# RSC
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<u>Via Email</u>

To: Economic & Community Development Committee of Milwaukee County

From: RSC & Associates for Park East Square, LLC

Date: August 24, 2011

Block One was purchased by RSC & Associates from Milwaukee County in December 2007 for $2,725,000 and Park East Square was set to break ground on the project comprising a 122-room Hyatt Place Hotel, a 108 room Hyatt Summerfield Suites Hotel, retail space, 121 unit residential apartment component and a 277 space parking garage until the economic downturn resulted in the project lender rescinding the loan commitment.

Since the closing on the land, RSC has worked diligently to modify the project in form and function to conform to the unprecedented financing environment we continue to experience. This design evolution resulted in a proposed partnership with CommonBond to develop an affordable housing project on a portion of the site. However, CommonBond did not receive the 9% tax credit allocation that was required which prevented the project from moving forward. Park East Square continued to develop the affordable housing concept.

We are very excited to advise the Committee that we are expanding our project team to include a local Milwaukee developer who is a very strong, well respected real estate development firm headquartered in Milwaukee with experience in almost all types of real estate including multifamily similar to the Park East Square.

The strength of the expanded Park East Square project team will move Phase 1 of the project forward, which is designed to include 85 luxury apartment units including 20% affordable units,

14,600 square feet of retail and 246 parking spaces with a total development cost of approximately $20 million.

The Milwaukee rental market is strong and is expected to continue the positive momentum based upon the market study and research reports related to the transition from the purchasing of condominiums to the very strong demand to rent quality market rate and affordable apartments.

The bank financing market for apartment construction loans has improved quite a bit over the last year and the project team is aggressively marketing the project to conventional lenders. It appears the apartment financing market is ready and interested in providing the financial support needed to move forward and we have interest from at least five major Milwaukee and national lenders.

We are also working with the AFL/CIO Housing Income Trust to potentially buy the Midwest Disaster Tax Exempt bonds that we obtained from a Federal program through the City of Milwaukee. This purchase would, in essence, be construction loan financing for the project. As you can see, we appear to have weathered the storm and are confident that the proposed project will be capitalized and can move forward.

Due to the location of the project and the civic benefits it will provide to the neighborhood, the development qualifies for New Market Tax Credits. The project team is working closely with WHEDA and First-Ring Industrial Redevelopment Enterprise, Inc. (FIRE) to receive an allocation to further entice the financing marketplace to become a member of our team and move the project forward.

Our architect has provided updated massing diagrams and elevations for the new proposed project and is working closely with the City to review and approve the modifications. We expect to receive approval to move forward with the hopes of starting construction by mid next year.

We understand that we must appear to obtain County approval of a revised Development Agreement incorporating the expanded project team and the modified project mix. In order to ensure we have the time necessary to receive the various county and city approvals, finalize the financing and complete the design, we are requesting a nine month extension of the Project Excavation Commencement Date from September 30, 2011 to June 30, 2012. This will permit construction commencement within a more reasonable time of year.

Sincerely,

Richard Curto