

COUNTY OF MILWAUKEE

INTER-OFFICE COMMUNICATION

DATE : January 10, 2011

TO : Committee on Economic and Community Development
Committee on Finance and Audit

FROM : Craig C. Dillmann, Manager of Real Estate Services
Department of Transportation and Public Works

SUBJECT : From UWM Innovation Park, LLC requesting an amendment to the Real Property Purchase Agreement for County-owned land located in the Northeast Quadrant of the County Grounds in the City of Wauwatosa.

BACKGROUND:

In May 2009 the Milwaukee County Board of Supervisors adopted Resolution File No. 09-14(a)(g) approving a Development Agreement and accepting a Real Property Purchase Agreement ("Purchase Agreement") from UWM Innovation Park, LLC ("UWM") for approximately 88.9 acres of land in the Northeast Quadrant of the County Grounds for the development of a new College of Engineering and Applied Science Campus, known as Innovation Park. The Purchase Agreement, as extended by the County Board in December 2010, includes the current schedule of payments by UWM for the \$13.55 million purchase price as follows:

- Initial \$5 million payable at closing on January 15, 2011
- Second \$5 million payable on the one (1) year anniversary of closing or January 15, 2012
- \$887,500 payable on January 15, 2013
- \$887,500 payable on January 15, 2014
- \$887,500 payable on January 15, 2015
- \$887,500 payable on January 15, 2016

The County Board adopted Resolution File No. 09-14(a)(n) in December 2009 approving a Habitat Restoration Landscaping Plan ("Habitat Plan"), which preserves and protects the environmentally sensitive areas of the land to be acquired by UWM. In response to the County Board approving the Habitat Plan, the Purchase Agreement and Development Agreement were amended to incorporate the elements of the Habitat Plan.

In May 2010, the City of Wauwatosa (“City”) Common Council approved the Preliminary Business Planned Development, the change of zoning and the land division by CSM and in September 2010 the following events occurred:

- The City approved the creation of a Tax Incremental Financing District to fund the public infrastructure improvements for Innovation Park.
- UWM waived the three major contingencies of the Purchase Agreement (Preliminary Business Plan Development (i.e.; site plan), the change in zoning and the land division by CSM), thus eliminating them as a condition of closing.
- The CSM, which legally divides and describes the land to be conveyed to UWM was fully executed and will be recorded in conjunction with the closing.
- Mr. Michael Lovell, the dean of UWM’s College of Engineering and Applied Science, was named the interim chancellor upon the departure of Chancellor Santiago.
- A \$5.4 million federal grant was secured to fund the construction of the “business accelerator” building within Innovation Park.

In November 2010, the County Board adopted Resolution File No. 10-14(a)(j) extending the Contingency Waiver Date in the Purchase Agreement until December 15, 2010. The extension was granted for UWM to solidify the donations necessary to fund the purchase of the County-owned land and to address the remaining closing contingencies in the Purchase Agreement. In the attached letter dated December 15, 2010, UWM waived all the remaining closing contingencies and per the Purchase Agreement deposited an additional \$175,000 of earnest money to the existing \$25,000 currently in escrow with the title company (title company confirmed receipt of the \$175,000 on December 17, 2010). In the letter, UWM indicates they are in the position to make the first \$5 million installment payment of the \$13.55 million purchase price at closing in early February 2011, but may not be able to raise the second \$5 million payment by the one-year anniversary of closing as required in the Purchase Agreement. Therefore, UWM requested in the letter that the County consider granting an amendment to the Purchase Agreement that would extend each of the five remaining installment payment dates from closing by twenty-four (24) months. In the enclosed letter, dated January 5, 2011, UWM has reinforced their commitment to close on the purchase of the land and make the initial \$5 million payment of the \$13.55 million purchase price. However, as they did in their December 15, 2010 letter UWM is requesting an extension for each of the installment payment dates for the remaining \$8.55 million of the purchase price by twenty-four (24) months,. Therefore, UWM is requesting an amendment to the Purchase Agreement incorporating the following:

