

# LAND DISPOSITION REPORT COMMON COUNCIL OF THE CITY OF MILWAUKEE

## DATE

September 15, 2015

## RESPONSIBLE STAFF

Yves LaPierre, Department of City Development Real Estate

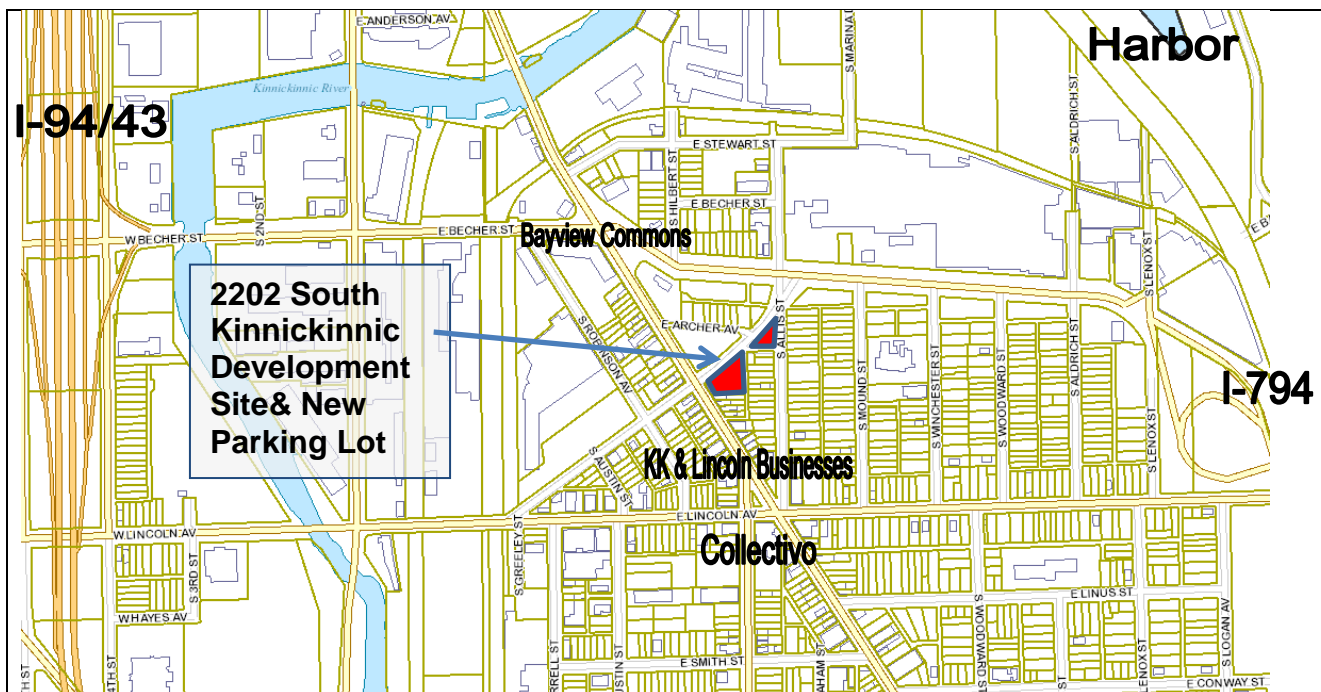
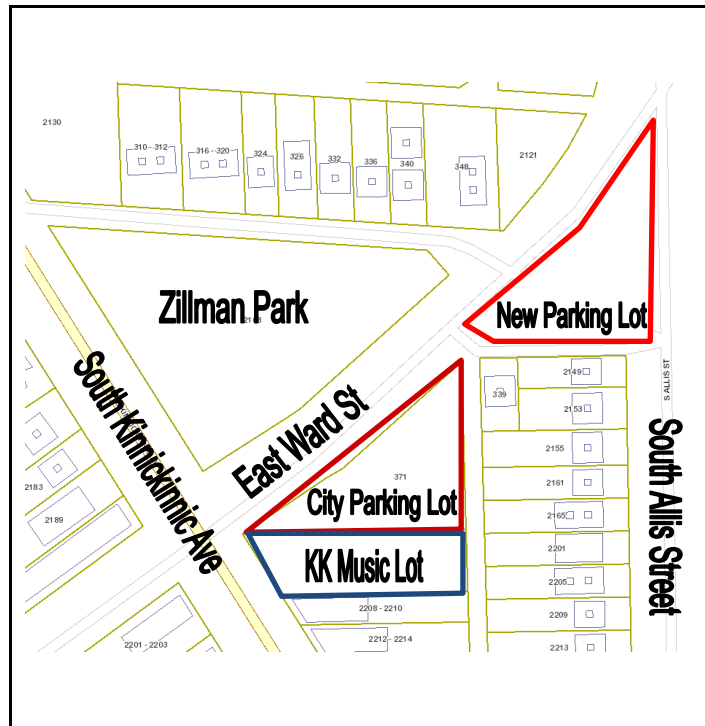
## PARCEL ADDRESS AND DESCRIPTION

371 East Ward Street

A City parking lot containing approximately 11,697 SF. The lot has 22 parking spaces. A meeting of the City Plan Commission on August 17, 2015 declared the property surplus to municipal needs.

