

Option to Purchase Review Park East blocks 1, 2, 4, 7

June 9, 2015



Park East History

- Formerly the Park East Freeway – STH 145
- 1999 – decision to remove the freeway
- 2002 – agreement between State, County, and City regarding the sale of the newly vacant property
 - City plans guide development
 - State transfers the parcels to the County
- 2004 – Milwaukee County Board of Supervisors established the Park East Redevelopment Compact (PERC)
- 2014 – Rolling RFP process created



Park East Redevelopment Compact

“Park East Redevelopment Compact (PERC) establishes the policies for the sale of the County's Park East land to achieve the goal of providing additional sustainable community benefits for the development of this land”

“WHEREAS, while offsetting tax levy to fund operating expense is a tool that is sometimes necessary, such major sales should provide a longer-term and sustainable benefit to the community. True stewardship of these major public resources requires that their sale provide a benefit for the citizens;”

“Milwaukee County should not just sell the land for the highest price offered but rather should seek development proposals which will provide the greatest future benefit in jobs, tax base and image for the community, as well as, a fair price.”

DEC 16 2004
Adopted
15-4
2-3-05
Voted
by the
Co. Sec.
Veto
overridden
15-4

NOV 2004
Referred
County Board
Chairman

By Supervisors Johnson, Coggs-Jones, Broderick, Dimitrijevic, Glad, West, White, Holloway, Weishan, Quindel, DeBruin

DEC 16 2004

A RESOLUTION FILE NO. 04-492

To create the Community and Economic Development (CED) Fund and adopt the Park East Redevelopment Compact (PERC) in order to provide additional sustainable community benefits for the development of the County Park East land.

WHEREAS, Milwaukee County will seek the sale of significant real estate assets, including approximately 16 acres of land in the Park East freeway corridor and these lands represent tremendous assets held in trust by Milwaukee County for the benefit of the citizens of this County. This revenue has been used in various ways, but often it has been used to offset basic operating expense or tax levy; and

WHEREAS, while offsetting tax levy to fund operating expense is a tool that is sometimes necessary, such major sales should provide a longer-term and sustainable benefit to the community. True stewardship of these major public resources requires that their sale provide a benefit for the citizens; and

WHEREAS, the redevelopment of the Park East land, by itself, using private development, will not take advantage of unique opportunities to provide sustainable community benefits especially to those in most need of jobs; and

WHEREAS, adoption of the Park East Redevelopment Compact (PERC), as provided in this resolution, will provide the best opportunity to provide increased jobs and tax base not only on this land, but also for the entire community; and

WHEREAS, this resolution also provides for the creation of a Community and Economic Development (CED) Fund. The CED (pronounced 'seed') Fund would be comprised of a series of programs designed to address 'gap' needs in the marketplace and it is not intended to reproduce resources that are available either in the commercial marketplace or through other public resources; and

WHEREAS, the CED Fund recognizes that there are areas where the market does not make available the resources required for sustainable development and by providing those resources, the Fund seeks to be a catalyst that will enable businesses to develop and grow, communities to prosper, and the lives of all of our citizens to be enriched; and

WHEREAS, this Fund would be endowed with all net revenue generated by the sale of land in the Park East Corridor and be used to carry out this resolution for the Park East Redevelopment Compact (PERC); and

APPROVED AS TO FORM

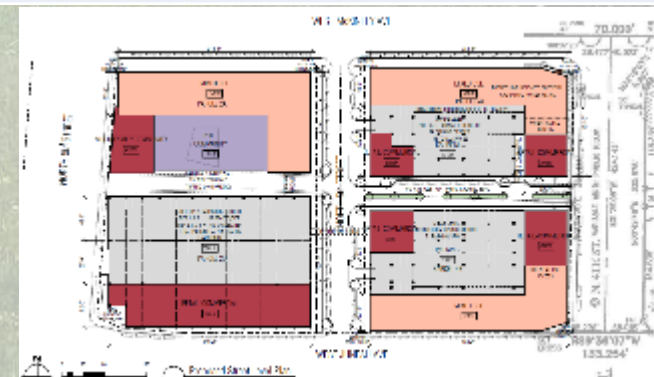
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CORPORATION COUNSEL