1. Extend the closing date to February 15, 2011.
2. Extend each of the purchase price installment payment dates by twenty four months.
3. Provide that 75% of all gross sale proceeds from a sale of real property in UWM Innovation Park shall be paid to Milwaukee County in consideration of the County's release of such property from the lien of its first mortgage.
4. Provide that gross sale proceeds paid to the County per par. 3, above, shall be credited against the outstanding installment payments due the County in the inverse order of the due dates for such installment payments, thereby shortening the payment schedule.
5. Provide that in consideration of UWM Innovation Park, LLC's payment of the initial \$5 million at closing, Milwaukee County will release from its first mortgage the amount of land necessary to construct the "accelerator building" being funded by a U.S. Economic Development Administration grant (not to exceed two acres).
6. Provide that the County will agree to release from its first mortgage those portions of the site that the City of Wauwatosa requests be dedicated to the City or must be granted to a utility company to accommodate the installation of public improvements and site infrastructure, such as streets, sewer, water, gas and electric.
7. Provide that all philanthropic funds in excess of \$1.8 million received for the acquisition of the Innovation Park property be paid to Milwaukee County within thirty (30) days of receipt, and credited against the next installment payment due the Milwaukee County.
8. Provide that the County Executive and County Clerk, or other appropriate County official(s) are authorized to execute any and all releases and/or terminations to eliminate the appropriate exceptions to the title commitment for closing.

RECOMMENDATION:

Staff recognizes that the uncertain economic environment has had a material adverse impact on UWM's fundraising ability for the Innovation Park project. The importance of the project to UWM, the County and the region again calls for a unified partnership to accomplish this mutually beneficial objective. Each entity of the partnership is contributing toward the project; the City of Wauwatosa by creation of a \$12 million Tax Incremental Financing District for the project infrastructure, the U.S. Department of Commerce with a \$5.4 million grant toward construction of the first building and Milwaukee County by conveying the land needed for the project at fair market value, while protecting environmental components of the land. Therefore, staff recommends approval of an amendment to the Purchase and Development Agreement incorporating the following:

1. Extend the closing date to February 15, 2011, with the initial \$5 million payment due at closing.
2. Extend each of the purchase price installment payment dates after closing by twenty four months or as follows:
 - Second \$5 million payable on February 15, 2014
 - \$887,500 payable on February 15, 2015
 - \$887,500 payable on February 15, 2016
 - \$887,500 payable on February 15, 2017
 - \$887,500 payable on February 15, 2018
3. Provide that 75% of all gross sale proceeds from a sale of real property in UWM Innovation Park shall be paid to Milwaukee County in consideration of the County's release of such property from the lien of its first mortgage.
4. Provide that gross sale proceeds paid to the County per par. 3, above, shall be credited against the outstanding installment payments due the County in the inverse order of the due dates for such installment payments, thereby shortening the payment schedule.
5. Provide that in consideration of UWM Innovation Park, LLC's payment of the initial \$5 million at closing, Milwaukee County will release from its first mortgage the amount of land necessary to construct the "accelerator building" being funded by a U.S. Economic Development Administration grant (not to exceed two acres).
6. Provide that the County will agree to release from its first mortgage those portions of the site that the City of Wauwatosa requests be dedicated to the City or must be granted to a utility company to accommodate the installation of public improvements and site infrastructure, such as streets, sewer, water, gas and electric.
7. Provide that all philanthropic funds in excess of \$1.8 million received for the acquisition of the Innovation Park property be paid to the County within 30 days of receipt, and credited against the next installment payment due Milwaukee County.
8. Provide that the County Executive and County Clerk, or other appropriate County official(s) are authorized to execute any and all releases and/or terminations to eliminate the appropriate exceptions to the title commitment for closing.

FISCAL NOTE:

The requested twenty-four (24) month extension in the schedule of payments after closing will still result in the initial \$5 million payment to the County at closing. Postponing the payments after closing by twenty-four months would result in a \$5 million shortfall in 2011 revenue that was budgeted in a number of capital projects (for capital project detail, see fiscal note form attached to the subject resolution).

The extended payment schedule will also result in a decrease in the anticipated revenue in 2012 by \$887,500. The total nominal value of the original agreement and the amended agreement are each \$13.55 million. Since the cash flows under the extended payment schedule are being received over a longer period of time, the net present value of the amended agreement is \$342,616 less than the original agreement. However, if the gross sale proceeds from the sale of real property in UWM Innovation Park are paid to the County by UWM and credited in the inverse order of the due dates for such payments, as called for under the amended agreement, the twenty-four month extension period would be shortened and the \$5 million shortfall in 2011 reduced. In addition, per the amended agreement, all philanthropic donations received by UWM, in excess \$1.8 million, for the acquisition of the Innovation Park property and paid to the County would also reduce the \$5 million shortfall in 2011.

