

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: November 13, 2024

To: Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

From: Celia Benton, Economic Development Director, Department of Administrative Services

Subject: From the Economic Development Director, Department of Administrative Services requesting authorization to negotiate and enter into agreements with Charles Allis and Villa Terrace Museums, Inc., for the disposition of the Charles Allis Art Museum and Collection and Friends of Villa Terrace Decorative Arts Museum, Ltd. for the disposition of the Villa Terrace Decorative Arts Museum and Collection

File Type: Action Report

REQUEST

The Director of Economic Development, Department of Administrative Services, requests authorization to negotiate and enter into agreements with Charles Allis and Villa Terrace Museums, Inc., for the disposition of the Charles Allis Art Museum and Collection and Friends of Villa Terrace Decorative Arts Museum, Ltd. for the disposition of the Villa Terrace Decorative Arts Museum and Collection.

POLICY

The 2024 Adopted budget included the passage of amendment number 39 which contained the following:

“Amend Agency No. 115 – Department of Administrative Services and 130 – Office of Corporation Counsel as follows:

- Review and negotiate a termination to the existing agreement between Milwaukee County and the Charles Allis Art Museum.

Amend the budget narratives for Agency 115 – Department of Administrative Affairs to include the following narrative:

- The Department of Administrative Services (DAS), working in coordination with the Office of the Corporation Counsel (OCC), will review the existing agreement between Milwaukee County and the Charles Allis Art Museum and explore opportunities to terminate the County’s on-going operational and capital support to the museum. Staff is requested to furnish a report to the County Board of

Supervisors no later than the May 2024 meeting cycle with recommendations on phasing out taxpayer support for the property.”

Additionally, the Villa Terrace is zoned Parks District, so Wisconsin Statute § 59.17(2)(b)3 applies, which states that the “county board may continue to exercise the authority under s. 59.52(6) with regard to land that is zoned as a park...”. In the law of property, authority over “land” includes authority over all rights appurtenant to the land.

Per Wisconsin Statutes, 2013 Act 14 and 2015 Act 55, full County Board review is required for certain contracts exceeding \$300,000, and for any multi-year budget contract.

Milwaukee County Code of General Ordinances 56.10 requires that Parks leases over one year require County Board approval.

Wis. Stat. § 66.1111 outlines requirements for a political subdivision’s ownership, use and disposition of property. If the County conveys historic property, Wis. Stat. § 66.1111 applies and the County “shall obtain a conservation easement under s. 700.40 to protect the historic character and qualities of the property.”

Milwaukee County Code of General Ordinances Chapter 13 requires that “all county department and agency heads in interacting with private support organizations (friends groups) formed to provide financial support and volunteer services for an activity of the county or any of its departments or agencies” shall enter into a written agreement with the support group.

Wisconsin State Statutes:	Wis. Stat. 59.17(2)(b)3, Wis. Stat. 59.52(31)(c), Wis. Stat. 66.1111, Wis. Stat. 700.40,
Milwaukee County Code of General Ordinances:	56.10, 13
Specific Adopted Budget:	2024
Specific Adopted Budget Amendment:	39
Specific Adopted Capital Project:	

BACKGROUND

The Charles Allis Art Museum and the Villa Terrace Decorative Arts Museum have been operated by the nonprofit, CAVT, since 2012. Previously, the museums had been under the umbrella corporation, Milwaukee County War Memorial, Inc. Both the buildings and art collections are owned by Milwaukee County.

Milwaukee County is solely responsible for maintaining the buildings. From 2007 to 2024, the County dedicated \$2,040,874 to capital needs at the two museums. This amount is far less than is needed to properly maintain the buildings, but with insurmountable infrastructure needs across the County, underfunding of these historic buildings will continue to be an issue. In 2019 and 2020 County staff completed reviews of the needs of these two buildings and in today’s dollars the capital needs over the next

eighteen years totaling over \$18 million. Additionally, over that same period if the County continued to provide operating funds at the same level that amount would amount to over \$4 million. A solution was needed to ensure the future of these two historic properties.

An Informational Report, File No. 24-470, was presented to the County Board in May of 2024 in response to the 2024 Adopted Budget Amendment 39 (File No. 23-889) that requested DAS explore opportunities to eliminate capital and operational support to the Charles Allis Museum. File 24-470 discussed the history and operations of the two museums and presented options and considerations for the future of the museums. The recommended option was to publish a Request for Information (RFI) to explore opportunities to reduce or eliminate the County's support for the two museums.

