

TERM SHEET

11/6/24

Pursuant to Milwaukee County Board Resolution 24-767, the County and Charles Allis Villa Terrace, Inc. (“CAVT”) and Friends of Villa Terrace, Inc. (“FOVT”) have engaged in discussions regarding the acquisition of the Charles Allis property by CAVT and the acquisition of the Villa Terrace property by FOVT. The goal of such negotiations is to reduce and/or eliminate the capital and operational support the County provides to these two institutions.

I. Villa Terrace Terms:

Price and Consideration: FOVT proposes to acquire the Villa Terrace Decorative Arts Museum and land located at 2220 N Terrace Avenue in the City of Milwaukee, as well as the art collection. The price at the end of the three-year option will be \$1.00 as FOVT will take over full responsibility for the operational and capital needs of the Villa Terrace and maintain it as a public museum. Currently, the projected capital needs for the next 18 years are approximately \$8,000,000.

Structure of the Deal:

- a. **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.
- b. **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.
- c. **Operational Funding:** County will provide FOVT operating dollars in the amounts of \$112,554 in 2025 and \$40,000 each year in 2026, 2027, and 2028 to ensure fiscal sustainability of FOVT’s operations.
- d. **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 receive this funding FOVT will provide proof of matching funds prior the County releasing the

funds each year. The matching funds raised by FOVT will be restricted for capital needs.

- e. **Development Agreement:** FOVT will enter into a Development Agreement with the County for the capital funding. FOVT will provide proof of matching funds prior to the County releasing the funds each year. 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.
- f. **Allis Collection:** If CAVT does not take transfer of the building and collection per its option agreement, FOVT shall agree to take the collection with the trust monies at the County's request.

Restrictions: If for any reason after the transfer of the property to FOVT, the facility is not used as public museum in part, Villa Terrace ownership will revert back to the County through a deed restriction.

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 matching funds.

Reporting:

- a. FOVT shall provide an operating budget each fiscal year.
- b. Bi-annually, FOVT shall provide unaudited statements of revenues, expense and cash flows, a balance sheet, and updates on fundraising goals.
- c. Annually FOVT shall provide a report to the County on its activities. The report shall include a general update on programs, patrons served, benchmarks related to the business plan, updates on how Villa will be operated as a museum.
- d. Annual Audit: Within 180 days following the close of each fiscal year of FOVT – statements of revenues, expenses and cash flows of the FOVT and its trust and endowment funds for such fiscal year and a balance sheet of FOVT as of the close of such fiscal year prepared in accordance with generally accepted accounting principles.

Miscellaneous:

Funding to Friends: CAVT will provide \$30,000 to FOVT in January 2025 and \$40,000 to FOVT in January 2026 as part of the transfer of operations of the Villa Terrace to FOVT.

No Slander: FOVT, its employees, and agents agree not to in any way slander or injure the business reputation or goodwill of CAVT, including, by way of illustration, through any contact with members, prospective members, clients, prospective clients, vendors, or suppliers.

Non-binding:

It is understood and agreed that this Term Sheet and respective negotiations are not a binding agreement and that neither COUNTY nor FOVT shall have any obligation or liability to the other, it being understood that only the subsequent to signed agreements, and other ancillary documentation, which is executed by COUNTY and FOVT shall be legally binding. These terms must be approved by the Milwaukee County Board of Supervisors.

II. Charles Allis Terms

Price and Consideration: CAVT proposes to acquire the Charles Allis Art Museum and land located at 2220 N Terrace Avenue in the City of Milwaukee, as well as the Allis Art Collection. The price at the end of the one-year option will be \$1.00 as CAVT will take over trustee responsibilities and full operational and capital needs of the museum with some assistance from the County in the years 2025, 2026, 2027, and 2028. Currently, the projected capital needs for the next 18 years are approximately \$7,000,000 for the Charles Allis.

Structure of the Deal:

- a. **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.
- b. **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.
- c. **Contribution Agreement:** County will provide CAVT operating dollars in the amounts of \$112,554 in 2025, \$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. Additional obligations, aligned with CAVT's RFI response, shall be further detailed in the Contribution Agreement.

- d. **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.
- e. **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.

Reporting:

- a. CAVT shall provide an operating budget each fiscal year.
- b. Bi-annually, CAVT shall provide unaudited statements of revenues, expense and cash flows, a balance sheet, and updates on fundraising goals.
- c. Annually during the term of the Contribution Agreement, CAVT shall provide a report to the County on its activities. The report shall include a general update on programs, patrons served, and benchmarks related to the business plan.
- d. Annual Audit: Within 180 days following the close of each fiscal year of CAVT – statements of revenues, expenses and cash flows of the CAVT and its trust and endowment funds for such fiscal year and a balance sheet of CAVT as of the close of such fiscal year prepared in accordance with generally accepted accounting principles.

Miscellaneous:

Funding to Friends: CAVT will provide \$30,000 to FOVT in January 2025 and \$40,000 to FOVT in January 2026 as part of the transfer of operations to the Villa Terrace to FOVT.

Wedding Contracts: CAVT will provide all wedding contracts (unredacted) to FOVT within one week of the signing of the term sheet.

No Slander: CAVT and its employees agree not to in any way slander or injure the business reputation or goodwill of FOVT, including, by way of illustration, through any contact with members, prospective members, clients, prospective clients, vendors, or suppliers.

Non-binding:

It is understood and agreed that this Term Sheet and respective negotiations are not a binding agreement and that neither COUNTY nor CAVT shall have any obligation or liability to the other, it being understood that only subsequent to signed agreements, and other ancillary documentation, which is executed by COUNTY and CAVT shall be legally binding. These terms must be approved by the Milwaukee County Board of Supervisors.