

**COUNTY OF MILWAUKEE**  
**INTEROFFICE COMMUNICATION**

DATE: June 12, 2015

TO: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

FROM: James Tarantino, Economic Development Director, Department of Administrative Services

SUBJECT: Additional information regarding File 15-413 a requested authorization for the County to execute an Option to Purchase from and enter into a Development Agreement with Head of the Herd LLC for Blocks 1, 2, 4 and 7 of the Park East.

**Summary**

At a meeting of the Committee of the Whole that was held on Tuesday June 9, 2015, a presentation and informational report were provided pertaining to a requested authorization for the County to execute an Option to Purchase from and enter into a Development Agreement with Head of the Herd LLC for Blocks 1, 2, 4 and 7 of the Park East (File 15-413). Following this report, we have received several questions. Here are the responses to these questions

1. What is the estimated cost of relocating the sewer on this land?

The most recent cost estimate for removing the sewer that runs the length of the Park East blocks comes from a report commissioned by MMSD in 2011 in response to the coordinated recruitment of Kohl's corporate offices to the Park East. That report includes an analysis of three alternative pertaining to the buried sewer lateral. Ultimately, the alternative to reroute the sewer to Juneau Avenue has been identified as the preferred method of dealing with the utility. A description of this alternative and cost estimates are provided below.

From the report "Technical Memorandum Park Freeway Sewer Modification", November 2011, Prepared For: Milwaukee Metropolitan Sewerage District, Prepared By: RUST/HARZA Joint Venture, 1020 North Broadway Avenue, Suite G-12, Milwaukee, Wisconsin 53202.



“Figure 2 shows a schematic layout of Alternative No.2. This alternative involves constructing approximately 2,500 feet of 84-inch diameter replacement sewer for the Park Freeway Sewer generally along West Winnebago Street and West Juneau Avenue between North 9th and North 3rd Streets. When the replacement sewer is constructed, the Park Freeway Sewer between 9th and 3rd Streets can be abandoned.

An 18-inch diameter storm sewer connection to the Park Freeway Sewer, located south of West McKinley Avenue and west of North 7th Street, will need to be relocated to the new replacement sewer. This will involve constructing approximately 200 feet of 18-inch diameter storm sewer. In addition, a 30-inch diameter water main, located in North 4th Street, will need to be relocated to facilitate installation of the new replacement sewer.

Two 12-inch diameter storm sewers are connected to the Park Freeway Sewer in the vacant area bounded by McKinley Avenue to the north, West Winnebago Street to the southwest and North 6th Street to the east. If this area is developed, it is anticipated that these would be replaced with a storm sewer system specifically suited for the development. As a result, relocating these storm sewers is not considered as part of this Alternative.

The replacement sewer shown in Figure 2 represents the longest length that may be needed for abandoning the Park Freeway Sewer along the former Park East Freeway

corridor. The upstream and downstream ends of the replacement sewer can be modified based on the length of Park Freeway Sewer that needs to be abandoned.

The estimated component costs for Alternative No.2 are as follows:”



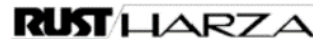
**Park Freeway Sewer Modification**

**Opinion of Project Cost  
Alternative 2c - Reroute Sewer to Juneau Avenue  
High Range**

Item	Quantity	Unit	Unit Cost	Total
Mobilization	1	LS	\$ 350,000	\$350,000
84" Sewer - 8th to 3rd Streets	2500	LF	\$ 1,200	\$3,000,000
Manholes/Tunnel Shafts (Average 10' Depth)	7	EA	\$ 100,000	\$700,000
Reroute 18" Storm Sewer	1	LS	\$ 60,000	\$60,000
Relocate 30" Water Main @ 4th St	1	LS	\$ 150,000	\$150,000
Abandon Existing Sewer	2200	LF	\$ 100	\$220,000
Subtotal:				\$4,480,000
Contingency (20% of Subtotal):				\$896,000
<b>Total Construction Costs:</b>				<b>\$5,376,000</b>

Non-Construction Costs (30% of Construction) \$1,613,000

Total Project Cost: \$6,989,000



**Park Freeway Sewer Modification**

**Opinion of Project Cost  
Alternative 2 - Reroute Sewer to Juneau Avenue  
Low Range**

Item	Quantity	Unit	Unit Cost	Total
Mobilization	1	LS	\$ 175,000	\$175,000
84" Sewer - 8th to 3rd Streets	2500	LF	\$ 700	\$1,750,000
Manholes (Average 10' Depth)	7	EA	\$ 20,000	\$140,000
Reroute 18" Storm Sewer	1	LS	\$ 30,000	\$30,000
Relocate 30" Water Main @ 4th St	1	LS	\$ 30,000	\$30,000
Abandon Existing Sewer	2200	LF	\$ 40	\$88,000
Subtotal:				\$2,213,000
Contingency (20% of Subtotal):				\$443,000
<b>Total Construction Costs:</b>				<b>\$2,656,000</b>

Non-Construction Costs (30% of Construction) \$797,000

Total Project Cost: \$3,453,000

**Mid-range estimated 2011 cost (average of High and Low Range) = \$5,221,000**

2. Foundations and Footing removal estimated cost

In 2008, a redevelopment proposal for Park East Block 7 prompted a fact finding campaign by the City of Milwaukee that examined subsurface conditions and cost of remediation. This campaign identified the following costs associated with the “Substructure Removal – Existing DOT Highway Foundation Removal, Conflict and Obstruction Costs” for Block 7. The information in the image is transcribed below for readability.