Rolling RFP review process

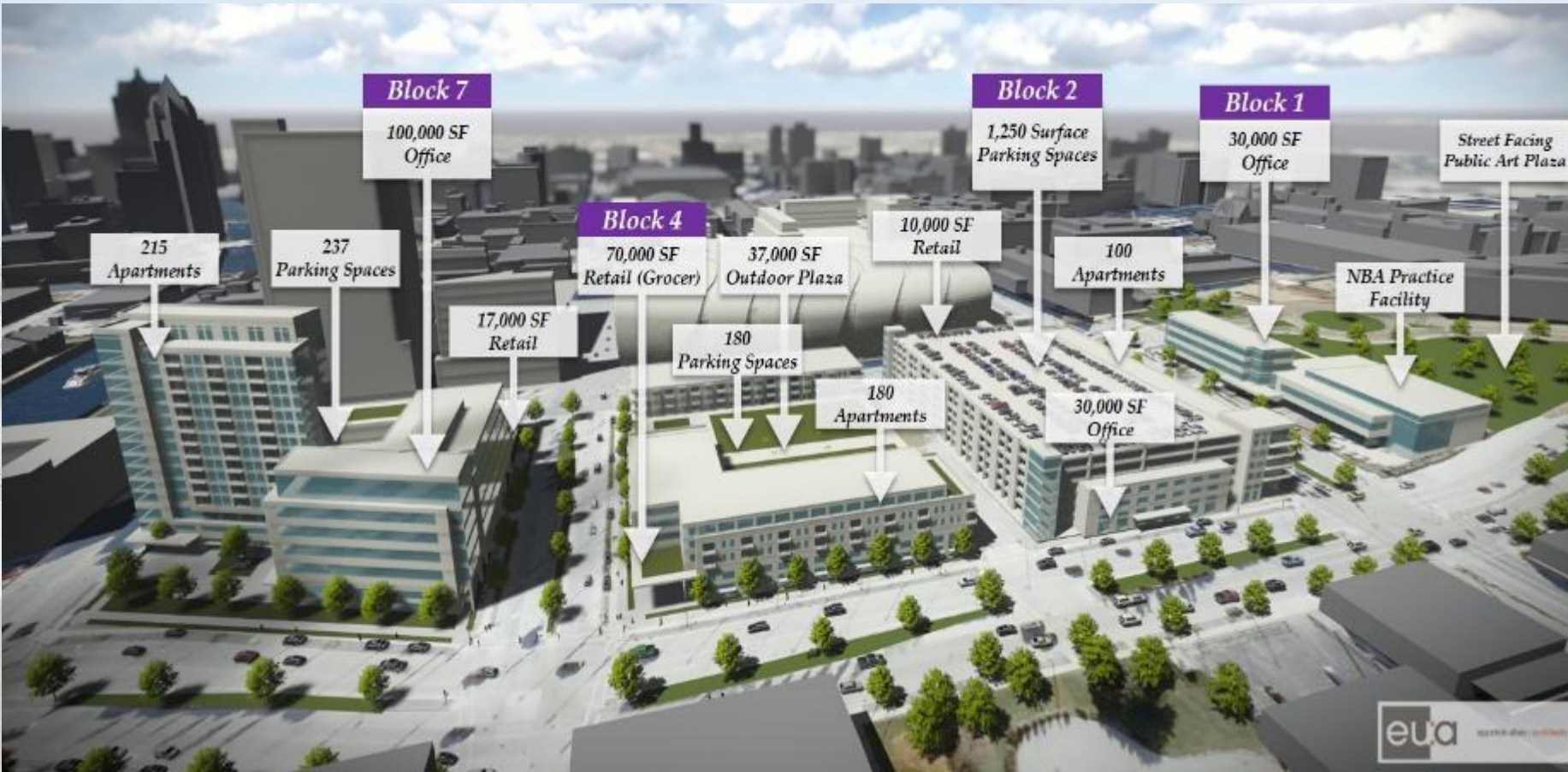
- Proposals are judged through an RFP process. Proposals are submitted on the first Monday of every month to the Milwaukee County Clerks Office.
- A rotating panel of 5 economic development professionals from the Milwaukee area, including the County, City, and State review submitted proposals once a month.
- After receiving proposals, panel members will have 2 weeks to evaluate and request an interview from one or more of the proposers.
- After interviews are completed, the committee can recommend, reject, or hold any proposals, as determined in the best interests of the County and the City.
- Head of the Herd LLC, whose managing members include the majority owners of the Milwaukee Bucks, submitted a proposal pursuant to the Park East Rolling RFP that has been recommended for approval over another offer which was also for \$1.

