

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: April 19, 2024

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

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

Subject: 2024 Adopted Budget Amendment 39: From the Economic Development Director, Department of Administrative Services, an informational report outlining options for the future of the Charles Allis Art Museum and the Villa Terrace Decorative Arts Museum.

File Type: Informational Report

REQUEST

This report is for informational purposes only, there is no request at this time. This report is a response to the 2024 Adopted Budget Amendment 39.

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.

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. 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, Charles Allis Villa Terrace, Inc. (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. Due to the interrelated history and operations of the two museums, it is not possible to discuss the future of one museum without considering the other’s future.

The interdependence of the museums is acknowledged in The Wisconsin Policy Forum’s 2022 report titled, “A New Canvas: Determining the Future Direction of the Charles Allis and Villa Terrace Art Museums.” The report was commissioned by CAVT and provides information to policy makers and citizens on the “financial condition, challenges, and opportunities” facing CAVT and the museums. The report recognizes the benefits of combining the museums because of staffing and operating efficiencies, staff recruitment, revenue support from the Villa Terrace for the Charles Allis, and efficiency in nonprofit board recruitment; however, the report contrasts these benefits with the disincentive for the Charles Allis to become self-sustaining as well as concerns that the museums cannot be effectively governed together. The report highlights that as fiscal constraints continue, policymakers have questioned whether public ownership of the museums fits the County’s mission and although the report does not settle the question of whether County ownership is appropriate, it does acknowledge that ownership by a nonprofit may allow for increased fundraising opportunities and more

flexibility to address the museums maintenance and capital needs. In contrast, the report also questions whether the museums could be sustainable without County support, especially the Charles Allis. This informational report provides information and options to policymakers to assist in determining the future of the museums.

History

The Charles Allis Art Museum (Building and Collection)

The Charles Allis Art Museum is located at 1630 East Royall Place in the City of Milwaukee. The mansion's design was strongly influenced by the English Tudor style. Designed by the distinguished local architect Alexander C. Eschweiler, the home was built for Charles Allis, first president of the Allis-Chalmers Manufacturing Company, and his wife, Sarah E.B. Allis. The building was registered in the National Register of Historic Places in 1975, designated by the City of Milwaukee as a Milwaukee Landmark in 1982, and designated as a Milwaukee County Landmark in 2004.

The home was completed in 1911 and Charles Allis lived there until his passing in 1918. Sarah and Charles were avid travelers and art lovers. They traveled extensively throughout the United States and the world accumulating an impressive collection of works they admired. The house was built with the intention of it being used one day as a museum to display their collection. Upon Ms. Allis's death in 1945 the building, the art collection, and a \$200,000 endowment fund, were passed in trust to the City of Milwaukee in the hope that it "might prove not only a source of pleasure but of inspiration and be of cultural and educational value to the community."

Sarah Allis's Last Will and Testament details the bequest in Sections IV, V, and VI. The house is recognized by Sarah Allis as the most appropriate setting for the Charles Allis' Collection; however, the Will does allow for the sale of the house to continue caring for the collection. The Charles Allis Collection comprises over 800 items including Chinese porcelains of all the major dynasties, Korean porcelains and ceramics, Japanese porcelains and ceramics, antiquities (Greek, Roman, Etruscan, and Egyptian), French 19th-Century bronzes and paintings, 19th Century American paintings, a Rembrandt etching, and many other items of significance. Per the Will, the collection may not be added to or separated unless certain conditions are met.

When the City of Milwaukee took possession of the Charles Allis home and collection, they assigned it to the City's Library system and called it the Allis Art Library. The Allis Art Library existed until the property, endowment, and collection were transferred to Milwaukee County in 1979 with the approval of the probate court of Milwaukee County.

In 1977, just prior to the transfer to the County, a report titled "Report on Continued Operation of the Allis Art Library" by The Allis Art Library Study Committee was submitted to the Common Council of the City of Milwaukee. The report raises concerns that continue to exist to this day, nearly fifty years later, stating "[l]arge scale maintenance... has been neglected. Almost no significant work was performed during

the first twenty years of City ownership, and what repairs have been made since 1968 have been paid for almost exclusively with trust monies.” And regarding the trust, the Committee notes that the \$200,000 trust is “only \$240,000 thirty years later.”