In 2014, a similar analysis was conducted for Park East Block 6E wherein only 4 footings were located. That analysis confirms the analysis from 2008 that the total cost of removal per footing is approximately \$20,000. Conducted by Mortensen Construction, it states –

“When the freeway was removed, the foundations were removed to a depth of approximately two feet below grade and the remaining structure left in place. We anticipate encountering four of the piers while excavating for building foundations or installing buried utilities. The cost to remove the existing concrete foundations is estimated at \$80,000.”

Item	Description	Units	Quantity	Unit Cost	Total	Comments
1	Excavation around piers and piles for demolition activities	Cubic yards	3480	\$20.00	\$ 69,600.00	120 cubic yards per location
2	Soils testing for pier and pile removal only	Lump sum	1	\$30,000.00	\$ 30,000.00	
3	Trucking and disposal fee(s) for excavated material around piers and piles	Cubic yards	3480	\$45.00	\$ 156,600.00	Includes dump fee for low level contamination in spoil materials
4	Demolition and haul off of concrete pile caps and rebar	Each	29	\$2,500.00	\$ 72,500.00	Revised to account for all demolition completed at same time frame
5	Torch off 5 each W12 piles at 10' below grade, remove and haul piles off site	Each	145	\$350.00	\$ 50,750.00	Revised to account for all demolition completed at same time frame and includes salvage value of steel
6	Structural backfill to displace void created from demolition activities	Cubic yards	3480	\$30.00	\$ 104,400.00	
7	Additional load testing or alternate foundation design for select piles which will have to be utilized, reconfigured, or removed complete(ly)	Lump sum	1	\$90,000.00	\$ 90,000.00	This estimate assumes all piles which will have to be utilized due to obstruction will pass the required load testing. Nine (9) locations currently noted in conflict.
8	Additional surveying/subsoil investigation to locate highway piers	Lump sum	1	\$20,000.00	\$ 20,000.00	

Total construction costs (Including Insurance, Contingencies, Fee(s))	\$ 593,850.00
Owner Soft Costs (15%)	\$ 89,077.50
<b>TOTAL</b>	<b>\$ 682,928.00</b>
Pier/Piling locations within construction site	29
Per unit cost (off construction alone)	\$20,478.00

**Palomar (Sydney Hlh Site)  
City Of Milwaukee - Cost Breakdown**



REVISED PER CITY MEETING 4/30/2008

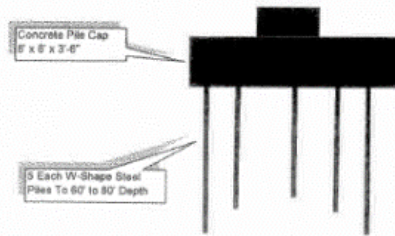
**Substructure Removal (Detail)**

Item	Description	Units	Quantity	Unit Cost	Total	Comments
1	Excavation Around Piers and Piles For Demolition Activities	Cubic Yards	3480	\$ 20.00	\$ 69,600.00	120 Cubic Yards Per Location
2	Soils Testing For Pier And Pile Removal Only	Lump Sum	1	\$ 30,000.00	\$ 30,000.00	
3	Trucking And Disposal Fee(s) For Excavated Material Around Piers And Piles	Cubic Yards	3480	\$ 45.00	\$ 156,600.00	Includes Dump Fees For Low Level Contamination In Spot Materials
4	Demolition And Haul Off Of Concrete Pile Caps And Rebar	Each	29	\$ 2,500.00	\$ 72,500.00	REVISED TO ACCOUNT FOR ALL DEMOLITION COMPLETED AT SAME TIME FRAME
5	Torch Off 5 Each W12 Piles At 10' Below Grade, Remove and Haul Piles Off Site	Each	145	\$ 350.00	\$ 50,750.00	REVISED TO ACCOUNT FOR ALL DEMOLITION COMPLETED AT SAME TIME FRAME AND INCLUDES SALVAGE VALUE OF STEEL
6	Structural Backfill To Displace Void Created From Demolition Activities	Cubic Yards	3480	\$ 30.00	\$ 104,400.00	
7	Additional Load Testing Or Alternate Foundation Design For Select Piles Which Will Have To Be Utilized, Reconfigured, Or Removed Complete	Lump Sum	1	\$ 90,000.00	\$ 90,000.00	This estimate assumes all piles which will have to be utilized due to obstruction will pass the required load testing! Nine (9) Locations Currently Noted In Conflict
8	Additional Surveying/Subsoil Investigation To Locate Highway Piers	Lump Sum	1	\$ 20,000.00	\$ 20,000.00	

Total Construction Costs (Including Insurance, Contingency, Fee(s))	\$ 593,850.00
Owner Soft Costs (15%)	\$ 89,077.50
<b>TOTAL</b>	<b>\$ 682,928</b>

Notes: Costs do not include complete removal of any piles, depth of removal to 10' below grade only. This estimate assumes all piles which will have to be utilized due to obstruction will pass load testing. This estimate does not include any costs for pile obstruction below 10'.

