

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

**DATE**  
November 4, 2013

**PROPERTY DESCRIPTION**

2760 North 1<sup>st</sup> Street – Former Malcolm X Academy: 170,948 SF building that was constructed in 1959-61. The three-level building has an at-grade entrance on each floor and one passenger elevator. The last configuration offered about 50 to 60 classrooms and a large office area. Building amenities include a large auditorium/theater, rehearsal space, an NBA-size basketball court, auxiliary gym space, library and cafeteria.

The site is a full City block with 191,840 SF -- 320 feet along Center and Hadley Streets and 599.5 feet on 1<sup>st</sup> and Palmer Streets. The site has a steep slope with an approximate 30-foot elevation change from the corner of Hadley and Palmer to the lot point at 1<sup>st</sup> and Center Streets.

The property, while well maintained, displays functional obsolescence because of the large size and the long, multi-level configuration. Benefits to the site include its prominent location in the Harambee Neighborhood and proximity to the King Drive Commons Redevelopment.



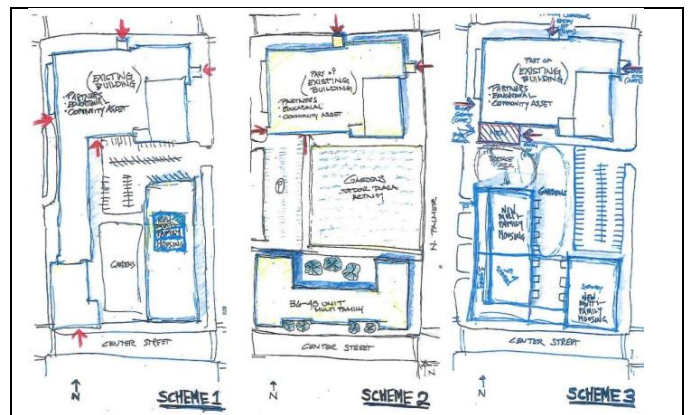
**BUYER & DEVELOPMENT TEAM**

2760 Holding, LLC, a limited liability company formed by James Phelps of JCP Construction. Mr. Phelps recently worked with Martin Luther King Economic Development Corporation (MLKEDC), HACM and Universal Housing on the Scattered Sites III affordable housing effort in the Lindsey Heights and Park West Neighborhoods. His construction company also was involved with the MSOE Soccer Fields and The Moderne Apartments. In 2011, Mr. Phelps worked with Common Bond, a Minnesota-based affordable housing developer, on redeveloping the Malcolm X school, but the developer did not pursue a WHEDA application.

Mr. Phelps plans to involve Dennis Klein of KBS Construction in the project. KBS has an extensive record for developing and constructing projects, including the Global Water Center, UWM dormitories and Journey House-Longfellow School. The parties also expect to involve the MLKEDC as a development participant both for added tax-credit experience and community input and programming. Welford Sanders, Executive Director. MLKEDC has been active in area development with the King Drive Commons initiative, a 14-block effort to stabilize and redevelop the Harambee Neighborhood that adjoins the Malcolm X site to the west. Since 2000, MLKEDC has completed four phases of the project that involved three mixed-use buildings and numerous scattered site housing units. MLKEDC also developed the King Commerce Center at 2745 North Dr. Martin Luther King Jr. Drive.

**REDEVELOPMENT CONCEPT**

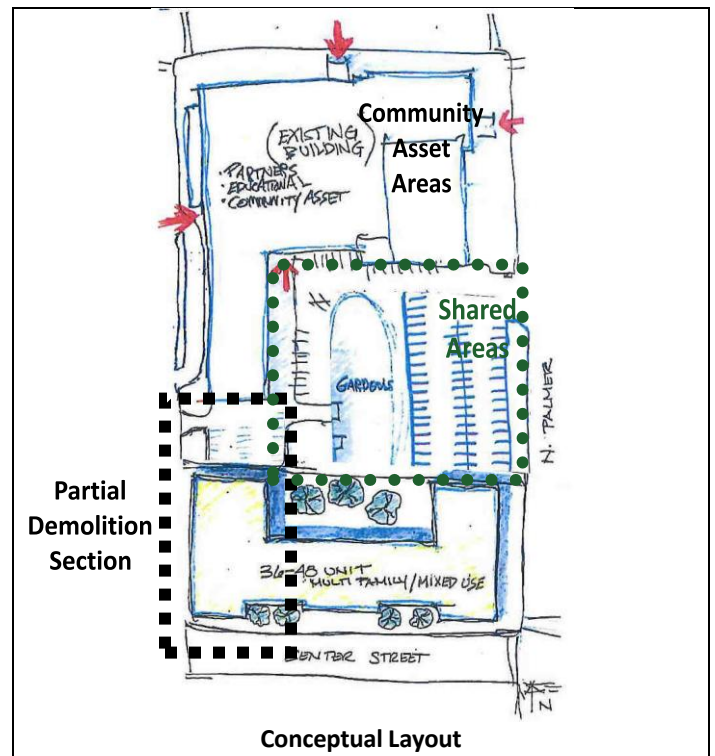
A mixed-use, community facility that reflects development strategies proposed by June 2013 UWM Community Design Solutions King Drive Visioning Charette. The Malcolm X school was one of six sites that was the subject of the charette that involved MLKEDC, the King Drive Business Improvement District, LISC, UWM architecture and planning students, property owners, community participants, developers, lenders and MPS and City staff. The charette presented three schemes that would use key building features – the auditorium, gymnasiums and other space – for community use. Underused or undeveloped portions of the site would be used for expanded housing and commercial activities.



