

LAND DISPOSITION REPORT

COMMON COUNCIL OF THE CITY OF MILWAUKEE

DATE

Common Council – July 7, 2020

Redevelopment Authority – July 16, 2020

Zoning, Neighborhoods and Development – July 21, 2020

RESPONSIBLE STAFF

Yves LaPierre, Real Estate, Department of City Development

PARCEL ADDRESS & DESCRIPTION

City-owned vacant lots:

3341 North Dr. Martin Luther King Jr. Drive, acquired 7/26/2010

3345-3349 North Dr. Martin Luther King Jr. Drive, acquired 7/26/2010

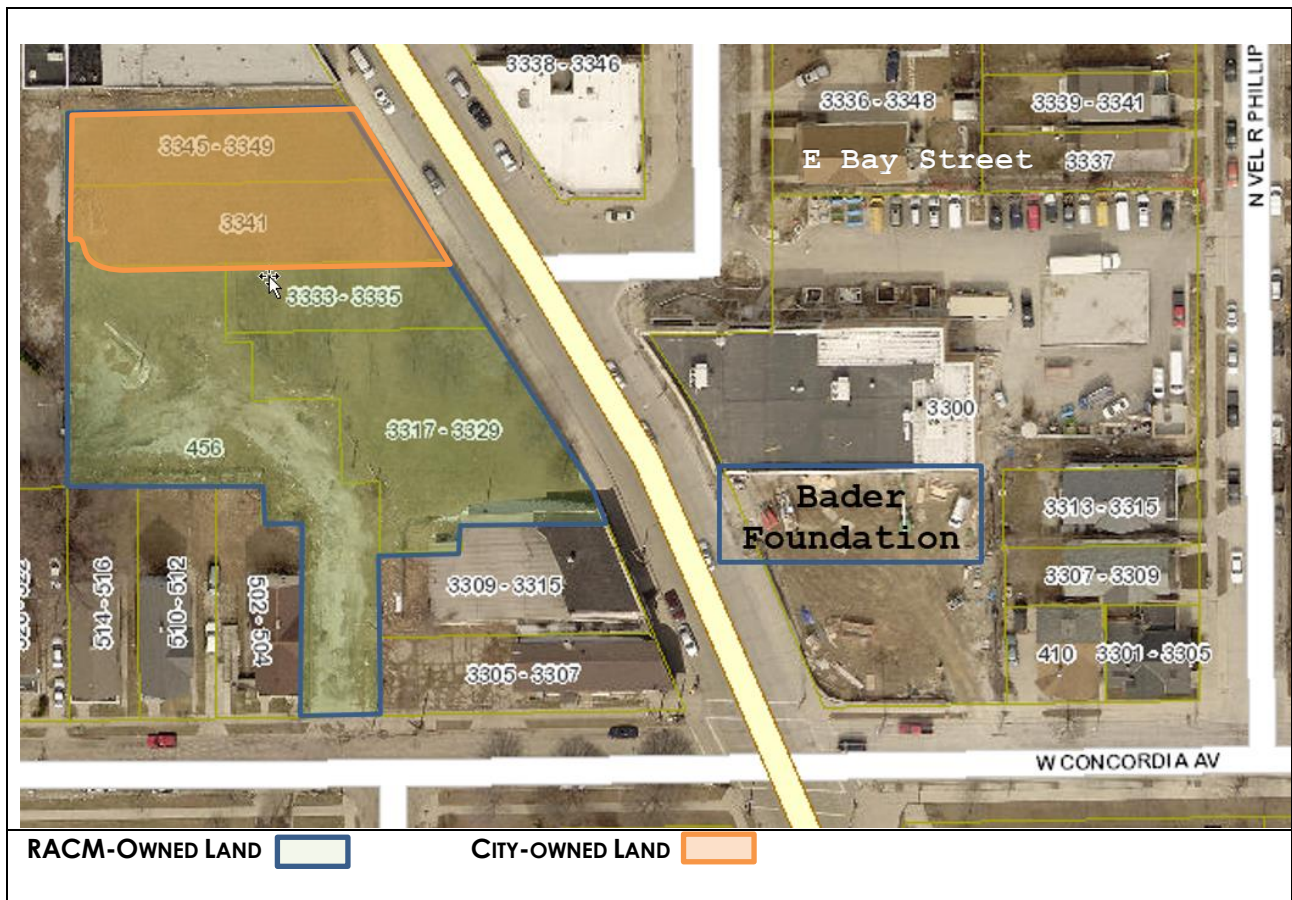
Redevelopment Authority owned vacant lots:

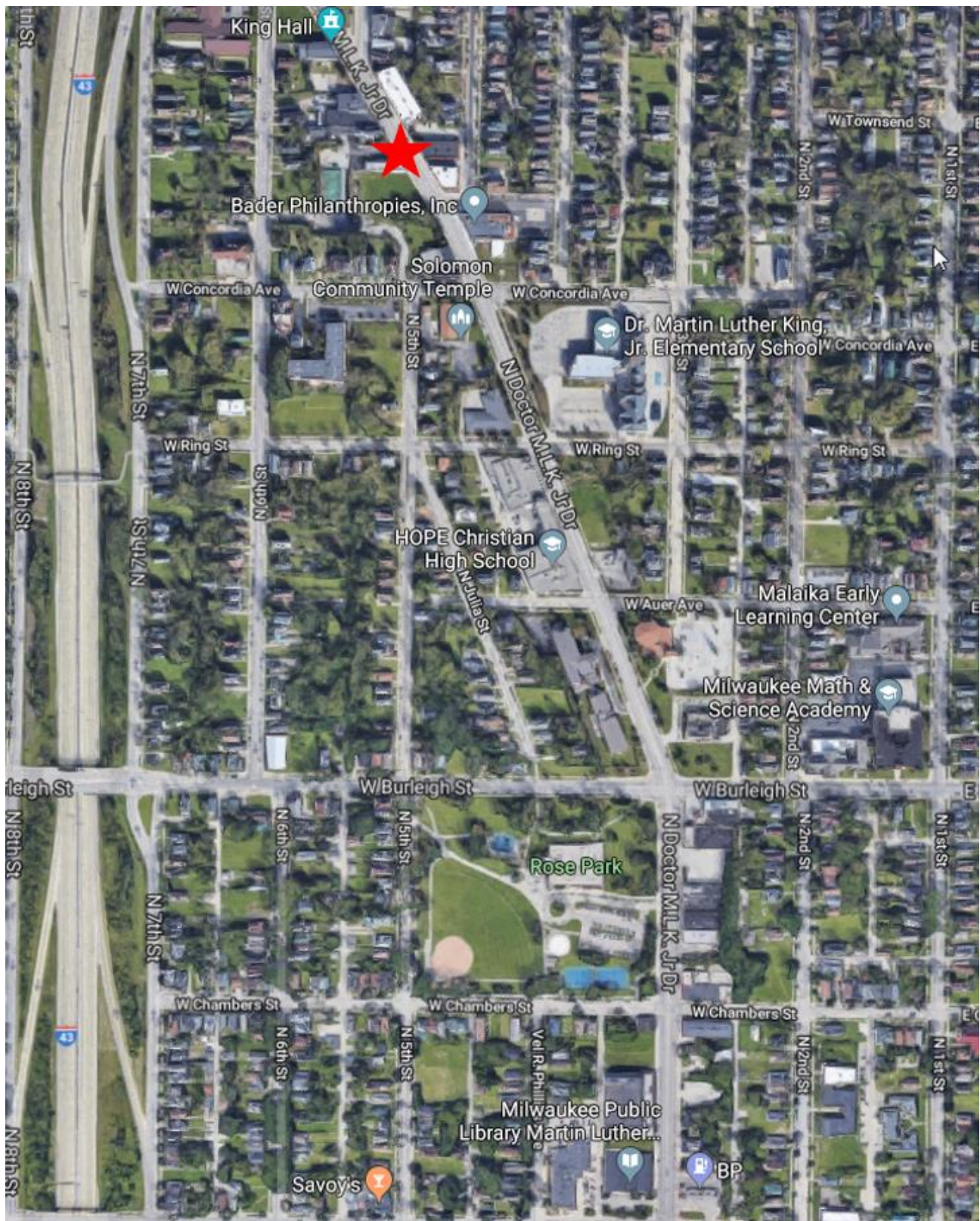
3317-3329 North Dr. Martin Luther King Jr. Drive, acquired 6/15/1979

3333-3335 North Dr. Martin Luther King Jr. Drive, acquired 5/1/1984

456 West Concordia Avenue, acquired 1/17/1992

The vacant lots will be combined by a certified survey map to create a development parcel.