Typical Foundation For Partial Removal



**Substructure Removal**

Item	Description	Units	Quantity	Unit Cost	Total	Comments
1	Existing DOT Highway Foundation Removal, Conflict, And Obstruction Costs	Lump Sum	1	\$ 593,850.00	\$ 593,850.00	See Attached Detail

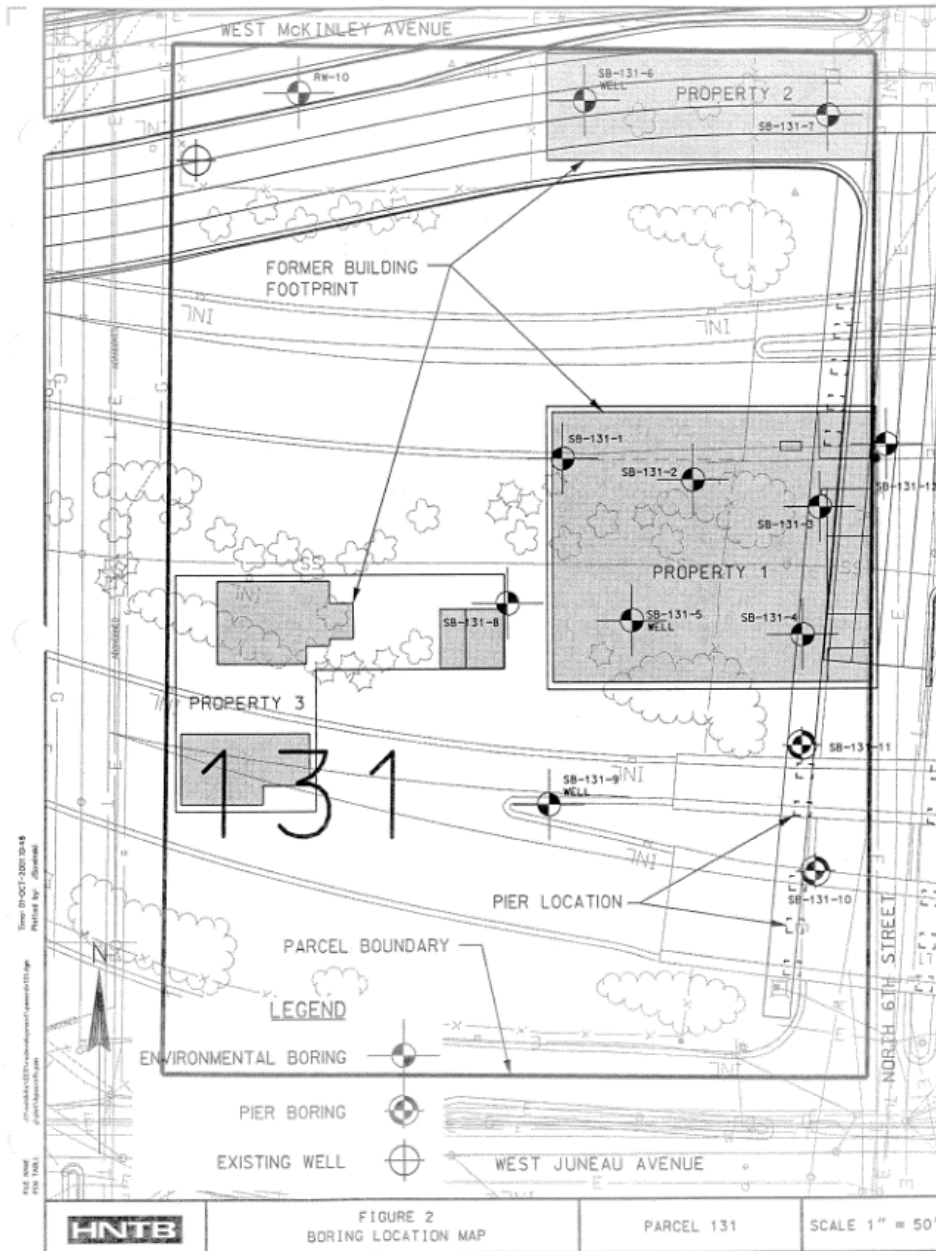
Total Construction Costs (Including Insurance, Contingency, Fee(s))	\$ 593,850.00
Owner Soft Costs (15%)	\$ 89,077.50
<b>TOTAL</b>	<b>\$ 682,928</b>

\$ 20,478 each

Footing locations –

The exact number and location of abandoned highway foundations has to be estimated. When STH 145 was demolished, the sites were capped and the footings abandoned underneath the surface. Footings are estimated to be located where the piers were located when STH 145 was in existence (indicated as “PIER LOCATION” by a square in the maps below)