The expected redevelopment will likely blend the three charette schemes for three components:

- A new MPS International Baccalaureate Middle School for approximately 600 students. Approximately 30,000 SF of the existing building would be demolished leaving about 143,000 SF that would be remodeled for school and community use. The community assets/amenities would be programmed by community partners for use during non-school hours.
- A mixed-use building that will likely be built along Center Street to fill a large gap in the existing development pattern, topography permitting. The buyer anticipates 36 to 48 units of affordable family or intergenerational housing that would likely be financed in part through Low-Income Housing Tax Credits (LIHTC) allocated by WHEDA. The building will likely contain ground floor retail/commercial space that was a frequent request of area residents at the charette.
- Common amenities include parking, ingress/egress points, recreation space and green areas.

Site usage will be established through a two or three-unit condominium. The condominium documents would outline usage of all property components and maintenance agreements for shared elements.



### **CONVEYANCE TERMS**

The purchase price is \$2,145,000 and was authorized by the Milwaukee Board of School Directors and was developed based on a unit price of \$15.00/SF for the portion of the building remaining after demolition. The unit price is consistent with market data for sales of properties for school use, including the MPS sales of Lloyd Street School and 38<sup>th</sup> Street School to MC College Preparatory and Morse Middle School to the Hmong American Peace Academy. Of the price, approximately \$300,000 is allocated to the future housing site based on the expected site preparation and demolition activities to be conducted by the buyer.

Closing shall occur within sixty days of execution of an Offer to Purchase. Conveyance shall be on an “as is, where is” basis and shall include 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 determined pursuant to Wisconsin Statutes, Section 121.05.
2. The buyer or its successors and assigns shall pay a Payment in Lieu of Taxes (“PILOT”) should all or part of the property, except that portion occupied by MPS, become tax-exempt. The payment will be 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 the buyer’s ownership of the property. This right would not apply to a conveyance to a tax-exempt entity that may be created by the 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.

### **MPS IMPROVEMENTS, LEASE & REPURCHASE OPTION**

School renovations will be made by the buyer to take advantage of financing mechanisms available to private entities – New Market Tax Credits, Low-Income Housing Tax Credits and various revenue bonds. The MPS-approved Term Sheet provides numerous construction requirements and protections for the City and MPS:

- MPS to develop all rehabilitation specifications.
- Most work items to be competitively bid by the buyer – mechanicals, masonry, electrical, fire protection, limited asbestos abatement, roof, and replacement paving.
- Self-performed tasks by the buyer, who is a general contractor – carpentry, concrete and partial demolition activities – will be subject to independent review by a consultant hired by MPS. Self-performed costs must be within an acceptable threshold.
- MPS approval of all construction.
- MPS to conduct the majority of asbestos abatement because of its high standard to protect students.
- Buyer to comply with prevailing wage requirements and MPS programs for HUB, COIN and student participation.
- City approval of final building designs through the Detailed Planned Development process.

MPS will lease the school upon completion of the construction. MPS plans for occupancy for the 2015-16 school year, but with the potential for an early opening in early 2015. The lease term will be based on the buyer’s financing, but for a 10-year minimum period. 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%, and the purchase price allocated to the school portion (\$1,845,000, which excludes estimated demolition expenses) 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.

At the end of the term, MPS can repurchase the school condominium 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.

### **PERFORMANCE GUARANTEES/BUY-BACK OPTIONS**

The buyer shall have post-closing performance requirements regarding project financing and construction to ensure timely performance. In the event the buyer is unable to obtain zoning approval or financing, the City and MPS shall have the following buy-back options:

- 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 the 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 the 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).

**PAST ACTIONS**

The Milwaukee Board of School Directors approved the Term Sheet for sale of the property on November 1, 2013. In 2011, the Board conditionally accepted a Letter of Intent from Common Bond, an affordable housing developer from Minnesota to redevelop the site with 55 housing units. Common Bond, though, did not move forward with the zoning change or tax-credit application. School Board members and staff also met with public and private representatives to discuss Building Usage for Growth and Expansion and community benefits for this and other key MPS sites.

**FUTURE ACTIONS**

Upon Common Council approval, the City Attorney and MPS staff will complete negotiations of the Offer to Purchase that reflects the MPS approved Term Sheet and shall close the transaction. The City Attorney also will draft the school lease and condominium documents.