

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

### **DATE**

March 6, 2020

### **RESPONSIBLE STAFF**

Matt Haessly, Real Estate Specialist, Department of City Development

### **PARCEL ADDRESS, DESCRIPTION, PAST COUNCIL FILES**

#### **Esperanza**

The tax-delinquent brownfield properties at 1313 and 1329 West National Avenue (the "Properties") were previously owned by Esperanza Unida, and were used primarily for vehicular-related purposes. Sigma conducted environmental testing and determined releases above regulatory guidelines. The Redevelopment Authority of the City of Milwaukee ("RACM") reported the releases to the Wisconsin Department of Natural Resources ("DNR").

#### **Tax Foreclosure**

The Common Council of the City of Milwaukee ("Common Council"), in File No. 170201, authorized under Milwaukee Code of Ordinances ("MCO") 308-22-2-c, City acquisition by tax foreclosure of the Properties. The City tax-foreclosed and acquired the Properties (Parcels 183 and 184 in the City's 2017 No. 2 In Rem File, 2017-CV-002457) by tax-foreclosure judgment on August 8, 2017.

RFP by DCD; Rule Enterprises; LIHTC

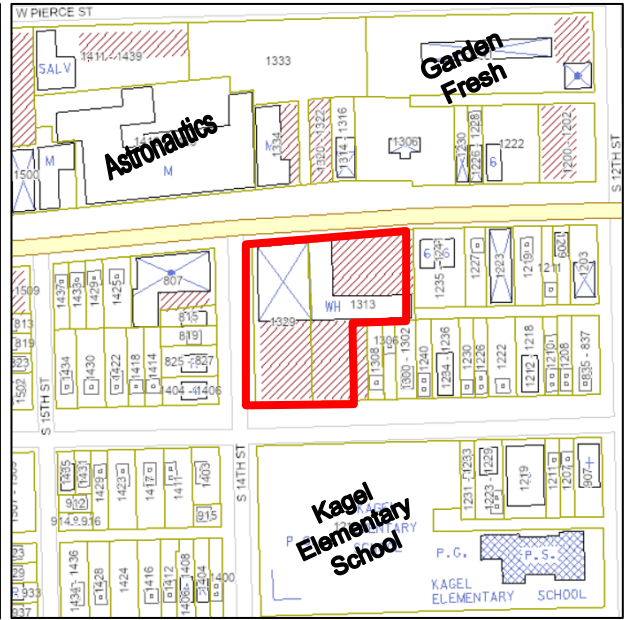
Department of City Development ("DCD"), in 2018, issued a Request for Proposal ("RFP") for a developer. Two developers responded, one of which was Rule Enterprises, LLC ("RULE").

On November 15, 2018, the Common Council approved File No. 181036 granting RULE an Exclusive Right to Negotiate allowing RULE (and its related entities) time to apply to the Wisconsin Housing and Economic Development Authority's ("WHEDA") Low Income Housing Tax Credit program ("LIHTC").

RULE and its affiliated entities have now assembled financing from: WHEDA LIHTC credits, Federal Home Loan Bank funding, and HOME Fund funding. They are also seeking brownfield grant money from the State of Wisconsin Economic Development Corporation to assist with the environmental clean-up at the Properties.

#### **Properties**

The combined square footage of both Properties is approximately 72,218 square feet in the Walker's Point Neighborhood. The buildings currently on the Properties are in poor condition.



**BUYER**

Buyer is Thirteen31 Place Apartments LLC. Buyer's managing member is Thirteen31 Place Apartments MM LLC ("MM"). The sole members of MM are: (i) Rule Enterprises, LLC, and (ii) LSS Housing, Thirteen31–Milwaukee, LLC ("Housing"). The sole member of Housing is Lutheran Social Services of Wisconsin and Upper Michigan, Inc.

The sole member and owner of Rule Enterprises, LLC is Brandon Rule. Mr. Rule recently completed construction of a 60-unit affordable housing development named, "Seven04 Place Apartments," at 704-10 West National Avenue. Mr. Rule also is a Clarke Square resident and 2011 ACRE Program graduate.