The RFI was released at the end of May and closed July 15, 2024, and the results presented to the County Board in September 2024 in an action report (File 24-767) that was adopted by the County Board and authorized the DAS – ED to pursue negotiations with the FOVT with the goal of reducing or eliminating the capital and operational support the County provides to the Charles Allis Art Museum and the Villa Terrace. Concurrently, DAS-ED continued discussions with CAVT to determine if there was an option for CAVT to take ownership of the Charles Allis Art Museum and Collection.

CAVT, FOVT, and County have negotiated the provisions of a term sheet, which contemplates the transfer of the Charles Allis Art Museum and collection to CAVT and the transfer of the Villa Terrace Decorative Arts Museum and collection to FOVT with both entities continuing to operate the buildings in part as museums. The term sheet is attached to this file, but the major provisions are as follows:

Structure of the deal with FOVT:

Lease: FOVT will enter into a three-year lease for \$1.00 per year to manage and operate the Villa Terrace Decorative Arts Museum. County will not be responsible for any maintenance of the property during the lease period. County will continue to provide property insurance during the term of the lease. During the term of the lease FOVT will ensure public access to the museum and collection and provide programming aligned with the County's racial equity and community health initiatives. FOVT's obligations, aligned with its RFI response, shall be further detailed in the lease.

Option to Purchase: FOVT will enter into an Option to Purchase that will run consecutively with the Lease. The option fee will be \$1.00.

Contribution Agreement: County will provide FOVT operating dollars in the amounts of \$112,554 in 2025 and \$40,000 in 2026, 2027, and 2028 to ensure fiscal sustainability of FOVT's operations.

Capital Funding: To address deferred maintenance needs that relate to health and safety, ADA Accessibility, safety of the art collection, and the structural integrity of the

building, the County will contribute \$1.2 million over three years, 2026, 2027, and 2028 in the amount of \$400,000 each year. To be eligible to receive this funding FOVT will annually provide proof of capital/maintenance funds totaling \$400,000 by July 2025, \$800,000 by July 2026, and \$1.2 million by July 2027. The Capital Funding raised by FOVT will be restricted for capital/maintenance needs and will be kept in a separate bank account from other funds. The County will reimburse capital/maintenance expenses for projects that the County has identified as related to health and safety, ADA Accessibility, safety of the art collection, and structural integrity of the building. For clarity, it is expected that each party will provide \$1.2 million for capital/maintenance for a total investment of \$2.4 million. The County will reimburse FOVT for maintenance and capital expenses based on paid invoices. Invoices will be reviewed by the Department of Administrative Services – Facilities Management and will be paid within 45 days.

Development Agreement: FOVT will enter into a Development Agreement with the County for the capital funding. FOVT will use its best efforts to meet the community benefit goals of 25% for professional services and 17% for construction. County funding will only be used for projects that the County has identified as related to health and safety, ADA Accessibility, safety of the art collection, and structural integrity of the building.

Allis Collection: If CAVT does not take transfer of the building and collection per its option agreement, FOVT shall agree to take the Allis Collection with the trust monies at the County's request.

Reserve: Prior to closing, FOVT will establish and maintain a restricted capital reserve account in the amount of \$500,000 for ongoing capital and maintenance needs at the Villa Terrace. This amount is in addition to the \$1.2 million in capital/maintenance funds.

Restrictions: If for any reason after the transfer of the property to FOVT, the facility does not provide reasonable public access, FOVT agrees to provide the County with the fair market value of the property at that time. If FOVT sells the property to any other person or legal entity and the property is no longer open to the public, FOVT will sell the property for fair market value and agrees to provide all proceeds from the sale to the County. Fair market value will be determined by an appraiser approved by both the County and FOVT.

Structure of the Deal with CAVT:

Lease: CAVT will enter into a one-year lease for \$1.00 to manage and operate the Charles Allis Art Museum. County will not be responsible for any maintenance of the property during the lease period. County will continue to provide property insurance during the term of the lease. During the term of the lease CAVT will ensure public access to the museum and collection and provide programming aligned with the County's racial equity and community health initiatives. During the term of the lease, CAVT will be able to use trust funds for care of the Collection as approved by the

County.