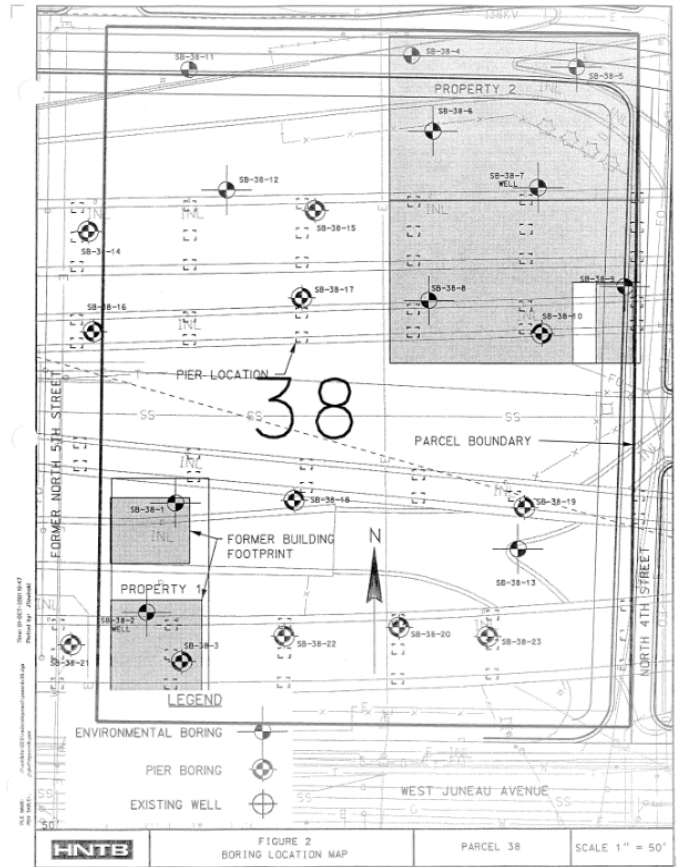
Block 1 – 10 locations (assuming footings on 6th St already removed)



Block 2 – 53 locations

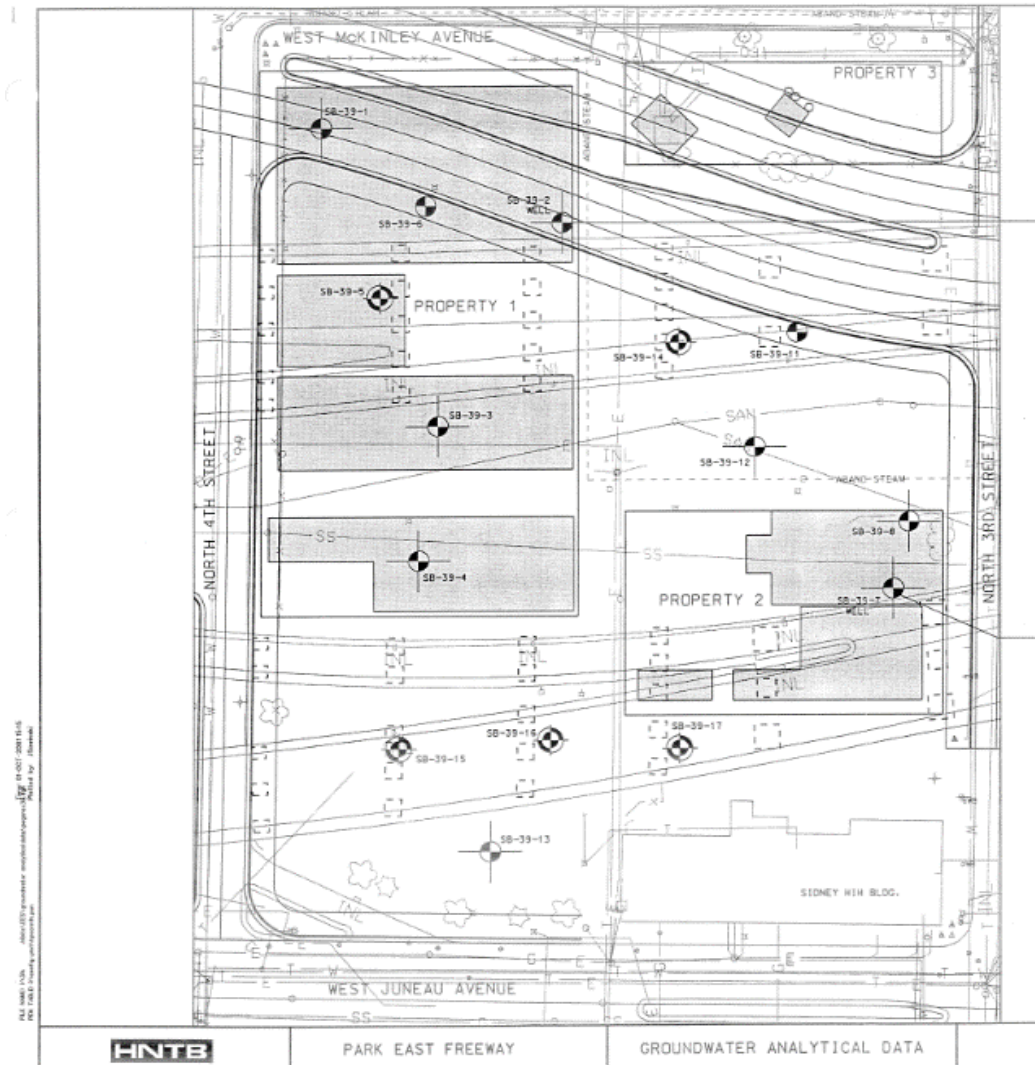


Block 4 – 49 locations (assuming footings on 6th St already removed)





Block 7 – 41 locations (29 in the 2008 estimate above are for a portion of the Block)