BUYER

The Buyer is MLKEDC/KG Development Group also dba FIVE POINTS MLKEDC LLC (hereinafter "Five Points"), The Five Points development team is led by Nicole Robbins of the Martin Luther King Economic Development Corporation and Anthony Kazee of KG Development Group. The Martin Luther King Economic Development Corporation has a long history of projects in the North Dr. Martin

Luther King Jr. Drive area of Milwaukee, notably the King Commons retail and housing developments. KG Development is an emerging development company with a track record of acquiring and rehabbing homes to create housing opportunities throughout Milwaukee.

PROJECT DESCRIPTION

A mixed-use development that will be a five-story structure with 10,800 square feet of first floor commercial space, 38 parking spaces on the ground level and 55 residential units on the upper floors. Residential units will be a mix of one, two and three-bedroom units and rents will be determined by WHEDA LIHTC program guidelines and market rate determinations. The project is designed by Workshop Architects and will be contracted by JCP Construction.



Project View looking north on North Dr. Martin Luther King Jr. Drive



Interior view looking Southeast



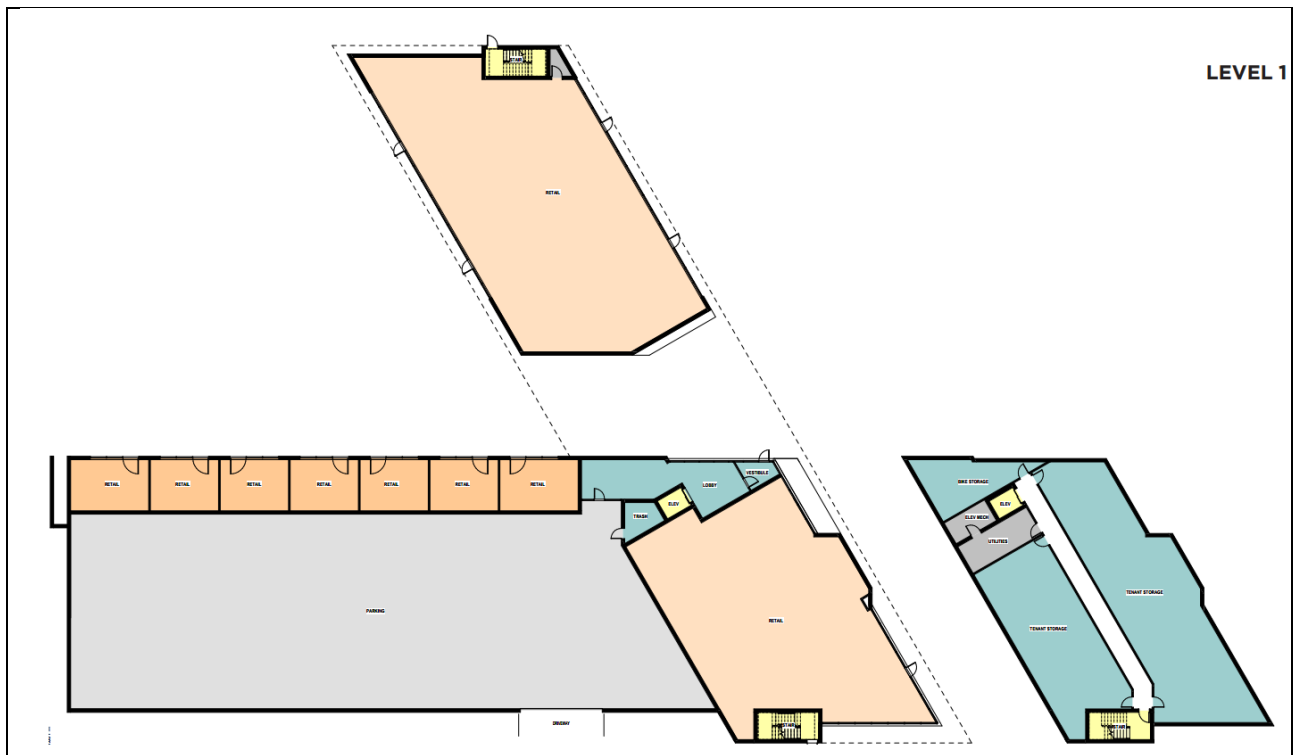
Interior View looking Northeast

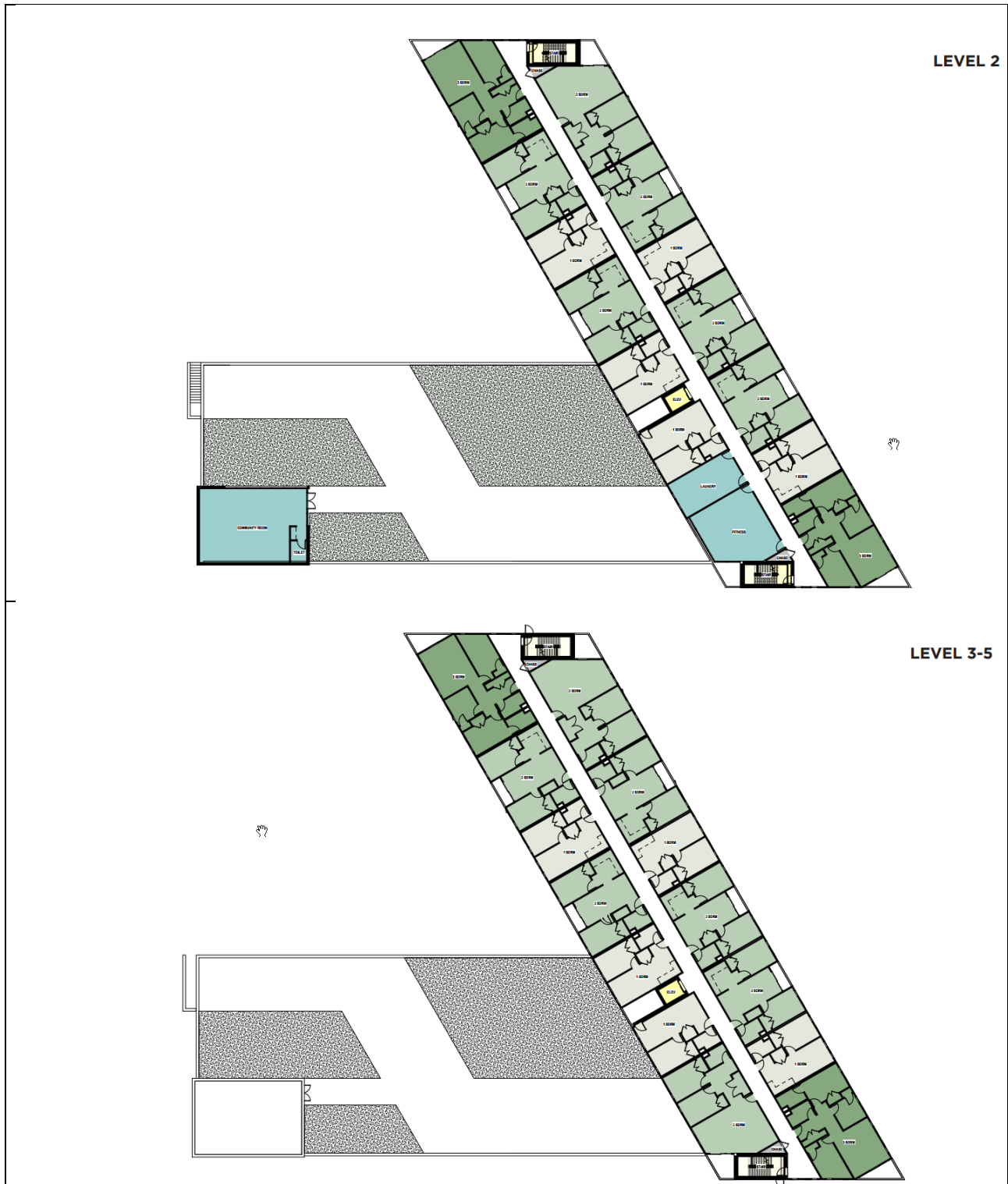


Ground level plan



Ground level plan





Estimated project costs are \$13 million. Project will be financed with a mix of developer equity private financing, grants and tax credits from the WHEDA LIHTC program. Developer agrees to enter into a Human Resources Agreement with the City of Milwaukee ("City") in which Developer agrees to use best efforts to use Small Business Enterprises for 25% of the construction and supply costs and 18% of professional services costs and to use unemployed and underemployed residents for no less than 40% of total "worker hours", pursuant to the City's Resident Preference Program.