The Villa Terrace Decorative Arts Museum

The Villa Terrace Decorative Arts Museum is located at 2220 N Terrace Ave in the City of Milwaukee. The building was originally the residence of Lloyd and Agnes Smith. The Smiths were inspired to build an Italian Renaissance style home after a trip to Italy and commissioned architect David Adler to bring their vision to life. The home was built in 1923 and gifted to Milwaukee County in 1966 by Agnes Smith. The building was registered in the National Register of Historic Places in 1974, designated by the City of Milwaukee as a Milwaukee Landmark in 1982, and designated as a Milwaukee County Landmark in 2004. The land that that encompasses the buildings and gardens is zoned Parks District by the City of Milwaukee. Although the art collection at the Villa Terrace has dwindled over the years, it still contains over 800 pieces and among them is the largest collection of Cyril Colnik’s items in the world, including historic wrought-iron work.

Operation of the Museums

Owned by Milwaukee County, the museums have mainly been staffed and operated by nonprofits. From 1979 until 2012 the museums were part of the Milwaukee County War Memorial Center, which was governed by the private nonprofit entity, Milwaukee County War Memorial, Inc. (WMI). WMI also served as the corporate parent for the Milwaukee Art Museum and the Marcus Center. In 2010, the County Board of Supervisors (“County Board”) directed that an audit be conducted to, among other things, review the governing structure of the War Memorial Center Board of Trustees and related governing boards. In 2011, the Department of Audit released an Audit entitled “New Strategies are Needed to Revitalize the War Memorial Center and Fulfill its Dual Mission to Honor Veterans and Promote the Arts”. The Audit report made certain recommendations relating to both the facilities of the separate institutions and the operations of the respective governing boards. In 2012, in response in part to the audit, the independent nonprofit, Charles Allis and Villa Terrace Museums, Inc. (CAVT) was formed to govern the two museums.

While new agreements were created between the County and the War Memorial, Marcus Center, and Milwaukee Art Museum, no agreement was entered into with CAVT for the operation of the two museums. In recent years County staff have attempted to negotiate a lease with CAVT, but negotiations have stalled due to a reluctance of CAVT to take on any additional maintenance or capital responsibilities.

Although under no contractual obligation to do so, CAVT has operated the museums since 2012. Even without an agreement, this is a benefit to the County because the County is required to provide public access to the Charles Allis Collection under the Will. Additionally, both the museums and the collections benefit from being actively

managed reducing issues like deterioration and vandalism.

In 2022, the total operating budget for the museums was \$822,450. Annually, the County provides \$225,108 to CAVT for operating expenses. This amount has remained the same since 2015. CAVT generates additional needed revenues from events, donations, grants, admissions, and membership dues. The majority of non-County revenues are obtained by CAVT from rentals and alcohol sales, which made up approximately \$320,000 of revenues in 2022.

Milwaukee County is solely responsible for maintaining the buildings. From 2007 to 2024, the County has 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 total nearly \$18.4 million. A solution is needed to ensure the future of these two historic properties.

Options and Considerations

➤ Request for Information for the Charles Allis and the Villa Terrace

The preferred recommendation for both museums is to solicit ideas for the future of the museums through a Request for Information (RFI). The RFI is a solicitation document used to obtain general information about products, services, or suppliers. It is an information request, not binding on either party. The purpose of an RFI is to gain familiarity with the current market. An RFI will assist in the decision-making process by helping the County develop a well-conceived Request for Proposal and clarifying the competitive requirements. An RFI will give the community an opportunity to propose creative solutions for each building without limiting ideas.

Pros

- Possibility of finding a new market that could maintain public access while reducing or eliminating costs to the County.
- Allows the County to evaluate whether there are any feasible alternatives to sale of the buildings.
- Allows time to resolve the question of whether the County can dissolve the trust/trustee relationship.