The City lot will be combined with property to the south at 2202-06 South Kinnickinnic Avenue to create a development site with approximately 20,127 SF. Because of the land assemblage, the parking lot was not marketed. A Certified Survey Map will be required to combine the property.

As part of the development, the Buyer has agreed to construct, at Buyer's sole expense, a new public parking lot in vacated street and right-of-way northeast of the development site on East Ward Street.



## BUYER

Dermond Property Investments LLC ("DPI"), headed by Jean-Max Dermond, is a development firm with numerous residential, office and mixed-use projects. DPI recently developed the Latitude, a mixed-use building at 1857 East Kenilworth Place. 2202 South Kinnickinnic will be developed in conjunction with KK Music LLC, owner of the adjacent building at 2202 West Kinnickinnic Avenue. The architect is Striegel Agacki Studio, and the builder is Catalyst Construction.

## PROJECT DESCRIPTION

The project will be developed in two phases. DPI will be granted a right-of-entry to develop a 13-spot replacement parking lot on vacated street and right-of-way to the northeast of the proposed development site.

When the replacement parking lot is complete, the City-owned parking lot will be sold to DPI and combined with the adjoining property at 2202 South Kinnickinnic Avenue to create the development site.

The mixed-use development will be a five-story structure with first floor commercial space, 73 interior parking spaces and 69 residential units on the upper floors. Residential units will be studio to two-bedroom units and rents will range from \$800 to \$1,700 a month.







## Upper Level Residential

Estimated project costs are up to \$12.3 million. The project will be financed with the Buyer's equity and private financing. SBE participation is targeted to meet current City goals for 25percent of hard costs and 18 percent of professional services.

### OPTION TERMS AND CONDITIONS

The purchase price for the City parking lot will be \$25,000 and the Buyer is responsible for all costs associated with development of the replacement parking lot. The replacement parking lot costs are projected to exceed \$200,000. Sale proceeds, less sale expenses and 30 percent disposition cost reimbursement to the Redevelopment Authority of the City of Milwaukee, will be deposited in the Parking Fund.

The property will be conveyed on an "as is" basis and the deed will include a restriction prohibiting tax-exempt status. The City has provided the Buyer with a Phase 1 Land Use Investigation. A \$4,000 Option Fee will be required upon Common Council approval. The base option period is for six months. If the Buyer needs additional time beyond the base term, as extended, to obtain construction plans or firm financing and equity, the option may be extended by the DCD Commissioner for up to two, three-month periods based upon the Buyer's submission of a \$500 non-refundable renewal fee and satisfactory progress report on the Buyer's efforts to obtain financing and final building plans.

City closing contingencies include DCD approval of final construction plans, evidence of firm financing and equity and completion of the replacement parking lot. A Purchase and Sale Agreement will be negotiated and executed prior to closing. The document will require submission of a \$10,000 Performance Deposit that will be held until satisfactory completion of the project and provisions for reversion of title for non-performance. Final building plans must be consistent with the preliminary plans the Buyer submitted to obtain the Option to Purchase and conform to the approved Detailed Planned Development zoning.

**DUE DILIGENCE CHECKLIST****ADDRESS: 371 EAST WARD STREET**

Market value of the property.	A City parking lot containing approximately 11,697 SF. The lot has 22 parking spaces. The property is in the Bay View Neighborhood in the 14th Aldermanic District. The property is being sold "as is, where is" without any guarantees. Sales price for the property is \$25,000 or approximately \$2.00 per square foot. The adjacent parcel to be included in the development is assessed at \$1.75 per square foot. The sales price also is based on DPI building a replacement parking lot to the northeast at its sole expense. The replacement parking lot costs are expected to exceed \$200,000.
Full description of the development project.	<p>The project will be developed in two phases. DPI will be granted a right-of-entry to develop a 13-spot replacement parking lot on vacated street and right-of-way to the northeast of the proposed development site.</p> <p>When the replacement parking lot is complete, the City-owned parking lot will be sold to DPI and combined with the adjoining property at 2202 South Kinnickinnic Avenue to create the development site.</p> <p>The mixed-use development will be a five-story structure, with first floor commercial space, 73 interior parking spaces and 69 residential units on the upper floors. Residential units will be studio to two-bedroom units and rents will range from \$800 to \$1,700 a month.</p>
Complete site, operations and scope of work for development.	Please see the Land Disposition Report for details.
Developer's project history.	<p>DPI, solely or in partnership, has developed numerous projects in Milwaukee:</p> <ul style="list-style-type: none"><li>• 757 North Water Street</li><li>• 225 East Mason Street</li><li>• 757 North Broadway</li><li>• Pabst Boiler House</li><li>• 1857 East Kenilworth Place</li><li>• 1601 North Jackson Street</li><li>• 2140 North Prospect Avenue</li></ul>
Capital structure of the project, including sources, terms and rights for all project funding.	DPI will fund the project with its own equity and private financing.
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 property to DPI based on its track record developing previous projects in Milwaukee and the ability to finance and complete projects in a timely manner. The sale of the City parking lot will allow a more substantial development at this location.

<p>Tax consequences of the project for the City.</p>	<p>The deed of conveyance will contain a restriction prohibiting the Buyer, its assignee or its successors from applying to the City for tax-exempt property status. The development of the City parking lot and adjacent property, with a new mixed-use retail/residential project, will greatly increase the taxable value of the property.</p>
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