RFP SCORING CATEGORY	Head of the Herd LLC	Proposal B
Purchase Price (50 points)	\$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
Qualifications and Experience (50 points)	50 POINTS	47 POINTS
Project Description and Design (50 points)	Block 1: NBA Practice Facility and 30,000 SF Office Building Block 2: 1,250 SF City-owned parking structure with 100 residential units and 10,000 SF retail Block 4: 180 residential units; 70,000 SF urban grocer; 37,000 SF outdoor plaza and 180 stall parking structure Block 7: 100,000 SF office, 17,000 SF retail, 237 stall parking structure *NOTE: Blocks 4 and 7 temporary surface parking during arena construction if permitted by City 42 POINTS	Block 2, Lot 1: one-story building at corner of McKinley and 6 th Street with 124 apartments, 24,981 SF mixed use retail; 71 parking stalls and a green courtyard Block 2, Lot 2: 489 stall City-owned parking structure (265 stalls dedicated to the development's residential units) and 18,000 SF retail Block 4, Lot 1: 5-story building with 114 apartments, 23,357 SF mixed use retail; 153 parking stalls and a green courtyard Block 4, Lot 2: 5-story building with 124 units, 24, 981 SF mixed use retail; 71 parking stalls and a green courtyard 37 POINTS
Financial Feasibility (50 points)	47 POINTS	32 POINTS
Zoning Readiness (25 points)	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 th Street (preferably taller) - 24 POINTS
Green Design (25 points)	23.4 POINTS	23.4 POINTS
DBE Experience (25 points)	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
Workforce: Residential Hiring Goal and Plan (25 points)	Originally 15% goal; was negotiated up to at least 25% - 13 POINTS	Good faith efforts - 13.6 POINTS
Workforce: Apprenticeship and Training Goal and Plan (25 points)	Plans to partner with WRTP/Big Step, has outreach plans, 15% goal - 21 POINTS	Good faith efforts - 13.6 POINTS
Project Tax Base (25 points)	Total Assessed Value ~ \$400M - 22 POINTS	Total Assessed Value ~ \$60M - 20 POINTS
Projected Jobs Created (25 points)	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
TOTAL: 375 points available	280.2 POINTS/375 (75%)	239.8 POINTS/375 (64%)