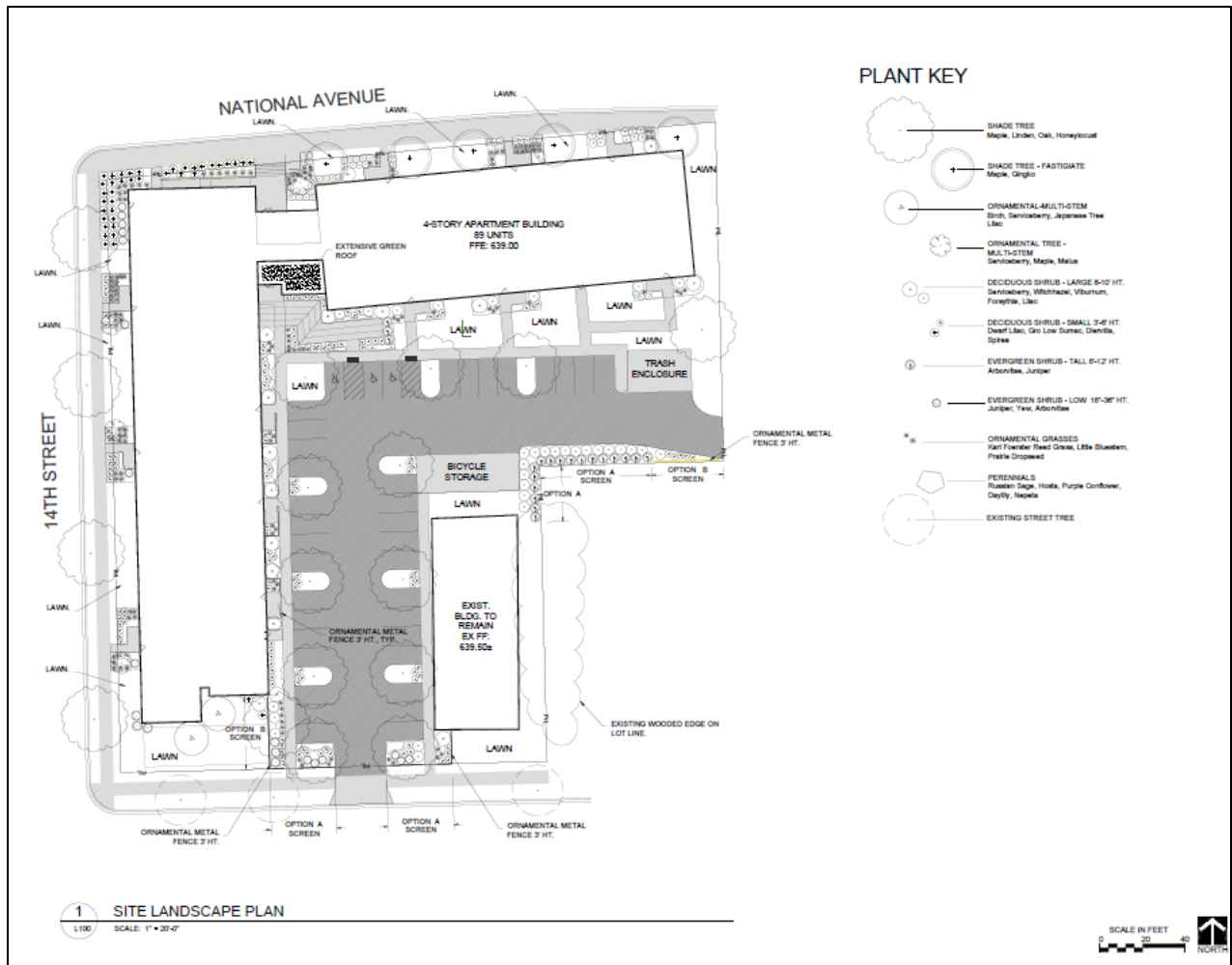
As indicated, WHEDA awarded the LIHTC for this project to Lutheran Social Services of Wisconsin and Upper Michigan, Inc.

**PROJECT DESCRIPTION**

Buyer proposes to demolish the existing structures at the Properties except for the one garage located at the SE portion of the Properties, to combine the Properties by Certified Survey Map (Common Council File No. 191689) to remediate environmental issues as needed, seek Board of Zoning Appeals approvals, as needed, and to construct on the combined Properties an affordable housing development.

