

**COUNTY OF MILWAUKEE**  
INTEROFFICE COMMUNICATION

**DATE:** October 27, 2017

**TO:** Supervisor Theo Lipscomb, Chair, County Board of Supervisors

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

**SUBJECT:** Informational Report Related to the completed sale of the Community Correctional Center (CCC) to Heartland Housing, Inc.

**REQUEST**

There is no request at this time; this report is for informational purposes only.

**BACKGROUND**

On October 5, 2017, Milwaukee County successfully closed on the sale of the former CCC building, 1004 N. 10<sup>th</sup> St, to Heartland Housing, Inc. This sale followed the prior approvals of the Milwaukee County Board in Files 14-939 and 16-506. This transaction was complex in the many goals that are accomplished in its successful completion and in order to get to closing a number of distinct agreements needed to be negotiated. Ultimately what has been accomplished is the creation of a supportive housing facility, facility for the St. Ben's Community Meal Program, and long-term home to the House of Correction's Day Reporting Center that provides substantial public benefits.

Attached to this File are the final documents associated with the transaction some of which have been recorded against the property.

**Day Reporting Center Lease**

As part of this transaction, Milwaukee County will lease 6,865 square feet of space in the building for the use of the House of Correction Day Reporting Center (DRC). The DRC provides services to educate and treat ex-offenders to aid in their transition back into the community that includes Cognitive Intervention Programming (CIP), Community Service/Restorative Justice, Adult Basic Education/GED, Employment Readiness/Job Placement, Parenting/Fatherhood counseling, and AODA Group Session. The length of the lease is for 15 years with an option to renew for an additional 5 years. The annual base rent is for \$75,000 per year (\$10.92 per sf) which is substantially lower than the rental rate that was considered in prior approvals of \$15 per sf. The Lease will commence when the building is ready for occupancy, which is anticipated for October, 2018.

**Development Agreement**

The Development Agreement describes the aspects of the project that must be constructed to comply with the Option to Purchase Agreement and the manner in which Milwaukee County will oversee and enforce compliance. This includes the design of the building itself and also how the building will be constructed, which is encapsulated in the Community Benefits Compliance Plan.

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### **Community Benefits Compliance Plan**

Pursuant to the Option to Purchase agreement, the developer is obligated to provide certain community benefits in the construction of the project. These benefits include 25% participation of Targeted Business Enterprise (TBE) firms, and the hiring of 40% Milwaukee County residents. The Community Benefits Compliance Plan describes the steps that the developer must go through to accomplish and track performance of these goals.

### **Building Restrictions and Easement Agreement**

One of the key aspects of the overall project is the historic restoration of the CCC building. The current Medical Examiner's facility on 9<sup>th</sup> and Highland was originally constructed in 1974 as an emergency room serving the hospital building that is the CCC. Given this relationship, the Medical Examiner's facility is considered as part of the historic CCC by the State Historic Preservation Office. It is not, however, considered a "contributing structure" so the restrictions are not the same as if it were the CCC. Despite the lighter restrictions, Milwaukee County does have to acknowledge that the way it improves the Medical Examiner's facility has an impact on the historic preservation tax credits issued to Heartland Housing on the rehab of the CCC. This Building Restrictions and Easement agreement addresses how the County will inform Heartland Housing of improvements to the County's building to ensure that it does not violate any of the conditions of their preservation tax credits.

In addition, the buildings have functioned as connected space since 1974 and needed to be physically separated to enable this transaction. A Certified Survey Map was created to draw the boundaries between the buildings but this created a situation where walls were shared and needed to be addressed in this Easement. The easement also addresses how Heartland and the County will maintain their structures with respect to notifying each other of how work will be conducted and impact the other. Finally, there are access easements granted to the County in the CCC building for door opening and well access in the new parking lot, as well as an IT easement that serves the Medical Examiner and runs through the basement and first floor of the CCC.

### **Shelter Plus Care Agreement**

Milwaukee County Housing Division was awarded by the U.S. Department of Housing and Urban Development (HUD) a Shelter Plus Care Project-Based Rent Assistance contribution in 2016. Through this agreement, Milwaukee County authorizes Heartland Housing to use the Grant to provide rental assistance for 39 units in the project.

### **Grant Agreement**

In the original and amended authorizing files, it was contemplated that if not for this transaction, Milwaukee County would otherwise spend \$1.8 million on the demolition of the CCC building. Similar to the City Campus transaction, the rationale was that instead of spending these funds on demolition that instead the funds could be invested into the project. The \$1.8 million has been transferred to the developer through a Grant Agreement. The funds have been placed in escrow and can be disbursed for eligible construction costs of the project.

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**RECOMMENDATION**

There is no recommendation at this time; this report is for informational purposes only.



James Tarantino

Economic Development Director, Department of Administrative Services

Attachments (6):     Development Agreement  
                           Community Benefits Compliance Plan  
                           Day Reporting Center Lease  
                           Grant Agreement  
                           Shelter Plus Care Agreement  
                           Building Restrictions and Easement Agreement

CC:   Economic and Community Development Committee members  
      Scott B. Manske, Milwaukee County Comptroller  
      Raisa Koltun, Chief of Staff, County Executive's Office  
      Kelly Bablitch, Chief of Staff, County Board  
      Teig Whaley-Smith, Director, Department of Administrative Services  
      Vince Masterson, DAS-PSB  
      Jim Mathy, Director, DHHS-Housing  
      Rick Norris, Director, Community Business Development Partners  
      Dr. Brian Peterson, Chief Medical Examiner, Medical Examiner's Office  
      Michael Hafemann, Superintendent, House of Correction  
      Stephen Cady, Comptroller's Office