Proposal at a glance

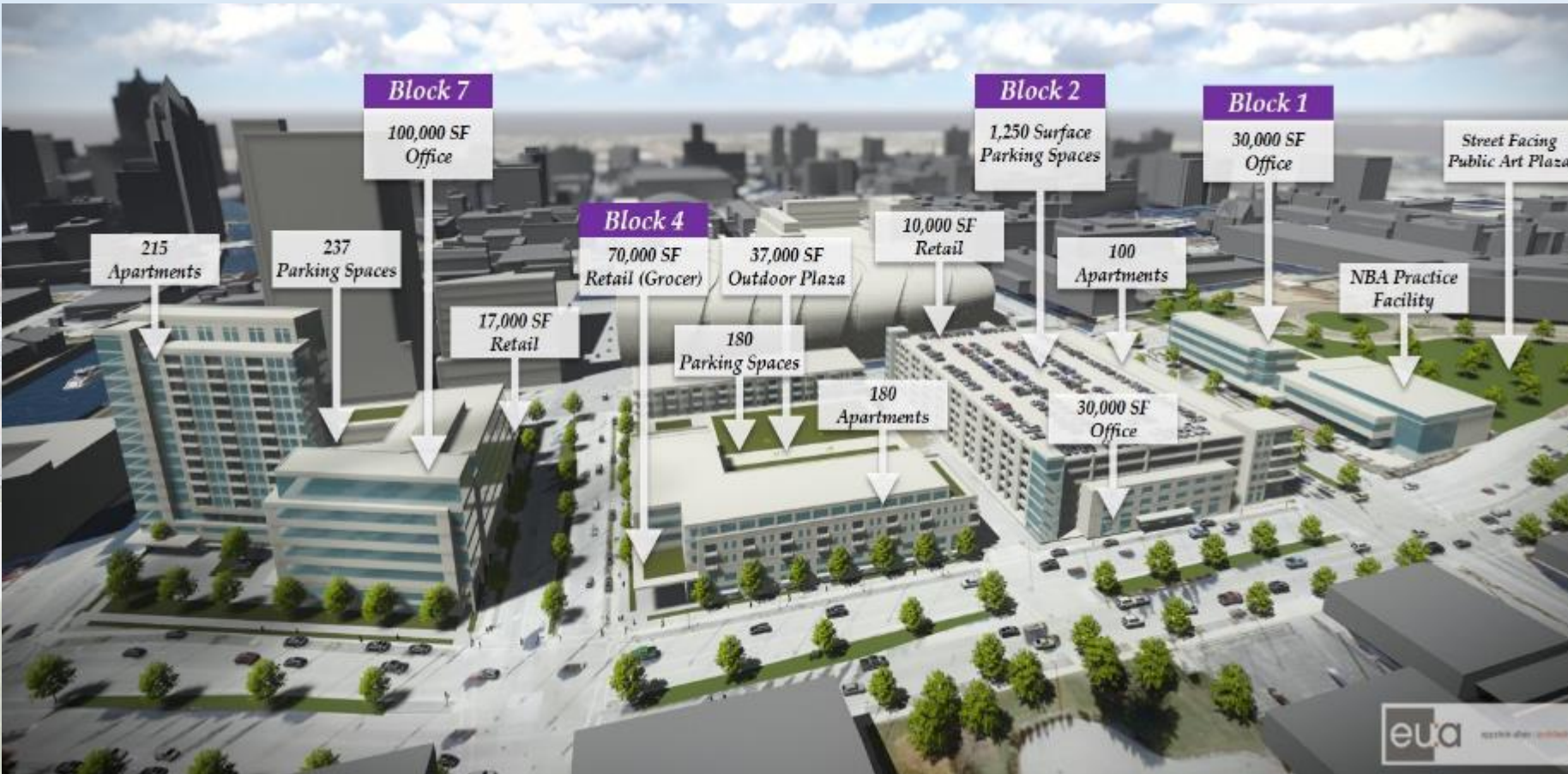
- \$400 million mixed use development
- 1.5 million square feet of residential, office, parking and other uses, including an NBA practice facility and public plazas
- 3,700 jobs created (est.)
- Projected tax base - \$5,000,000/year
- DBE, local hiring, apprenticeship
- “As is” condition



Proposal at a glance

Master Plan

- 9.8 acres in the Park East will be part of the larger redevelopment - 24+ acres.
- Redevelopment of the Park East land will be a part of Phase 1 and 3; redevelopment of the current Bradley Center site would be a part of Phase 2 of Master Plan
- 9 years to ensure that the market can absorb the large amount of new construction
- The project would be developed by Head of the Herd LLC and the group will partner with local developers in joint ventures on smaller portions of the overarching plan.