Cons

- Does not immediately address fiscal concerns. The County will still need to support operations and continue to be responsible for maintenance and capital needs of the museums.
- May impact the relationship between the County and CAVT.
- May negatively impact CAVT's operations and rentals.

➤ **Status Quo with an Agreement between the County and CAVT**

The County could enter into an agreement with CAVT that maintains the current relationship. The County would remain responsible for all maintenance and capital needs of both buildings and CAVT would continue to operate the buildings.

Pros

- Maintain the public amenity and public access.
- Maintain and increase County control.
- Maintains public access to the art collections.
- Honors the Last Will and Testament of Sarah E.B. Allis.
- Obtain reporting from CAVT.
- CAVT will continue to operate the buildings and maintain the collections saving the County several hundred thousand dollars in operational costs.

Cons

- Not fiscally sustainable. The twenty-year cost at the same operational and capital support is \$6.9 million. If operational funding is increased by 3% each year and capital needs are addressed that cost rises to \$24.5 million over the same period
- Does not align with the County's strategy for its cultural institutions.
- If capital needs are not addressed:
 - The buildings will continue to deteriorate.
 - Emergency repairs will become more common.
 - Maintenance expenses will continue to increase.

➤ **Transfer of the Charles Allis Art Museum to CAVT**

Transfer of the Charles Allis Art Museum, trust, and collection to CAVT was initially the preferred option; however, this has been discussed with members of CAVT and it is unknown at this time if CAVT would be willing and/or able to take over ownership of the museum. This option preserves the community asset while removing the fiscal burden on the County. The transfer would be seamless to the public because CAVT currently operates the museum.

Pros

- Enhances the County's fiscal health and sustainability by reducing the County's footprint and reducing operation and capital expenses.
- Maintains the museum as a public amenity.
- Maintains public access to the Charles Allis Collection.
- Honors the Last Will and Testament of Sarah E.B. Allis.
- The Charles Allis Collection will remain intact.
- CAVT will have increased opportunities for grants and fundraising because the building will no longer be owned by a government entity.

- Opens up the opportunity for Historic Tax Credits.

Cons

- Timeline for transfer is unknown and may not be an option for CAVT.
- CAVT may not be able to take on the responsibility.
- The Charles Allis Art Museum may not be sustainable on its own.
- Requires transfer through probate court.
- An upfront investment by the County in deferred maintenance may be necessary.
- The County has no control of the future of the museum.
- A tapering of County operational support may be necessary.
- The Office of the Comptroller must review the rules that govern the bonds that were issued to finance improvements to the facility to determine what measures (if any) need to be taken to address bonding.
- As a nationally recognized historic property, the County is required to notify the State Historical Preservation Office (SHPO) of the sale and a Conservation Easement must be approved by SHPO and included as part of the property sale.

➤ **Sale of the Charles Allis Art Museum**

The Charles Allis mansion was recently appraised at \$330,000. There are several considerations when selling the building. The Last Will and Testament of Sarah E.B. Allis does allow for the sale of the building, but the revenue from the sale of the home must go to providing another space to house the Charles Allis Collection. The Office of Corporation Counsel has stated that it is reasonably confident that the trust and trustee relationship can be dissolved, which will relieve the County of this requirement. If the trust and trustee relationship are not dissolved, the County will need to continue to care for the Charles Allis Collection and allow for public access at another location.

Sale of the building if the Trustee relationship is dissolved:

- The County will need to dissolve the trust and trustee relationship.
- The building will need to be put on the market. Although the home is appraised, it is still questionable what the market will bear for this unique property and how long the home will need to be on the market.
- Mothballing the building may be necessary.
- CAVT will need to shut down its operations and remove itself from the building.
- As a nationally recognized historic property, the County is required to notify the State Historical Preservation Office (SHPO) of the sale and a Conservation Easement must be approved by SHPO and included as part of the property sale.
- The Office of the Comptroller must review the rules that govern the bonds that were issued to finance improvements to the facility to determine what measures (if any) need to be taken to address bonding.
- The County must determine the future of the Charles Allis Collection (over 800 pieces). The art pieces will need to be packed and transported to other museums or to storage.