The housing development will include approximately 29 one-bedroom units, 42 two-bedroom units and 18 three-bedroom units totaling 89 units. Unit amenities will include an onsite exercise room, package storage, and an onsite leasing office. Buyer proposes to have 38 onsite parking spaces along with permanent covered bicycle storage. Buyer intends to install new landscaping along West National Avenue and North 14th Street in accordance with MCO 295-405.

The estimated development budget is \$17.8 million.



**PURCHASE TERMS AND CONDITIONS**

The purchase price is \$150,000. The Purchase and Sale Agreement ("PASA") will specify that the conveyance will be on an "as is, where is" basis. The deed of conveyance will contain a restriction prohibiting the Buyer or its successors from applying to the City for tax-exempt property status per MCO 304-49-13. A 30 percent disposition fee shall be paid to RACM, less sale and marketing expenses, and the remaining proceeds shall be deposited in the Delinquent Tax Fund per MCO 304-49-12.

If Buyer receives HOME Fund funding, or other financing from the City, then the Buyer will be required to comply with the Anti-Displacement Neighborhood Preference Policy in Common Council File No. 190401 since the Properties are located in the 53204 zip code and the project contemplates at least 20 affordable housing units receiving City financing assistance.

At closing, the City's two existing leases with the two existing tenants at the Properties will be assigned to Buyer. The existing tenants are KALPS Trucking LLC and Milwaukee Christian Center.

The PASA will require Buyer's acceptance of responsible party status (DNR BRRTS 02-41-584920) for the Properties.

**DUE DILIGENCE CHECKLIST****ADDRESS: 1313 and 1329 West National Avenue**

The Commissioner's assessment of the market value of the properties.	The properties at 1313 and 1329 West National Avenue were previously owned by Esperanza Unida and acquired through property tax foreclosure in 2017. The properties have a combined area of approximately 72,218 square feet and are zoned LB2 or Local Business. The primary buildings are in poor condition having considerable deferred maintenance. The purchase price for the properties is \$150,000 or \$2.07 per square foot.
Full description of the development project.	<p>Buyer proposes to demolish the existing primary structures and reuse the existing 639 square foot garage style building located near the southeast corner of the properties, to combine the properties by Certified Survey Map (Common Council File No. 191689), to remediate environmental issues as needed, seek Board of Zoning Appeals approvals, as needed, and to construct on the combined Properties an affordable housing development.</p> <p>The housing development will include approximately 29 one-bedroom units, 42 two-bedroom units and 18 three-bedroom units totaling 89 units. Unit amenities will include an onsite exercise room, package storage, and an onsite leasing office. Buyer proposes to have 38 onsite parking spaces along with permanent covered bicycle storage. Buyer intends to install new landscaping along West National Avenue and North 14th Street in accordance with MCO 295-405.</p>
Complete site, operations and landscaping plans and architectural renderings for new construction or redevelopment.	See Land Disposition Report.
Developer's development project history.	<p>Buyer is Thirteen31 Place Apartments LLC. Buyer's managing member is Thirteen31 Place Apartments MM LLC ("MM"). The sole members of MM are: (i) Rule Enterprises, LLC, and (ii) LSS Housing, Thirteen31-Milwaukee, LLC ("Housing"). The sole member of Housing is Lutheran Social Services of Wisconsin and Upper Michigan, Inc.</p> <p>The sole member and owner of Rule Enterprises, LLC is Brandon Rule. Mr. Rule recently completed construction of a 60-unit affordable housing development named, "Seven04 Place Apartments," at 704-10 West National Avenue. Mr. Rule is also a Clarke Square resident and 2011 ACRE Program graduate.</p>
Capital structure of the project, including sources, terms and rights for all	The Buyer was awarded WHEDA LIHTC for this project. If Buyer receives HOME Fund funding, or other financing from the City, the Buyer will be required to comply with the Anti-Displacement

project funding.	Neighborhood Preference Policy in Common Council File No. 190401 since the Properties are located in the 53204 zip code.
Project cash flows for the lease term for leased property.	Not applicable.
List and description of project risk factors.	The Buyer not obtaining financing for the development.
Tax consequences of the project for the City.	The Buyer anticipates investing \$17.8 million in the Properties. The deed of conveyance will contain a restriction prohibiting the Buyer or its successors from applying to the City for tax-exempt property status.