BLOCK 1

BLOCK 2

BLOCK 4

BLOCK 7

KEY

- APARTMENTS
- RETAIL
- OFFICE
- PRACTICE FACILITY
- PARKING



Property Tax Generation

- Each Phase shall be taxable for property tax purposes except for a city owned parking structure.
- The Option requires that no owner or occupant of the Phase shall seek or accept, property tax exemption.
- This restriction is a permanent covenant that runs with the land.

<i>Estimated Tax Creation</i>			
<i>Type</i>	<i>Est. Size</i>	<i>Methodology Est.</i>	<i>Est. Tax/Year (mm)</i>
<i>Office</i>	160K SF	\$5.00/SF	\$0.8
<i>Urban Grocer</i>	70K SF	\$5.00/SF	\$0.4
<i>Retail</i>	30K SF	\$5.00/SF	\$0.2
<i>Practice Facility</i>	60K SF	\$3.00/SF	\$0.2
<i>Residential</i>	495 units	\$5,500/unit	\$2.7
<i>Parking</i>	1,670 spaces	\$300/space	\$0.5
TOTAL TAXES			~\$5 mm

Financial Benefit – Park East 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, 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			\$ 26,114,300

Commitment to Job Creation

- DBE Hiring – 25% of construction, 17% of professional services
- Local Hiring – 25%
- Workforce development/apprenticeship – 15%
- Prevailing wage on est. 2,700 construction jobs
- 700 of the 1,000 proposed permanent positions are office jobs.
- Milwaukee County will monitor compliance of hiring goals and has implemented B2Gnow and LCP Tracker software to do so.

<i>Estimated Job Creation</i>			
<i>Type</i>	<i>Approx. Size</i>	<i>Methodology</i>	<i># of Jobs</i>
<i>Construction</i>	\$400 MM	68 Jobs / \$10 Million Investment	2,720
<i>Office</i>	140 Usable SF	200 SF / Job	700
<i>Urban Grocer</i>	70K SF	700 SF / Job	100
<i>Retail</i>	30K SF	400 SF / Job	75
<i>Practice Facility</i>	60K SF	Projection Based on Experience	55
<i>Residential</i>	3 Buildings	20 Jobs / Building	60
<i>Parking</i>	4 Lots	5 Jobs Per Lot	20
TOTAL JOBS			+3,700