OPTION TERMS AND CONDITIONS

The purchase price for the City/Redevelopment Authority land will be \$25,000. Before closing the Redevelopment Authority parcels will be transferred to the City to facilitate the transaction. Purchase price may be adjusted if extraordinary site or development expenses are discovered and documented by the Developer. Any purchase price adjustment must be reviewed and approved by the Department of City Development ("DCD"). Developer is responsible for all costs associated with development. Sales proceeds, less sale expenses, will be apportioned to the Redevelopment Authority of the City of Milwaukee ("Authority") and the City delinquent tax fund.

City will convey the property via quit claim deed in an "as is, where is" condition with no warranties or representations, express or implied, and with all faults and defects, including environmental and geotechnical conditions, known or unknown. Such provisions shall bar all tort, warranty, and misrepresentation claims, including any action based on non-disclosure. No additional environmental investigation shall be conducted by the City. Developer shall be responsible for all closing costs. The deed will include a restriction prohibiting the Developer or its successors or assignees from applying to the City for tax-exempt property status. The City has provided the Developer with Historic Land Use Investigations.

City closing contingencies include Developer preparation of a certified survey map, DCD approval of final site and building plans, evidence of firm financing and equity. Evidence of firm financing and equity may include a first mortgage loan commitment and construction loan commitment, or any other documentation satisfactory to the DCD Commissioner to demonstrate project financing is secured.

A Purchase and Sale Agreement with option period will be negotiated and executed prior to closing. The Purchase and Sale Agreement will require Developer's submission of a \$10,000 Performance Deposit that will be returned once Developer obtains the certificate of occupancy. City shall have a retained reversionary interest in the property to guarantee Developer's performance. City's reversionary right is a material provision to the conveyance of the property, without which, City would not have entered into this transaction. Final site and building plans must be consistent with the preliminary plans the Developer submitted to obtain the option to purchase and conform to the approved Detailed Planned Development zoning.

Closing shall occur on or before 12/31/2021. If Developer is unable to close on or before 12/31/2021, Developer may submit to the DCD Commissioner a written request for up to two (2) six (6) month extensions of this Land Disposition Report for the closing. Extension will require a \$500 non-refundable renewal fee per extension request and submission of a progress report on the Developer's efforts to secure firm financing and prepare final site and building plans. The DCD Commissioner shall grant the extension for the closing if Developer's progress can be verified. The renewal fee shall not be credited toward the purchase price.

Failure to comply with the schedule or any terms and conditions outlined in this Land Disposition Report, or any City policy generally applied to conveyance of City owned land per Wisconsin Statutes or Milwaukee Code of Ordinances, terminates Developer interest in the property.

DUE DILIGENCE CHECKLIST. FIVE POINTS

Market value of the property.	The property is 1.3 acres in the Five Points Neighborhood, in the 6th Aldermanic District. The property is being sold "as is, where is" without any guarantees. Sales price for the property is \$25,000.
Full description of the development project.	Mixed-use development will be a five-story structure with 11,000 square feet of first floor commercial space, 38 parking spaces on the ground level and second level and 55 residential units on the upper floors. Residential units will be primarily one to three-bedroom units and rents will be affordable and market rate. Development is aiming for LEED Silver status.
Complete site, operations and scope of work for development.	Please see the Land Disposition Report for details.
Developer's project history.	The Martin Luther King Economic Development Corporation has a long history of projects in the North Dr. Martin Luther King Jr. Drive area of Milwaukee, notably the King Commons retail and housing developments. KG Development is an emerging development company with a track record of acquiring and rehabbing homes to create housing opportunities throughout Milwaukee.
Capital structure of the project, including sources, terms and rights for all project funding.	Developer will fund the project with its own equity, private financing, grants and tax credits.
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 based on Developer's track record developing previous projects in Milwaukee and ability to finance and complete projects in a timely manner.
Tax consequences of the project for the City.	The deed of conveyance will contain a restriction prohibiting the Developer, its assignee or its successors from applying to the City for tax-exempt property status. Development of City land and adjacent property with a new mixed-use retail/residential project will greatly increase taxable value of property.