Sale of the building if the Trustee relationship is not dissolved:

If the trustee relationship is not dissolved, the County may still sell the home, but will need to find a new location to house the Charles Allis Collection that allows for public access. The cost of housing the Charles Allis Collection, caring for it, and allowing public access is difficult to estimate, but the current three-year average for CAVT to operate the Allis Museum is \$270,000. If the County were to staff the museum itself, the costs of operation will likely increase. An analysis will also need to be done on where to house the collection. It is unlikely that any museum would be willing to take the collection in its entirety due to the wide variety of objects in the collection. The County would most likely have to find its own space and determine whether to build new, update a current facility, or rent space. The current building is 18,000 square feet. A space analysis would need to be done to determine how much space is needed for the collection. For illustration purposes only, to build new commercial space the average cost in the U.S. is \$313/sq. ft., so if 7500 sq. ft. would be needed, the cost would be \$2.2 million, and the County would be in the same position of handling maintenance and capital needs for the new building. Commercial office space is \$26/sq. ft., which would be approximately \$16,000/month, but it may be difficult to find space that meets the unique needs of providing an art gallery open to the public.

➤ **Transfer of the Villa Terrace to CAVT**

This option preserves the community asset while removing the fiscal burden on the County. This option has been discussed with members of CAVT and it is unknown at this time if CAVT would be willing and/or able to take over ownership of the museum. The transfer would be seamless to the public because CAVT currently operates the museum.

Pros

- Enhances the County's fiscal health and sustainability by reducing the County's footprint and reducing operation and capital expenses.
- Maintains the museum as a public amenity.
- CAVT will have increased opportunities for grants and fundraising because the building will no longer be owned by a government entity.
- Opens the opportunity for Historic Tax Credits.
- Revenues from the Villa Terrace will help support operations making it a more viable endeavor with or without the Charles Allis.

Cons

- Timeline for transfer is unknown and may not be an option for CAVT.
- CAVT may not be able to take on the responsibility.
- An upfront investment by the County in deferred maintenance may be necessary.
- The County has no control of the future of the museum.
- A tapering of County operational support may be necessary.
- The Office of the Comptroller must review the rules that govern the bonds that were issued to finance improvements to the facility to determine what measures (if any)

- need to be taken to address bonding.
- As a nationally recognized historic property, the County is required to notify the State Historical Preservation Office (SHPO) of the sale and a Conservation Easement must be approved by SHPO and included as part of the property sale.

➤ **Sale of the Villa Terrace**

The Villa Terrace was recently appraised at \$2,000,000. A review of the original bequest by the Office of Corporation Counsel determined that there are no restrictions on sale of the Villa Terrace.

- The building will need to be put on the market. Although the home is appraised, it is still questionable what the market will bear for this unique property and how long the home will need to be on the market.
- The Villa Terrace is zoned as parks, so any purchaser will need to contend with possible rezoning.
- Mothballing the building may be necessary.
- CAVT will need to shut down its operations and remove itself from the building. A winding down of operations may be necessary due to scheduled weddings and events.
- Friends of Villa Terrace will also need to cease operations.
- As a nationally recognized historic property, the County is required to notify the State Historical Preservation Office (SHPO) of the sale and a Conservation Easement must be approved by SHPO and included as part of the property sale.
- The Office of the Comptroller must review the rules that govern the bonds that were issued to finance improvements to the facility to determine what measures (if any) need to be taken to address bonding.
- The County must determine the future of the art collection at the Villa Terrace (over 800 pieces). The art pieces will need to be packed and transported to other museums or to storage.

Pros

- Enhances the County's fiscal health and sustainability.
- Relieves the County of over \$9,000,000 in capital and maintenance needs over the next 18 years.
- Relieves the County of \$225,108 in Operational support each year as well as one-time and emergency repair needs.
- Revenue from the sales will improve the County's fiscal health.
- Historic building will be maintained although likely in a private setting.

Cons

- Loss of a community asset.
- Loss of parkland.
- Loss to the art community.
- Must review bond issues with the Comptroller.

