

COUNTY OF MILWAUKEE**INTEROFFICE COMMUNICATION**

DATE: August 28, 2017

TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

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

SUBJECT: Authorization to apply for, accept, and implement a Community Development Investment Grant in a maximum amount of \$250,000 from the Wisconsin Economic Development Corporation to assist in the Sherman Phoenix development in the Sherman Park neighborhood of Milwaukee in partnership with Sherman Phoenix LLC.

POLICY

Milwaukee County Board review and approval is required for the submission of grant funding applications, pursuant to MCGO 56.06.

BACKGROUND

The Wisconsin Economic Development Corporation ("WEDC") is the State of Wisconsin's lead economic development agency focused on sustainable business growth and job creation. The economic development resources WEDC provides to local governments and private parties include several grant opportunities. One such opportunity is the Community Development Investment Grant ("CDIG") Program. This program is meant to "support urban, small city and rural community redevelopment efforts by providing financial incentives for shovel-ready projects with emphasis on, but not limited to, downtown community driven efforts." by providing grants to local municipalities for use on specific projects which "demonstrate significant, measureable benefits in job opportunities, property values and/or leveraged investment by local and private partners."

DAS-Economic Development is seeking authorization to apply for a Tier 3 CDIG in an amount up to \$250,000 to assist in the development of the Sherman Phoenix project (the "Project") which is led by Juli Kaufmann of Fix Development and JoAnne Sabir (the "Development Team"). The Project is focused on the rehabilitation of the former BMO Harris Bank branch at the intersection of N 35th St., Burleigh St., and W. Fond du Lac Ave. which was damaged during the civil unrest of August 2016. The bank building, which is known as the Phoenix building and has an address of 3536 W. Fond du Lac Ave., suffered heavy fire damage at that time and has been vacant for the last year. BMO Harris Bank is re-opening a new branch location in an adjacent building and the ownership of the Phoenix building will transfer to the Development Team when that new branch is completed.

The Sherman Phoenix project is structured as a small business incubator that will provide space for up to 12 small businesses and has a focus on prepared food and wellness. The Project features a shared food hall, patio, and gathering spaces as amenities as well as co-working space, mentorship, training and access to capital networks to help grow small

businesses. Based upon tenant commitments to date, it is estimated that the Project will support 45 jobs in addition to the revitalization of the building and block that has suffered from the unrest of one year ago.

The Sherman Phoenix project is guided by three goals:

1. Redevelop vacant and damaged properties into high quality commercial space that strengthens a major commercial corridor.
2. Support entrepreneurs of color to help them grow their businesses and generate wealth and job opportunities in Central City Milwaukee.
3. Build community capital by creating opportunities for direct neighbor investment in real estate and business.

Previous work by the Development Team includes the Clock Shadow building in Walker's Point, the Innovation and Wellness Commons including the Juice Kitchen in Lindsay Heights, and the Wally Schmidt Tavern/The Tandem restaurant redevelopment.

The CDIG requires a local 75% match. Match funds need not be in the form of cash from the County, but can come from other public and private investment that are committed to the project. In this case, \$2,050,000 has already been pledged to the project in the form of foundation support, individual fundraising, and a \$225,000 contribution that will be provided by a City of Milwaukee TIF. Altogether these contributions more than cover the 75% match requirement.

To implement the grant, if awarded, DAS-Economic Development will enter into an MOU with the Sherman Phoenix LLC which shall include, but not be limited to, the following terms:

- Submittal to County of paid itemized invoices for eligible expenses with proof of payment for reimbursement purposes, as required by WEDC;
- Semi-annual performance reporting during the life of the project, with a final report due upon completion, as required by WEDC;
- Indemnification in favor of County in the event of a default entitling WEDC to a return of any grant funds expended;
- Guaranty that County is not responsible for financial obligations of Sherman Phoenix LLC;
- Access to project records during the life of the project and for at least three years thereafter for auditing purposes.

RECOMMENDATION

The Director of the Department of Administrative Services – Economic Development recommends authorization to apply for, accept, and implement a Community Development Investment Grant in a maximum amount of \$250,000 from the Wisconsin Economic Development Corporation to assist in the development of the Sherman Phoenix project in partnership with the Development Team.

FISCAL NOTE

Acceptance of the grant will have a net zero impact on the division's budget. Milwaukee County's role in the process will be that of a compliance administrator and conduit for grant funds. Staff time to monitor the project and process the reimbursements will be absorbed in the agency's existing budget.