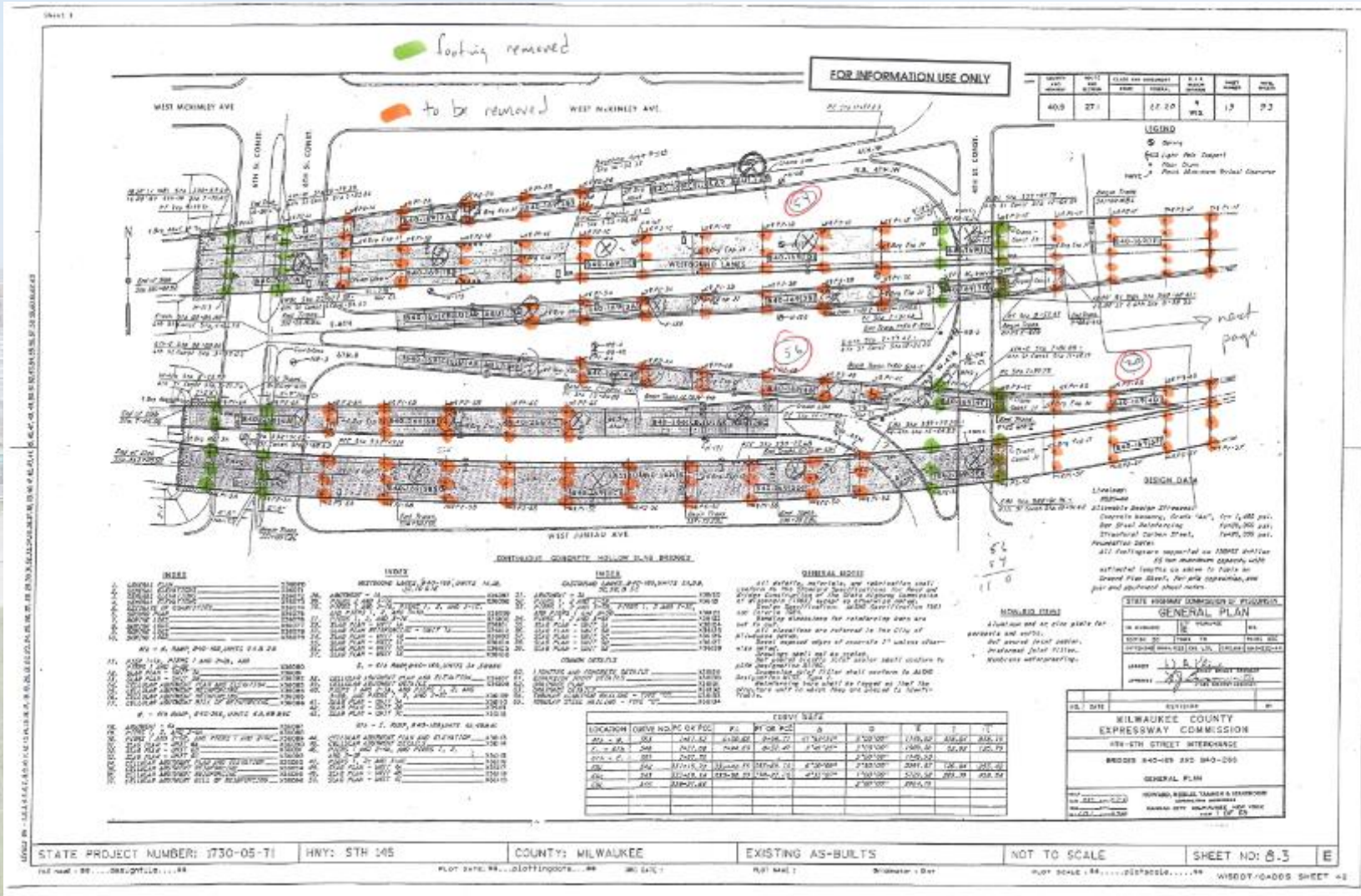
Property Condition



Sidewalk maintenance area.

- Blocks are sold “AS IS”, County will convey each Phase of the Park East in its "AS IS" condition with all faults and defects.
- Property may contain old building foundations, building materials and other debris among other contamination.
- At any time that Developer is leasing any portion of the Property they shall be responsible for maintenance of the leased Property.
- County is currently maintaining the property.
- If environmental impacts subject to regulation are identified, the Developer agrees, if required by law, to remediate the Property, obtain regulatory closure and be solely responsible for all remediation expenses.

Property Appraisal



Appraised value (approximately \$8mm) does not account for -

- Removing and reconstructing the sewer
- No discount for unknown environmental contamination and remediation
- No discount for highway pier footing removal

Phased Development

- Master Development has 3 phases
 1. Blocks 1 and 2 construction,
 2. Bradley Center and Parking Garage redevelopment,
 3. Blocks 4 and 7 construction.
- Park East Development has 4 parts to match the 4 blocks
- Time needed to allow for absorption
- Working with a Master Developer (Head of the Herd LLC) ensures comprehensive plan development
- Milwaukee County has a proven track record managing phased developments
 - Research park
 - Innovation campus

Park East Phase 1 and 2

- The development of Blocks 1 and 2 and the creation of temporary surface parking lots on Blocks 4 and 7 to be used as a construction staging area during arena construction and supplemental parking when the BMO Harris Bradley Center and its adjacent parking structure are demolished in Phase 2.
- **PARK EAST BLOCK ONE**
 - NBA Practice Facility
 - 30,000 square feet of office space
 - 40 parking spaces
 - Street-facing public art plaza along McKinley Avenue
- **PARK EAST BLOCK TWO**
 - 1,243-space activated parking structure
 - 10,000 square feet of retail
 - 30,000 square feet of office space
 - 98 market rate apartments



Phase I: Perspective Looking Southeast

Park East Phase 3 and 4

Park East Phase 3 and 4 match with Master Development Phase 3 which achieves the completion of the Arena District development.