- Must be reviewed by State Historic Preservation Office and a Conservation easement is required.
- May need to consider a winding down period with CAVT due to bookings for weddings and events.
- County will need to find new homes for over 800 art pieces that currently reside at the museum.
- The Parks District zoning may negatively impact the sales price.

Recommendation

The Office of the Comptroller's Five-Year Financial Forecast was recently published in March for 2025-2029. The forecast assists policymakers and the public in understanding the future challenges and opportunities of the County budget. Per the report, the County continues to have a structural deficit because the expenditure growth outpaces revenue growth. In the report, expenditures are forecasted to grow by 2.6 percent annually, while revenues are forecasted to grow by only .9 percent annually. To address this disparity, the County will need to reduce expenditures (i.e., essential services to the community), defer maintenance, and/or rely on one-time revenues. Additionally, the County's infrastructure needs continue to outpace the County's current level of cash and debt financing for its capital assets. Milwaukee County Parks alone has over half a billion in deferred maintenance needs and the most recent estimate for the new criminal courthouse is \$480 million. Options to address future fiscal sustainability include decreasing the County's asset portfolio or finding creative solutions to reduce the County's capital responsibilities.

The County has made strides to reduce capital and operational responsibilities with its cultural partners as evidenced by the arrangements with the Marcus Center, the War Memorial, the Milwaukee Art Museum, and the Milwaukee County Historical Society. In each of those relationships, the County has reduced or is reducing its operating and capital support of these institutions. The intent is to give an adequate transition period for these organizations to eventually become independent of the County.

It is clear that the County does not have the resources to maintain historic structures. This is evidenced by the future infrastructure needs of the County for mandated services as well as the past minimal investment into the capital needs of both museums. This is not a challenge that is unique to the County as evidenced by the lack of investment in the first thirty years when the Charles Allis was held in trust by the City of Milwaukee. The competing interests of the capital needs of mandated services over non-mandated will continue to take its toll on these historic properties without action.

A Request for Information for both museums is the recommended option. If that should fail and CAVT is not interested in obtaining the buildings, then the recommended option would be sale of the buildings. Regarding future action by the County Board, the Villa Terrace is on land that is zoned Parks District, so any future action that impacts the authority over land, such as a sale or lease, will be presented to the County Board for approval. Any agreements that include both the Villa Terrace and the Charles Allis will

be presented to the County Board for approval. If a solution solely pertains to the Charles Allis that does not require County Board approval, an informational report will be provided to the County Board.

Related File No's:	24-369 , 23-889 , 11-418 , 11-743 , 12-316 , 12-511
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

FISCAL EFFECT

N/A

TERMS

N/A

VIRTUAL MEETING INVITES

Erica Goblet, Project Manager, DAS - Economic Development Division

PREPARED BY:

Erica Goblet, Project Manager, DAS - Economic Development Division

APPROVED BY:

Celia Benton

Celia Benton

Economic Development Director, Department of Administrative Services

ATTACHMENTS:

- Report
- PowerPoint
- Adopted Budget Amendment
- Charles Allis Art Museum Appraisal
- Villa Terrace Decorative Arts Museum Appraisal
- Charles Allis VFA Asset Report
- Villa Terrace VFA Asset Report
- Wisconsin Policy Forum Report – A New Canvas: Determining the future direction of the Charles Allis and Villa Terrace art museums
- Will of Sarah E.B. Allis
- 2024 CAVT Program Descriptions
- Letter from the Charles Allis Villa Terrace, Inc. Board
- 1977 Allis Art Library Report for the Milwaukee Common Council

CC:

David Crowley, County Executive

Liz Sumner, Comptroller

Economic and Community Development Committee Members

MaryJo Meyers, Chief of Staff, Office of the County Executive

Aaron Hertzberg, Director, Department of Administrative Services

Guy Smith, Executive Director, Milwaukee County Parks

James Tarantino, Deputy Director, Milwaukee County Parks

Kelly Bablitch, Chief of Staff, County Board of Supervisors

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