Total estimated footings – 153

Estimated cost of removal per footing - \$20,478.00

**Total estimated cost of removing footings in all 4 blocks - \$3,133,134.00**

3. Doesn't the PERC require Affordable Housing be a part of each development?

The PERC indicates:

*“Milwaukee County will sponsor the construction of new affordable housing of not less than 20% of the total housing units built on the County’s Park East lands but they may be built on other infill sites in the city of Milwaukee. The County, in each RFP for any given parcel, may require a different percentage of affordable housing or have no requirement at all. The County may use funds from existing housing programs along with County funds to meet this requirement.”*

In other words, the requirement of the PERC is that the County, not the developer, sponsor affordable housing; and may do so in other areas of the County. Currently, there are 86 units in the Avenir Phase 1 and 95 more proposed in Avenir Phase 2. This proposal includes 313 market rate units. This totals 494 units, well below the current limitation of 1845.

4. Please explain what benefit the County gains by accepting an offer to purchase now, when we know a land value increase is imminent when the arena is constructed.

The Park East land is critical to the Arena being constructed. The current plan for the Arena relies upon the Park East land being conveyed, and the site of the Arena may change if the Park East land is not able to be purchased. If the Arena is not constructed or constructed in a different site/configuration the value of the Park East land will not go up.

The County's land is part of a comprehensive Master Development that includes a new arena, new public plaza, redevelopment of the Bradley Center land and redevelopment of the Park East. What brings the value to this property is the Master Development. If the County were to “hold out” for a higher offer from someone other than Head of the Herd, the Master Development would not occur and there would be no higher value to gain.

The Option is structured to trigger four separate phases on the Park East land that will occur consecutively. The Option creates the timeline for development that is agreeable to the Master Developer and protects Milwaukee County.

5. Head of the Herd, LLC indicated there are potential tenants already identified for some of the space. Please explain if these potential tenants are already present in Milwaukee and would be moving, leaving other Milwaukee space vacant.

Head of the Herd's testimony was in response to the question of whether they felt there was a market for the amount of space they are proposing. The testimony was essentially “yes, we believe there is a market because we have several tenants that have expressed interest and we are working with them.” Other than an indication that there is an interest, it is too soon in the transaction to identify exact tenants and their relationship to other

space in the Milwaukee market. Head of the Herd has indicated that new and incremental employment growth are the focus in prospecting and closing potential tenants.

6. Will the Milwaukee Admirals play in the new arena?

The arena is a multi-purpose arena that will host several events. The Milwaukee Bucks would have a master lease with the Wisconsin Center District. The Milwaukee Bucks would be responsible for all maintenance, repairs and operational costs of the arena. Consequently the Milwaukee Bucks would also be responsible for subleasing the arena to other tenants. At this point, the primary focus for the Milwaukee Bucks is working with public counterparts to ensure that the new sports and entertainment center will be built. They will work to evaluate all potential tenants for the new sports and entertainment center, including the Admirals.

7. If this land were sold for more than \$1, wouldn't the money be available for Transit?

There were two proposals received, both were \$1. The RFP has been open for a year, and no one has offered more than \$1. It is difficult to speculate what would happen to funds if an unconditional offer of \$8 Million was received. Unlike the Downtown Transit Center where Federal Transit Authority (FTA) funds were used. Here, the federal funds were from the Federal High Way Authority (FHWA). We are unfamiliar with a mechanism where funds paid to the FHWA could be transferred to the FTA.

Previous agreements with the State DOT and FHWA contemplated receiving significant value for the land. After 12 years of no transactions, and only two proposals for \$1 each, the State DOT and FHWA have negotiated a Memorandum of Understanding (File 15-288) that allows the county to sell for \$1 without owing funds back to the State DOT and FHWA.

For background, the agreements negotiated in 2002 with the Wisconsin DOT contemplated a rough split of 58% county, 3.6% DOT and 38.4% FHWA. Additional agreements were executed that would allow the federal and state share to be allocated to pay off debt related to the removal of the former annex above the freeway.

According to 23 U.S.C. 156(a) and 23 C.F.R. 710.403(d), surplus freeway lands originally acquired with federal monies must be sold at fair market value unless an exemption is received from the United States Department of Transportation Federal Highway Administration. The Economic Development Division began the process of seeking such an exemption in the spring of 2014 when it was preparing to launch the marketing plan and rolling RFP for the Park East. It was at that time when an ambiguity was discovered in the 2002 Land Disposition Agreement, which states, "The appraised value shall be used to establish the asking price of the remnant parcels to be sold, but the parcels may be sold at a price other than the appraised value," leading one to believe that discounted sales were permissible. (Notably, FHWA was not a signatory to the 2002 Land Disposition Agreement).

FHWA sent a letter expressing its approval of an exemption based on a finding of public interest for economic purposes in July of 2014, with the caveat that a Memorandum of Understanding be drafted to outline the terms for which the exemption was granted. The terms of the MOU were to be consistent with the directives of the Park East Redevelopment Compact (PERC), which has been the policy of this Board of Supervisors since its adoption in 2004. A copy of the MOU and all supporting documents can be found in File No. 15-288. WisDOT and FHWA have already signed the MOU and are awaiting County Board approval before full execution can be realized.