Option to Purchase: CAVT will enter into an Option to Purchase that will run consecutively with the Lease. The option fee will be \$1.00. The option will include a provision that CAVT will take on the trustee relationship of the Allis home and collection. At the time of transfer, or as soon thereafter as practicable, the trust will be transferred from the County to CAVT. If at the end of the option period, CAVT elects not to purchase the Allis, County will work with FOVT to sell the Allis and transfer the Collection to FOVT.

Contribution Agreement: County will provide CAVT operating dollars in the amount of \$112,554 in 2025. If CAVT exercises its option to take transfer of the Charles Allis home and Collection, County will provide operating dollars in the amounts of \$185,000 in 2026, \$165,000 in 2027, and \$150,000 in 2028 to ensure fiscal sustainability of CAVT's operations. In consideration of these funds, CAVT shall meet reasonable fundraising goals, ensure public access to the museum and collection, and provide programming aligned with the County's racial equity and community health initiatives. CAVT will need to meet funding goals of \$100,000 in 2025, \$125,000 in 2026, and \$150,000 in 2027 to receive the County's operating contribution the following year. Funding can be any combination of memberships, individual contributions, grants, revenue from events, and/or rent. Additional obligations, aligned with CAVT's RFI response, shall be further detailed in the Contribution Agreement.

Capital Funding: To address deferred maintenance needs that relate to health and safety, ADA Accessibility, safety of the art collection, and the structural integrity of the building, the County will contribute \$250,000 in 2026 and \$250,000 in 2027 in capital funding, if CAVT exercises its option and takes transfer of the Charles Allis house and Collection.

Development Agreement: CAVT will enter into a Development Agreement with the County for the capital funding. CAVT will use its best efforts to meet the community benefit goals of 25% for professional services and 17% for construction. County funding will only be used for projects that the County has identified as related to health and safety, ADA Accessibility, safety of the art collection, and structural integrity of the building.

RECOMMENDATION

The Director of the Department of Administrative Services - Economic Development recommends authorization to prepare, execute, and record any and all documents, instruments, contracts, development agreements, leases, including without limitation Deeds for property to be transferred, and to perform all actions required to complete transactions with the Charles Allis and Villa Terrace Museums, Inc., and the Friends of Villa Terrace Decorative Arts Museum, Ltd., and other entities as needed, consistent with the attached Term Sheet dated November 6, 2024.

Related File No's:	23-889, 24-470, 24-767
Associated File No's (Including Transfer Packets):	
Previous Action Date(s):	

ALIGNMENT TO STRATEGIC PLAN

Describe how the item aligns to the objectives in the [strategic plan](#):

3B: Enhance the County's fiscal health and sustainability by eliminating the ongoing costs of maintaining these two museums after an initial investment.

FISCAL EFFECT

No changes in the 2024 budget. The 2025 budget has \$225,108 appropriated for the museums. This amount will be split equally between FOVT and CAVT and will be provided to the organizations at the beginning of 2025 once the leases and contribution agreements are in place. The following are the budget impacts in 2026, 2027, and 2028:

	Operating Funds		Capital Funds	
	CAVT	FOVT	CAVT	FOVT
2026	\$185,000	\$40,000	\$250,000	\$400,000
2027	\$165,000	\$40,000	\$250,000	\$400,000
2028	\$150,000	\$40,000	0	\$400,000
TOTAL S	\$500,000	\$120,000	\$500,000	\$1,200,000

Operating funds are reduced in 2027 and 2028 and then eliminated completely. Capital funds are increased in 2026, 2027, and 2028, and then eliminated completely as the transfer of the properties to each entity and the County's negotiated capital contributions will be complete.

TERMS

See attached term sheet.

VIRTUAL MEETING INVITES

Claudia Egan, czegan@czeganlaw.com
 Marquayla Ellison, interimdirector@cavtmuseums.org
 Doug W. Rose, dwr@rosegrouplaw.com
 Barbara Velez, barbara.velez@yahoo.com

PREPARED BY:

Erica Goblet, Economic Development Project Manager, Dept. of Admin. Services

APPROVED BY:

Celia Benton, Economic Development Director, Department of Administrative Services

ATTACHMENTS:

Report

Resolution
Fiscal Note
Term Sheet
PowerPoint

CC:

David Crowley, County Executive
Liz Sumner, Comptroller
Parks and Culture Committee Members
Finance Committee Members
MaryJo Meyers, Chief of Staff, Office of the County Executive
Aaron Hertzberg, Director, Department of Administrative Services
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Allyson Smith, Committee Coordinator
County Board Research Analyst