



COUNTY FACILITIES PLANNING WORK INITIATION REQUEST FORM

Please complete a form for each new proposal review request.

Work Proposal Name:

Park East Corridor - Block 26

Date of Request:

11/1/19

Requesting Department:

DAS-Economic Development

Department Contact Name:

Adam Stehly

High Org:

115

Low Org:

1191

Approval Signature of Department Head:

AaronHertzberg

Digitally signed by AaronHertzberg
Date: 2019.11.01 15:52:58 -05'00'

DESCRIPTION

Please provide a detailed description of the request:

Dissolve the existing development agreement, including all amendments, in order to allow another party to take over ownership and development of the remaining phases. Overlapping amendments and changes in developers over the past 12 years have created ambiguities and have not advanced completion of the project as envisioned.

How will this proposal improve your operations, enhance customer service or otherwise benefit your department and the County?

Reconciles ownership of the property, sets forth a path to project completion in 2022, establishes a new \$250k letter of credit, provides the division with \$100k of consideration, and creates \$26m in new construction dollars.

Desired Timeline:

Begin Date:

11/9/19

End Date:

11/15/22

Duration:

3 years

Anticipated Funding Source (select all that apply):

Requestor's Operating Budget

Capital Budget

Other (i.e. grants, donations, etc.; please describe):

Request Involves:

Parks Property

BHD Property

No funds required. The contribution from the developer is associated with the sale of capital assets and is intended to be applied as such to DAS-ED.





COUNTY FACILITIES PLANNING WORK INITIATION REQUEST DETERMINATION

CFPSC ACTION FOR CFPSC USE ONLY

CFPSC Project Tracking #:

2019-032

TYPE OF REQUEST (Refer to paragraph 4.3 of the CFPSC charter for more details)

- | | | |
|---|--|---|
| <input type="checkbox"/> 1. Property Management | <input type="checkbox"/> 2. Move Management | <input type="checkbox"/> 3. Property Improvements |
| <input type="checkbox"/> 4. New Footprint | <input checked="" type="checkbox"/> 5. Contractual Obligations | <input type="checkbox"/> 6. Centralized Facilities Management Process Improvement |

CFPSC Review Comments:

FOR EASEMENTS ONLY

Reviewed & Recommended for Approval:

DAS — FM, AE&ES (Legal Description)

Director, DAS

Corporation Counsel

Note:

1. Easements affecting lands zoned "Parks" require County Board approval.
2. Forward a copy of the recorded easement to AE&ES.

CFPSC RECOMMENDATION

The County Facilities Planning Steering Committee reviewed this proposal on . As evidenced by the authorized signature below, the County Facilities Planning Steering Committee recommends approval of this proposal.

Chair or Vice-Chair:

Date:

County Facilities Planning Steering Committee

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: September 13, 2019

TO: Supervisor Theodore Lipscomb, Chair, County Board of Supervisors

FROM: Aaron Hertzberg, Director, DAS, Economic Development

SUBJECT: From the Director of Economic Development – Department of Administrative Services requesting authorization to dissolve the initial development agreement, inclusive of all amendments, with respect to the development of Park East Block 26, East of the Milwaukee River to permit the current owner of Phase 1 to take over the ownership and development of Phases 2 & 3 from the initial developer, Park East Square, LLC.

REQUEST

Authorization to dissolve the initial development agreement, inclusive of all amendments, with respect to the development of Park East Block 26, East of the Milwaukee River to permit the current owner of Phase 1 ("Phase 1 Owner") to take over the ownership and development of Phases 2 & 3 from the Park East Square, LLC ("Initial Developer").

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

Report

Following an 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 homogenous with Phase 1.

The Initial Developer, together with its partners, desires to convey Phases 2 and 3 in order for the development to be completed. They have requested the County to terminate the Initial Development Agreement and to replace it with a New Development Agreement. Because the Initial Development Agreement pre-dates changes to Wis. Stat. 59.17(2)(b)(3) regulating land sales in Milwaukee County, further modification must be approved by the County Board.

The request to dissolve the existing development agreement would be contingent on signing a new development agreement. Based on the complexity and layering of prior agreements, it's advised to dissolve the existing agreement and begin anew, rather than attempting to further amend prior agreements. A copy of the draft new development is provided for consideration. Substantive changes to the Initial Development Agreement are as follows:

- Construction of Phase 2 and Phase 3 shall be substantially similar to plans previously approved, excepting modifications to comply with current building codes, and construction shall be in conformity with the Construction Schedule outlined for the applicable phases. The full schedule is as follows:

PHASE 2

Project Commencement Date:	4/1/2020
- Commencement of Excavation	
Excavation Completion Date:	10/1/2020
- Completion of Excavation and	
Commencement of Construction	
Project Completion Date:	4/1/2022
- Completion of Construction	
Total: 24 months	

PHASE 3

Project Commencement Date:	10/1/2020
- Commencement of Excavation	
Excavation Completion Date:	4/1/2021
- Completion of Excavation and	
Commencement of Construction	

Project Completion Date: 11/15/2022
- Completion of Construction
Total: 25.5 months

- A \$250,000 Letter of Credit shall serve as full security for the complete performance of all obligations, agreements and covenants promised.
- Due to changes in Wisconsin State Law, the Prevailing Wage requirement is removed.

Furthermore, Initial Developer and its partners recognize that because of project delays the County incurred losses to property tax revenue and expenses related to fees for, but not limited to, staff time and employment of private legal counsel. As compensation to the County for these losses and expenses, the Initial Developer and its partners shall contribute \$100,000.00 to the County.

In Milwaukee, available statistics indicate that while the number of new apartment units has grown, vacancy rates have decreased. That is, absorption outpaces supply. This suggests the project as currently proposed is viable.

Under the terms of the existing development agreement, the County has standing to repurchase and resell the undeveloped land. Economic Development does not recommend this alternative. Investment in real estate is speculative and subject to volatilities caused by or resulting from employment rates, wage growth, quality of life, financial investment in the market, among other conditions.

Further, recapturing the property may result in delays caused by potential litigation, marketing, advertising and disposition through the RFP process. During any such delay, market conditions could shift unfavorably. If the original intent of the Park East Redevelopment Compact was to provide development, then the goal should continue to provide for development to occur as expeditiously as possible and to generate the greatest value for and benefit of the overall community.

RECOMMENDATION

The Department of Administrative Services – Economic Development Division respectfully requests authorization to terminate the Initial Development Agreement for the continued development of Park East Block 26.



Aaron Hertzberg
Economic Development Director

cc: Chris Abele, County Executive
Teig Whaley-Smith, Director, Department of Administrative Services
Economic and Community Development Committee Members
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Raisa Koltun, Chief of Staff, County Executive's Office
Katarina Lucas, Research & Policy Analyst
Scott Manske, Comptroller
Steve Cady, Research & Policy Director