Irrespective of the MOU, it should be noted that the original FHWA contribution was approximately \$3.5M. To date they have received \$2.2M. However, pursuant to a 2005 Annex Removal Agreement, Milwaukee County is entitled to retain up to \$5.2M of the FHWA share of any sales proceeds to reimburse it for annex removal costs (which actually totaled \$10M). Therefore, should the County receive a higher dollar value for the Park East lands, the next \$3M in FHWA proceeds would be retained by the County. At full FMV of \$8.42M (excludes 5<sup>th</sup> Street which would be reconstructed), FHWA's 52.2% share would only leave \$1.4M for eligible transportation projects within Milwaukee County. What projects the money would be used for would be determined by FHWA or WisDOT acting as their agent.

8. How are the Head of the Herd developers investing elsewhere in the City of Milwaukee?

Head of the Herd is preparing a separate presentation on how the Milwaukee Bucks and its managing members have invested in the community over the year they have been in Milwaukee.

9. What are the differences between the disadvantaged business definitions of the City, MMSD and the State of Wisconsin? Why would the County's DBE definition under s. 42.02(1)(f) not be included among the definitions they the developer may use?

SECTION 9(b)(ii)(4) indicates that the County's DBE is an allowable designation, together with SBE (City of Milwaukee), MBE (State), WOBE (State). As this is a cross-jurisdictional project, the intent is to achieve cross-jurisdictional compliance.

#### Definitions -

- a. Milwaukee County - CBDP determines the eligibility of small businesses to participate in Milwaukee County's small and disadvantaged business opportunity program initiatives in accordance with Federal Regulation, State Law and Milwaukee County Ordinance.
  - i. MCGO 42.02 (1)(f) "*Disadvantaged business enterprise (DBE)* means a for-profit small business concern which is at least fifty-one (51) percent owned by one (1) or more individuals who are both socially and economically disadvantaged or, in the case of a corporation in which fifty-one (51) percent of the stock is owned by one or more such individuals; and whose management and daily operations are controlled by one or

- more of the socially and economically disadvantaged individuals who own it.”
- ii. MCGO 42.02 (1)(k) “*Small business enterprise (SBE)* means an organized, for-profit business that is independently owned and operated and not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume average over a three-year period. In no case will a firm be an eligible SBE in any federal fiscal year if the firm (including its affiliates) has had average annual gross receipts, as defined by United States Small Business Administration (SBA) regulations (see 13 CFR 121.402), over the firm's previous three fiscal years in excess of \$4 million, or if the owner(s) of the firm exceed the personal net worth (PNW) described in 49 CFR Part 26.”
- b. City of Milwaukee – The business shall meet the size standards of the United States Small Business Administration (SBA).
    - i. Minority Business Enterprise (MBE) Certification Requirements: The business shall be at least 51% owned, operated and controlled by one or more
      1. African-American
      2. Asian-American
      3. Hispanic
      4. Native American
    - ii. Woman Business Enterprise (WBE) Certification Requirements: the business shall be at least 51% owned, operated and controlled by one or more non-minority women.
    - iii. Small Business Enterprise (SBE) Certification Requirements: The business shall be at least 51% owned, operated and controlled by one or more persons who are at an economic disadvantage and who is experiencing substantial difficulty in achieving business-related success in the Milwaukee metropolitan area as a result of at least 3 of the following:
      1. At a disadvantage with respect to business location.
      2. At a disadvantage with respect to education.
      3. At a disadvantage with respect to employment.
      4. At a social disadvantage.
  - c. MMSD –
    - i. SBE - all interested firms must submit a completed MMSD SBE certification application and provide proof of gross sales less than \$2.5 million in the most recent fiscal year.
    - ii. MBE/DBE – follows definition provided by State of Wisconsin.
  - d. State of Wisconsin (Dept. of Administration Supplier Diversity Program Definitions) –
    - i. Minority-Owned Business Enterprise (MBE) (sole proprietorship, partnership, corporation, limited liability company or joint venture)
      1. Belong to an ethnic minority group: Native American, Black, Hispanic, Asian Indian, Asian Pacific, Aleut, Eskimo, or Native

- Hawaiian. (The Department does not recognize women as minorities or base eligibility on the gender of an applicant.)
- 2. Be at least 51% owned, controlled, and actively managed by minority group members.
- 3. Serve a "useful business function" and have customers other than the State of Wisconsin.
- 4. Must be at least one (1) year old under current ownership.
- ii. Minority-Owned Business Enterprise (MBE) (sole proprietorship, partnership, corporation, limited liability company or joint venture)
  - 1. Belong to an ethnic minority group: Native American, Black, Hispanic, Asian Indian, Asian Pacific, Aleut, Eskimo, or Native Hawaiian. (The Department does not recognize women as minorities or base eligibility on the gender of an applicant.)
  - 2. Be at least 51% owned, controlled, and actively managed by minority group members.
  - 3. Serve a "useful business function" and have customers other than the State of Wisconsin.
  - 4. Must be at least one (1) year old under current ownership.
- iii. Disabled Veteran-Owned Business Enterprise (DVB) (sole proprietorship, partnership, corporation, limited liability company or joint venture)
  - 1. At least 51% majority owner(s) must possess U.S. Department of Defense Form DD214 (Certificate of Release or Discharge from Active Duty) to prove service in the Armed Forces.
  - 2. Disabled Veteran document from the Department of Veteran Affairs or discharge paper from the branch of armed service, stating service connected disability rating under 38 USC 1114 or 1134 of at least 20%.
  - 3. At least 51% owned, controlled, and actively managed by disabled veteran group members.
  - 4. At least 51% majority owner(s) must be a resident of Wisconsin and the business has its principal place of business in Wisconsin.
  - 5. Serves a "useful business function" and have customers other than the State of Wisconsin.
  - 6. Must be at least one (1) year old under current ownership.
  - 7. Provide a \$150.00 application fee made payable to the Department of Administration.

