finalized, The Boerke Company will receive a 6% commission, which would equal \$30,000, based on a sale price of \$500,000.00. The commission and any other fees or costs associated with the sale of the property would come from the sale price. The remaining funds will be used for deferred capital maintenance projects or for debt reduction.

IMPLEMENTATION AND ASSESSMENT PLAN

14. Upon approval, the Administration will work with The Boerke Company to finalize a purchase agreement for the Centro del Nino property. Final documents will be reviewed and approved by the Office of the City Attorney prior to closing. The City Attorney will prepare the appropriate documents and resolutions for review and approval by the Common Council.

ADMINISTRATION'S RECOMMENDATION

The Administration recommends that the Board:

1. authorize the Administration to negotiate a final purchase agreement allowing Urbanworks, LLC, to purchase the Centro del Nino property for \$500,000.00, on the terms outlined above and on such other consistent terms and conditions as the Administration shall find to be in the best interests of the District;
2. find that:
 - a. the competing uses identified in the Deed Restriction detract from the District's ability to establish, provide, and improve the District's programs, functions, and activities for the benefit of its pupils, and thus
 - b. the Deed Restriction promotes the cause of education by the District; and
3. authorize the City Attorney and other appropriate officials to execute the sale documents.

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