- **PARK EAST BLOCK FOUR**
 - 70,000 square feet of retail space (urban grocer)
 - 183 market rate apartments
 - 183-space parking structure
- **PARK EAST BLOCK SEVEN**
 - 215 market rate apartments, potentially condominiums
 - 100,000 square feet of office space
 - 16,000 square feet of retail
 - 237-space parking structure
 - 37,000 square foot outdoor plaza



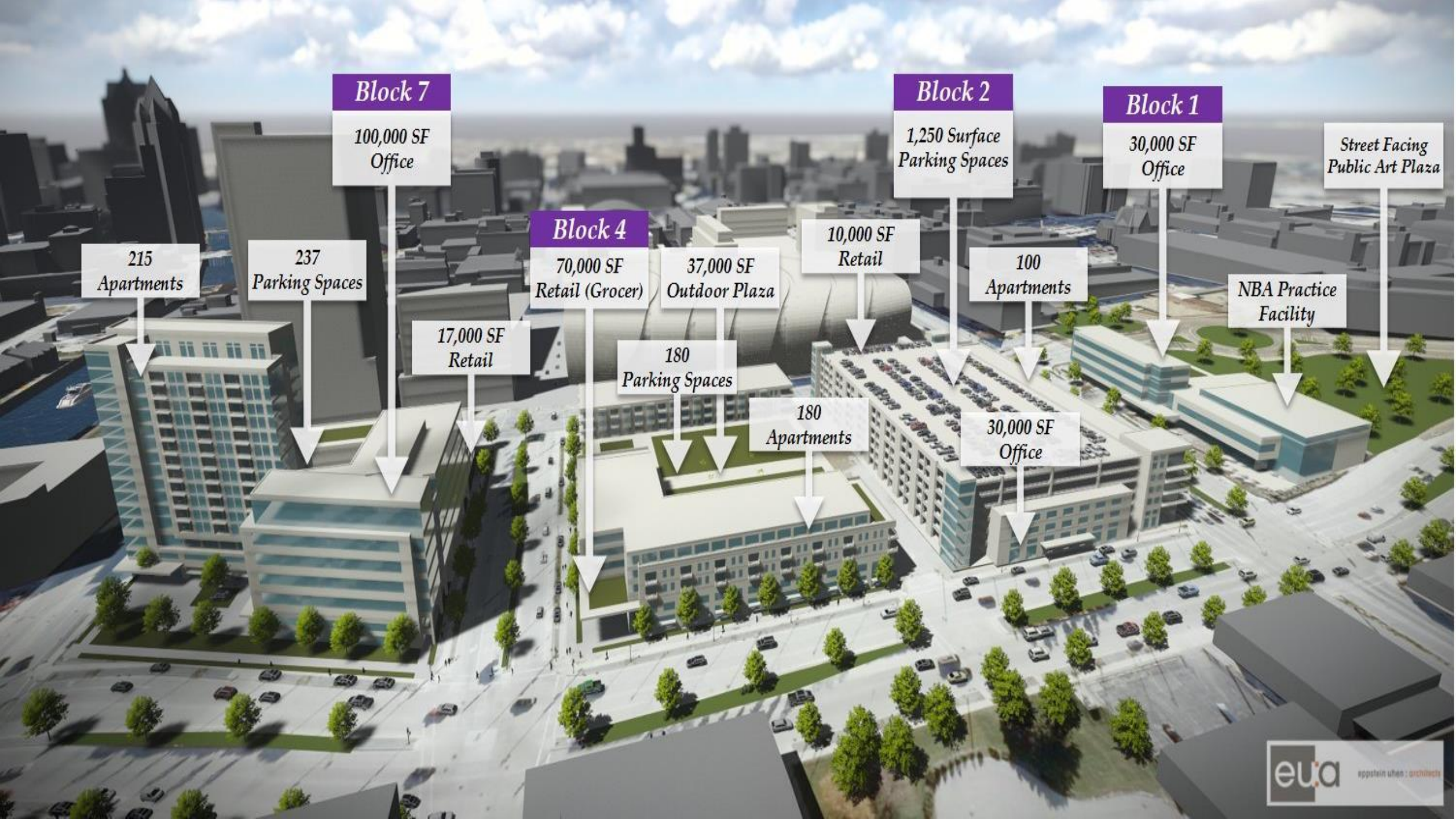
PERC Compliance – Community Benefits

PERC Requirement – Economic Benefit	Head of the Herd LLC Proposal
“Each parcel of Park East land will be sold through a competitive Request for Proposals (RFP) which shall be reviewed and approved by the County Board.”	Rolling RFP for the Park East was presented as an information report to the County Board’s Economic and Community Development Committee on December 9, 2013 (File No. 13-914), Park East Rolling RFP (2014-ED01) was issued on June 10, 2014
“Milwaukee County should not just sell the land for the highest price offered but rather should seek development proposals which will provide the greatest future benefit in jobs, tax base and image for the community, as well as, a fair price.”	Special condition for taxable use included in Option to Purchase. Projected to create approximately \$5 million in property taxes annually Projected to create over 3,700 jobs.
“Milwaukee County will include their current DBE policies, as they apply to county construction contracts, in all RFP’s and development contracts.”	The Developer has committed in the Option to Purchase to the DBE goals as they currently exist in Chapter 42 of the Milwaukee County Code of General Ordinances (25% participation for construction including architecture and engineering; 17% participation for professional services). Multijurisdictional funding allows multijurisdictional certification (i.e. DBE, MBE, SBE).
“All RFP’s and development contracts shall contain additional apprenticeship and training requirements, using existing agencies whenever possible.”	The Developer has initiated discussions with and plans to partner with the Milwaukee Area Workforce Investment Board (MAWIB) to meet its participation goal for workforce training and apprenticeship hours.