10. What are the contemplated penalties if the developer does not meet the local employment, DBE or job creation goals stated in the proposal?

To ensure the developer meets its local employment, DBE and job training goals the County ensures the goals are included in the Development Agreement, are more explicitly laid out in a PERC Compliance Plan (outlining strategies that will be undertaken to achieve the goals), and that the developer put down a \$50,000 Performance Deposit. DBE Reporting will be monitored throughout construction using the online reporting module B2GNow, in partnership with the CBDP department. Local

employment, job training, and prevailing wage payment will be monitored utilizing LCPTracker, a new online reporting tool that utilizes data from certified payrolls. Failing to achieve these goals, or to document good faith efforts to achieve them, could result in the forfeit of all or a portion of the Performance Deposit and being disqualified from working on future County projects. Failing to pay prevailing wages would also result in the developer paying restitution to workers not paid the appropriate wage.

However, failing to develop the property as specified in the project plans (See the definition of Material Alteration in Section 9(b)(ii)(3)) would either be a breach of the Development Agreement or require approval of the Board to be permissible.

11. What is the County's share of the anticipated property tax revenue and when are these revenues expected to be realized?

From "2014 ASSESSMENTS AND TAXES, CITY OF MILWAUKEE, ASSESSOR'S OFFICE December 2014" Report -

<b>2014 COMBINED TAX RATE PER \$1000 OF ASSESSED VALUE</b>		
	<b>2013 FOR 2014 PURPOSES</b>	<b>2014 FOR 2015 PURPOSES</b>
City	10.58177061	10.71377482
School Board/MPS	12.4910434	12.61914025
M.A.T.C.	2.21740487	1.326830396
Metro Sewer	1.774727448	1.791081718
County/State Forestry	5.524570918	5.504441139
<b>Total Gross Tax Rate</b>	<b>\$32.59</b>	<b>\$31.96</b>
General State Credit	0.002769903	0.005298142
School Credit	1.972485071	1.976974337
<b>NET TAX RATE (Milwaukee County)</b>	<b>\$ 30.614</b>	<b>\$ 29.973</b>

## Potential Scenario – Property Tax generation

Year	Development (estimated schedule)	New Property Tax Generated in Park East	Cumulative Park East Property Tax Generated (est.)
2016	NBA Practice Facility (60,000 sf), Office (30,000 sf), Parking lot	\$ 342,000	\$ 342,000
2017			\$ 684,000
2018	Retail (10,000 sf), Parking structure (exempt), Office(30,000 sf), Residential (98 units)	\$ 739,000	\$ 1,765,000
2019	Master Plan Phase 2 construction		\$ 2,846,000
2020	Master Plan Phase 2 construction		\$ 3,927,000
2021	Master Plan Phase 2 construction		\$ 5,008,000
2022	Grocery (70,000 sf), Apartments (183 units), Parking structure	\$ 1,411,400	\$ 7,500,400
2023			\$ 9,992,800
2024	Office (100,000 sf), Retail (16,000 sf), Parking structure	\$ 651,100	\$ 13,136,300
2025	Apartments (215 units), public plaza	\$ 1,182,500	\$ 17,462,300
2026			\$ 21,788,300
2027			<b>\$ 26,114,300</b>

Based on the rate listed above, Milwaukee County's share of \$26,114,300 is \$4,792,414.

12. What is the impact of property tax revenues on the land if the parking structure is city owned?

It is anticipated that the parking structure component of Phase 2 on Block 2 would be owned by the City of Milwaukee and thereby be exempt from property taxes. That is the sole element of the total development that would be tax-exempt.

13. What will the wage requirements be for the permanent jobs created?

There are no permanent job wage requirements in the PERC, and consequently were not scored in the RFP. To include such a requirement at this point would require an analysis with participation from the development community, construction labor, and the retail industry to develop a standard, and including a point category in future RFPs to evaluate.

14. Is a \$50,000 option fee a standard requirement for a project this size with so many public requirements? Will this low fee actually incent compliance with public requirements?

The option fee is not related to public requirements. It is the fee that permits the developer to undertake its due diligence and trigger the option should it ultimately decide



to purchase the land. It is the \$50,000 Performance Deposit which is meant to incentivize compliance with the public requirements (See Section 9(b)(ii)(5)). Tying up a liquid asset like cash for the entire development period can often be difficult for a developer, which is why only \$50,000 is required. However, in this project each Phase requires a new Performance Deposit. This way, the penalty could be as much as \$200,000, which is a substantially larger consideration. In addition, as can be seen in the model development agreement, the failure to comply could result in being ineligible to participate in future County projects. Moreover, the reputational harm that could come from failing to utilize good faith efforts to achieve their pledged goals tends to be a motivating factor as well.

