

LAND DISPOSITION REPORT AND DUE DILIGENCE CHECKLIST COMMON COUNCIL OF THE CITY OF MILWAUKEE

DATE

June 17, 2014

BUYER

2330 Mineral LLC, a limited liability company created by Journey House, Inc. to acquire and rehabilitate the property. Journey House has made the Clarke Square neighborhood its home for over 40 years. The non-profit organization provides essential educational, recreational and arts activities for families of Clarke Square and other City neighborhoods. Dr. Michele Bria has served as Chief Executive Director since 1995. The organization has a 23-member board of directors and Chris Calvelli with RW Baird is the Chairman.

Journey House has been instrumental in several recent catalytic projects in the neighborhood. In 2013, Journey House opened the Journey House Packers Field in Mitchell Park in partnership with Milwaukee County Parks. The stadium provides a football and lacrosse venue for the Journey House Football and Cheerleading League and the Marquette High School Freshman and Junior Varsity players. In 2012, Journey House opened the Center for Family Learning and Youth Athletics at H.W. Longfellow School at 21st and Scott.

PROPERTY

741 South 23rd Street: A six-unit, 3,034 SF apartment building situated on a 5,740 SF lot. The brick building was constructed in 1928 and has been modified over time to provide two one-bedroom apartments and four efficiency units. The property displays evidence of deferred maintenance, but is generally in fair condition. The property was acquired through tax foreclosure in October 2013.

The property has a key location in the Clarke Square neighborhood that makes it highly desirable for rehabilitation by the buyer. The site offers great proximity to new recreation facilities and programming at Mitchell Park and to educational programs at Longfellow School and the Journey House's programs and offices at the school.



23rd Street Facade



North Elevation

 City Property



PROPOSED DEVELOPMENT

Rehabilitation of the existing building to provide six units of affordable housing in the current configuration of two one-bedroom units and four efficiencies. This building is the start of Journey House’s Clarke Square Campus Housing Initiative targeting urban youth who are aging out of foster care, are in college or are new to the workforce. These youth are often “couch surfers” and the campus approach will provide safe, stable and affordable housing at rents of \$500 to \$600 per month. Overall, the initiative will provide eight to twelve units of such housing. Journey House also has privately acquired a duplex at 2330 West Mineral that it will use for the project. Additional units may be provided through new construction on private and City lots.

The scope of work includes renovation of major building features such as the roof replacement, installation of new windows and exterior doors and replacement of building mechanicals. A new water lateral also is required. Interior unit renovations include new carpeting and vinyl flooring, kitchen cabinets, bathroom fixtures and vanity and new doors and trim. A detailed cost estimate was prepared by the architect and general contractor. Steve Balderas Construction and Demo will be the general contractor. Cardinal Capital will serve as the property manager.

Total project costs are estimated at approximately \$162,000, or \$27,000 per unit. Journey House will use \$100,000 of the \$200,000 grant it obtained from Milwaukee County for the Journey House Housing Campus effort. The remaining \$61,000 will be from a City of Milwaukee Rental Rehabilitation Loan and a new County zero-interest loan fund.

OFFER TERMS AND CONDITIONS


The purchase price will be \$1.00 based on project feasibility. A market value had not been established prior to receipt of the offer, but the property would have been listed for sale for about \$40,000 to \$50,000 based on comparable sales and property condition. The property had an assessed value of \$116,100 at the time of foreclosure.

The buyer will be provided with a six-month base term to obtain financial rehabilitation plans, detailed scopes of work, firm contractor bids and full project financing. This period may be extended by the DCD Commissioner for up to two three-month periods if additional time is needed to secure financing. The buyer will make best efforts to use City-Certified Small Business Enterprises.

An Agreement for Sale will be executed with the buyer to assure satisfactory compliance. A Certificate of Occupancy must be provided within twelve months following closing as evidence of satisfactory renovation and conformance with City code. Because of City financial participation, no performance deposit will be required. The City shall provide the buyer with its Historic Land Use Investigation, rather than provide an independent Phase I environmental site assessment. Conveyance will be by quit claim deed on an “as is, where is” basis. The sale proceeds will be provided to the Tax Deed Fund.

Due Diligence Checklist

B-1	<p>Market Value Determination</p> <p>A review of sales indicates potential value of \$40,000 based on condition and unit size—approximately \$10,000 for one-bedroom units and \$5,000 for efficiencies. At the time of foreclosure, the property had an assessed value of \$116,100.</p>
B-2	<p>Full Description of Project</p> <p>Included in Land Disposition Report. Journey House Campus Housing Initiative – Executive Summary attached as Appendix A.</p>
B-3	<p>Architectural Renderings/Property Operations</p> <p>No structural modifications will be made to the facade. The buyer will install new windows, paint the fascia and soffit and clean and paint the brick exterior on the north, south and west facades. The roof also will be replaced. New mechanicals (furnace and water heaters) will</p>

	<p>be installed. All units will be cleaned and painted and will have new carpeting and vinyl flooring installed. Kitchens will receive new cabinets and bathrooms will have new fixtures. Interior doors and trim will be replaced. The scope of work is attached as Appendix B.</p> <p>The site improvements will generally remain the same with a grass front yard and service walk. The building rear is situated at the alley and the overgrown brush will be removed and two dumpsters will be provided.</p> 						
B-4	<p>Developer's Development Project History</p> <p>This Campus Housing initiative will be Journey House's first housing development. Journey House assembled an experienced team of housing professionals to guide the effort. Cardinal Capital, an established housing developer and provider of several supportive housing efforts, is a project consultant and will serve as the Property Manager. Architectural services are being provided by John Miceli with Eppstein Uhen who is also a Journey House board member.</p> <p>Journey House has developed other projects for its mission, including the 2013 construction of Center for Family Learning and Youth Athletics in partnership with MPS at the Longfellow School. The group also partnered with Milwaukee County Parks for construction of the Packer's Football Stadium in Mitchell Park.</p>						
B-5	<p>Capital Structure</p> <p>Total costs: \$ 161,581</p> <p>Financing:</p> <table border="0" data-bbox="284 1218 1299 1312"> <tr> <td>County Grant</td> <td>\$ 100,000</td> <td>Received</td> </tr> <tr> <td>Loans</td> <td>\$ 61,581</td> <td>Applications pending with Milwaukee County and City of Milwaukee.</td> </tr> </table>	County Grant	\$ 100,000	Received	Loans	\$ 61,581	Applications pending with Milwaukee County and City of Milwaukee.
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B-6	<p>Lease Terms & Cash Flow</p> <p>Not Applicable</p>						
B-7	<p>Project Risk Factors</p> <p>The major risk is that the project does not receive zero-interest Rental Rehabilitation Loans from the City or County. If loans are not received, cost reductions must be made and additional fundraising efforts conducted.</p> <p>Rehabilitations often involve the risk of additional discovery of needed repairs once the renovation has started. The buyer has retained rehabilitation professionals and contractors that have provided a detailed scope of work, which should minimize this risk.</p>						
B-8	<p>Tax Consequences to the City</p> <p>The project will be fully taxable and conveyance will be subject to a deed restriction prohibiting application to the City for an exemption from real property taxation.</p> <p>If assessed at the total project costs, estimated taxes based on the 2013 tax rate (\$30.62 per \$1,000 of assessed value) would be approximately \$4,960.</p>						