PERC Compliance – Community Benefits

PERC Requirement	Head of the Herd LLC Proposal
“Local Employment”	The Developer has pledged a goal of 25% participation for Milwaukee County residents in terms of total construction hours.
“All RFP’s and development agreements will require the payment of prevailing wages for construction employees as is now required for most public works projects.”	Prevailing Wage is included as requirement for construction jobs.
“Milwaukee County will require that green space and green design be specifically included in all proposals submitted in response to an RFP. The County will consider this information when evaluating and selecting a final developer for each parcel.”	<p>Public art plaza along McKinley Avenue on Block 1, to make the block more pedestrian friendly, tie it to the Brewery Development and to create a welcoming atmosphere for traffic entering downtown Milwaukee.</p> <p>Install a BublR Bikes station.</p> <p>Create a public plaza at the northeast corner of Block 7 (MMSD infrastructure easement prohibits building any significant structures).</p> <p>Have green courtyard atop the parking deck on Block 4</p> <p>The developer’s architect, Eppstein Uhen has a great deal of experience completing LEED-certified projects and plans to utilize many green techniques when planning the development, such as designing buildings to optimize natural lighting, using renewably sourced building finish materials, installing energy efficient HVAC equipment and low-flow consumption plumbing fixtures, and providing bicycle storage for commuters and charging stations for electric vehicles.</p>





Block 7

100,000 SF
Office

Block 2

1,250 Surface
Parking Spaces

Block 1

30,000 SF
Office

Street Facing
Public Art Plaza

Block 4

70,000 SF
Retail (Grocer)

37,000 SF
Outdoor Plaza

10,000 SF
Retail

100
Apartments

NBA Practice
Facility

215
Apartments

237
Parking Spaces

17,000 SF
Retail

180
Parking Spaces

180
Apartments

30,000 SF
Office