15. If the developer fails to commence/complete construction within any of the periods of development (i.e., breach of contract) why would the County agree to reimburse the developer for Certified Construction Costs in addition to compelling the developer to re-convey the land to the County?

A developer could not get financing if the County maintained the right to obtain the land back for free after the lender's money has been used to build it. If we want the land back as a remedy we are going to have to make the lender's whole. A similar term was included in the Option Agreement for the Couture development.

16. What does the term “otherwise” mean in Section 10b of the Purchase Option mean? What other kinds of agreements does the developer contemplate engaging in? What limitations will the county impose on the developer assigning the rights of the land beyond the scope of a joint venture or partnership?

The term “otherwise” in Section 10b contemplates forms of business entity other than JVs and partnerships. Nonetheless, this is a Master Development strategy. Thus, Head of the Herd LLC, as the Master Developer is ultimately responsible for the compliance of any assignees and sub-developers.

Section 10b, line 7 – “...and Developer remaining responsible for fulfillment of the obligations set forth in this Option and the Development Agreement for all Phases”

17. In which areas did the proposal not meet the RFP requirements (i.e., proposing to purchase the land for \$1 rather than FMV)?

The RFP, nor the PERC, requires paying FMV. Price is a scoring component of the RFP review process. Both proposals offered the same price, and the total scoring of both proposals is listed below.

<b>RFP SCORING CATEGORY</b>	<b>Head of the Herd LLC</b>	<b>Proposal B</b>
<b>Purchase Price (50 points)</b>	\$1 - 0 POINTS	\$1; Also a request for assistance with clean-up of the property (environmental and site preparation in removing freeway piers) - 0 POINTS
<b>Qualifications and Experience (50 points)</b>	50 POINTS	47 POINTS
<b>Project Description and Design (50 points)</b>	<p>Block 1: NBA Practice Facility and 30,000 SF Office Building</p> <p>Block 2: 1,250 SF City-owned parking structure with 100 residential units and 10,000 SF retail</p> <p>Block 4: 180 residential units; 70,000 SF urban grocer; 37,000 SF outdoor plaza and 180 stall parking structure</p> <p>Block 7: 100,000 SF office, 17,000 SF retail, 237 stall parking structure</p> <p>*NOTE: Blocks 4 and 7 temporary surface parking during arena construction if permitted by City</p> <p>42 POINTS</p>	<p>Block 2, Lot 1: one-story building at corner of McKinley and 6<sup>th</sup> Street with 124 apartments, 24,981 SF mixed use retail; 71 parking stalls and a green courtyard</p> <p>Block 2, Lot 2: 489 stall City-owned parking structure (265 stalls dedicated to the development's residential units) and 18,000 SF retail</p> <p>Block 4, Lot 1: 5-story building with 114 apartments, 23,357 SF mixed use retail; 153 parking stalls and a green courtyard</p> <p>Block 4, Lot 2: 5-story building with 124 units, 24,981 SF mixed use retail; 71 parking stalls and a green courtyard</p> <p>37 POINTS</p>
<b>Financial Feasibility (50 points)</b>	47 POINTS	32 POINTS
<b>Zoning Readiness (25 points)</b>	Compliant except a temporary surface parking lots longer than 24 months (limited use by permit only) - 23.8 POINTS	Compliant except a one story building planned facing 6 <sup>th</sup> Street (preferably taller) - 24 POINTS
<b>Green Design (25 points)</b>	23.4 POINTS	23.4 POINTS
<b>DBE Experience (25 points)</b>	Engaging a firm to help achieve this - 14 POINTS	Did not lay out a plan to reach the goals required by ordinance - 13.6 POINTS
<b>Workforce: Residential Hiring Goal and Plan (25 points)</b>	Originally 15% goal; was negotiated up to at least 25% - 13 POINTS	Good faith efforts - 13.6 POINTS

<b>Workforce: Apprenticeship and Training Goal and Plan (25 points)</b>	Plans to partner with WRTP/Big Step, has outreach plans, 15% goal - 21 POINTS	Good faith efforts - 13.6 POINTS
<b>Project Tax Base (25 points)</b>	Total Assessed Value ~ \$400M - 22 POINTS	Total Assessed Value ~ \$60M - 20 POINTS
<b>Projected Jobs Created (25 points)</b>	2,720 construction jobs plus ~1000 office, retail, other FTE jobs - 24 POINTS	350 construction jobs plus FTE jobs once development complete - 15.6 POINTS
<b>TOTAL: 375 points available</b>	280.2 POINTS/375 (75%)	239.8 POINTS/375 (64%)

18. Have other Park East Parcels been sold for less than appraised value?

Yes, MSOE –Park East Block 19 Appraised Value - \$3,758,000.00, Sold for \$2,660,802 (70.8% FMV). From File No. 12-10,

As the end use of this parcel was a tax-exempt institution, obtaining a cash benefit on front end was important in this transaction. Additionally the sale of Block 19 did not assume the high end construction and permanent jobs presented in the Head of the Herd proposal.

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James Tarantino  
Economic Development Director, DAS

cc: Chris Abele, County Executive  
Milwaukee County Board of Supervisors  
Paul Bargren, Corporation Counsel  
Steve Cady, Research and Policy Director, Office of the Comptroller  
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Teig Whaley-Smith, Director, Department of Administrative Services