

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: February 18, 2021

TO: Supervisor Marcelia Nicholson, Chair, County Board of Supervisors

FROM: Aaron Hertzberg, Director, DAS, Economic Development

SUBJECT: From the Director of Economic Development, Department of Administrative Services, submitting an informational report regarding Park East Block 26.

REQUEST

The report is for informational purposes, there is no request at this time.

Previous Legislation

File 05-14 – Action Report – Acceptance of proposal to purchase
File 06-14 – Action Report – Extension of purchase option
File 07-30 – Action Report – Approval of revised development plan
File 09-30 – Action Report – Extension to construction commencement
File 11-108 – Action Report – Extension to construction commencement
File 11-388 – Action Report – Extension to construction commencement
File 12-213 – Informational Report – Project update from Initial Developer
File 12-474 – Action Report – Amendment to restate original development agreement
File 16-09 – Action Report – Creation of new agreement for Phase 3
File 19-794 – Informational Report – Dissolution of original agreement and creation of new agreement

Report

Following a Request for Proposals, the Milwaukee County Board awarded sale of Park East Block 26 to the Initial Developer. Block 26 is bound by Milwaukee, Lyons and Jefferson Streets and Ogden Avenue. Initial Developer closed on the purchase of the property in December 2007, and the County was paid \$2,725,000 as the purchase price. Due to the economic and financial recession post-closing, the Initial Development Agreement was modified by six amendments and further by a subsequent agreement to implement development. The Initial Developer forfeited its \$50,000 Letter of Credit to the County for failure to commence the project on timelines stated in the development agreement.

Phase 1, commonly known as the Avenir project, was certified as substantially complete on April 27, 2016 with 104 residential units and 14,600 square feet of retail space. Phase 1 was subsequently released from the Initial Development Agreement and sold to the Phase 1 Owner. Phase 1 has a 2018 assessed building value totaling 18,500,200 and occupies approximately 60% of the block. Construction of Phases 2 and 3 of the Avenir project has not commenced; however, the development has been designed to

accommodate 82 and 63 residential units, respectively, and to be architecturally harmonious with Phase 1.

As detailed in File 19-794, the development of Phases 2 and 3 was brought under a new development agreement with Weidner Investment Services, Inc. (Weidner). Under the terms of the agreement, the project was to commence April 1, 2020. In February 2020, Weidner exercised its one-time right to extend the building commencement date to October 1, 2020. Subsequently, Weidner issued a notice of force majeure delay due to the COVID-19 pandemic.

As part of the development agreement, Weidner has issued a \$250,000 letter of credit to serve as full security for the complete performance of all obligations, agreements and covenants promised. Currently, Weidner has requested an extension to commence to April 2021. If they do not commence, they have pledged to add \$100,000 to the letter of credit for a six-month extension to October 2021 and a final \$100,000 additional letter of credit to extend a final time to April 2022.

The letter of credit serves as a remedy in the event that Weidner defaults on its obligations. The County may draw \$1,400 per day that default persists up to the full balance of the letter of credit. The County may also draw the full balance if the project is not delivered by the projected completion date. In addition, the Development Agreement grants the County the right to repurchase the property if Weidner fails to meet its excavation completion dates.

RECOMMENDATION

The report is for informational purposes, there is no request at this time.

Aaron Hertzberg
Economic Development Director

cc: David Crowley, County Executive
Sherri Jordan, Interim Director, Department of Administrative Services
Economic and Community Development Committee Members
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Mary Jo Meyers, Chief of Staff, County Executive's Office
Scott Manske, Comptroller
Steve Cady, Research & Policy Director