James Tarantino

Economic Development Director, Department of Administrative Services

Attachment: Resolution
 Fiscal Note
 Project Background

cc: Chris Abele, County Executive
 Supervisor Taylor, Chairman, Economic and Community Development
 Committee
 Economic and Community Development Committee Members
 Finance, Personnel and Audit Committee Members
 Teig Whaley-Smith, Director, Department of Administrative Services
 Kelly Bablitch, Chief of Staff, County Board of Supervisors
 Raisa Koltun, Chief of Staff, County Executive's Office
 Julie Esch, Director of Operations, DAS

(ITEM) From the Director of Economic Development, Department of Administrative Services, requesting authorization to apply for, accept, and implement a Community Development Investment Grant in a maximum amount of \$250,000 from the Wisconsin Economic Development Corporation to assist in the Sherman Phoenix development in the Sherman Park neighborhood of Milwaukee in partnership with Sherman Phoenix LLC by recommending the following:

A RESOLUTION

WHEREAS, the Wisconsin Economic Development Corporation (WEDC) is the State of Wisconsin's lead economic development agency focused on sustainable business growth and job creation; and

WHEREAS, WEDC's Community Development Investment Grant (CDIG) Program is meant to, "support urban, small city and rural community redevelopment efforts by providing financial incentives for shovel-ready projects with emphasis on, but not limited to, downtown community driven efforts," by providing grants to local municipalities for use on specific projects which "demonstrate significant, measureable benefits in job opportunities, property values and/or leveraged investment by local and private partners."; and

WHEREAS, DAS-Economic Development is seeking authorization to apply for a Tier 3 CDIG in an amount up to \$250,000 to assist in the redevelopment efforts of Sherman Phoenix LLC in the Sherman Phoenix project; and

WHEREAS, development efforts involve the renovation and redevelopment of a fire damaged former bank building into a small business incubator; and

WHEREAS, the goals of the project are to redevelop vacant and damaged properties into high quality commercial space that strengthens a major commercial corridor, support entrepreneurs of color to help them grow their businesses and generate wealth and job opportunities in Central City Milwaukee, and build community capital by creating opportunities for direct neighbor investment in real estate and business; and

WHEREAS, the required 75% local match shall be satisfied by public and private investment funding already committed to the project; now, therefore,

BE IT RESOLVED that the DAS-Economic Development Division is hereby authorized to apply for, and if awarded, accept CDIG funds in an amount up to \$250,000 from the Wisconsin Economic Development Corporation to assist in funding the efforts of Sherman Phoenix LLC in the Sherman Phoenix project; and,

BE IT FURTHER RESOLVED, that if awarded the grant DAS-Economic Development is authorized to enter into a CDIG Agreement with WEDC and a Memorandum of Understanding with the Sherman Phoenix LLC, subject to the approval of Risk Management and Corporation Counsel; and

51
52
53
54
55
56
57
58
59
60
61
62
63
64

BE IT FURTHER RESOLVED, the MOU shall include at least the following terms and conditions:

- (a) Submittal to County of paid itemized invoices for eligible expenses with proof of payment for reimbursement purposes, as required by WEDC;
- (b) Semi-annual performance reporting during the life of the project, with a final report due upon completion, as required by WEDC;
- (c) Indemnification in favor of County in the event of a default entitling WEDC to a return of any grant funds expended;
- (d) Guaranty that County is not responsible for financial obligations of Sherman Phoenix LLC;
- (e) Access to project records during the life of the project and for at least three years thereafter for auditing purposes.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: August 28, 2017

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: From the Director of Economic Development, Department of Administrative Services, requesting authorization to apply for, accept, and implement a Community Development Investment Grant in a maximum amount of \$250,000 from the Wisconsin Economic Development Corporation to assist in the Sherman Phoenix development in the Sherman Park neighborhood of Milwaukee in partnership with Sherman Phoenix LLC.

FISCAL EFFECT:

- ☐ No Direct County Fiscal Impact
- ☒ Existing Staff Time Required
- ☒ Increase Operating Expenditures
(If checked, check one of two boxes below)
- ☐ Absorbed Within Agency's Budget
- ☒ Not Absorbed Within Agency's Budget
- ☐ Decrease Operating Expenditures
- ☒ Increase Operating Revenues
- ☐ Decrease Operating Revenues
- ☐ Increase Capital Expenditures
- ☐ Decrease Capital Expenditures
- ☐ Increase Capital Revenues
- ☐ Decrease Capital Revenues
- ☐ Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	\$250,000	0
	Revenue	\$250,000	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated. ¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

- A. The Economic Development Director is requesting authorization to accept a grant of \$250,000 from WEDC and allocate those funds to Sherman Phoenix LLC, which is responsible for compliance.
- B. If the project is completed by Sherman Phoenix LLC, proceeds up to \$250,000 would be received by the County and disbursed to Sherman Phoenix LLC.
- C. This would be a net cost of \$0 to the county, other than staff time needed to monitor the project and process grant requests.
- D. None.

Department/Prepared By James Tarantino, Economic Development Director

Authorized Signature



Did DAS-Fiscal Staff Review? ☒ Yes ☐ No

Did CBDP Review?² ☐ Yes ☐ No ☒ Not Required

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.