Craig C. Dillmann, Manager
Real Estate Services

ECD Committee Meeting Date: January 24, 2011

F&A Committee Meeting Date: January 27, 2011

Attachments

cc: Lee Holloway, County Executive
Michael Mayo Sr., County Board Chairman
Supervisor James Schmitt, District 19
Jack Takerian, Director, Transportation and Public Works
Renee Booker, Director-Administrative Services
Steve Cady, Fiscal and Budget Analyst, County Board
Josh Fudge, Fiscal Mgt Analyst

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January 5, 2011

Craig C. Dillmann
Manager of Real Estate Services
Milwaukee County
2711 West Wells Street, 5th Floor
Milwaukee, WI 53208

1440 East North Avenue
Milwaukee, WI 53202

(414) 906-4640
(800) 654-0434
(414) 906-4680 fax

President
David H. Gilbert
(414) 906-4670

Dear Craig:

Re: July 1, 2009 Purchase Contract for
Northeast Quadrant of the Milwaukee
County Grounds (the "Contract")

As you know, UWM Innovation Park, LLC is prepared to move forward and close on the purchase of the approximately 89 acre parcel located in the northeast quadrant of the Milwaukee County grounds. Pursuant to my December 15, 2010 letter to Chairman Holloway (copy attached), we waived the remaining contingencies under the Contract and deposited an additional \$175,000 of earnest money with Chicago Title on December 17, 2010.

For the reasons stated in my December 15 letter, we respectfully request that Milwaukee County approve an amendment to the Contract during its January/February 2011 legislative cycle that would extend each of the payment dates for the remaining installments of the purchase price by twenty four months. Such an extension will in no way slow down our fundraising efforts for this project. It is our desire to pay the purchase price in full as soon as possible, and (subject to preliminary retention of some funds for upfront operating expenses and recoupment of advances for the initial purchase price) all philanthropic funds raised for acquisition of this property will be paid promptly to Milwaukee County as and when received, irrespective of the installment payment dates.

Moreover, as you are also aware, we are already in the process of marketing the Eschweiler parcel for acquisition and redevelopment by a third party developer. We have informed the group of developers who have expressed interest in this parcel that we will want to close the sale of the parcel during the first half of 2011. A substantial portion of the proceeds from this sale will be paid to Milwaukee County. We will agree to apply the sale proceeds due the County from this parcel (as well as all proceeds due the County from other land sales at UWM Innovation Park) as a credit against the last installment payments due under the Contract. This will have the effect of accelerating the last installment payment date (possibly to a date earlier than the last date currently provided for under the Contract) as well as providing a flow of funds to the County starting in 2011, well in advance of the next installment payment date.

In addition to addressing the extension of the installment payment dates and the application of sale proceeds, we believe it is important to establish clear mechanisms for obtaining releases of parcels of land from the County's first mortgage lien in the event of a land sale or in conjunction with dedications to the City of Wauwatosa or utility companies for infrastructure installation. Accordingly, here are the specific amendments to the Contract that we request be adopted in order to accommodate all of the foregoing:

1. Extend the closing date to February 15, 2011.
2. Extend each of the purchase price installment payment dates by twenty four months.

3. Provide that 75% of all gross sale proceeds from a sale of real property in UWM Innovation Park shall be paid to Milwaukee County in consideration of the County's release of such property from the lien of its first mortgage.
4. Provide that gross sale proceeds paid to the County pursuant to par. 3, above, shall be credited against the outstanding installment payments due the County in the inverse order of the due dates for such installment payments, thereby shortening the payment schedule.
5. Provide that in consideration of UWM Innovation Park, LLC's payment of the initial \$5 million at closing, Milwaukee County will release from its first mortgage the amount of land necessary to construct the "accelerator building" being funded by a U.S. Economic Development Administration grant (not to exceed two acres).
6. Provide that the County will agree to release from its first mortgage those portions of the site that the City of Wauwatosa requests be dedicated to the City or must be granted to a utility company to accommodate the installation of public improvements and site infrastructure, such as streets, sewer, water, gas and electric.
7. Provide that all philanthropic funds in excess of \$1.8 million received for the acquisition of the Innovation Park property be paid to Milwaukee County within thirty days of receipt and credited against the next installment payment due Milwaukee County.
8. Provide that the County Executive or County Clerk, or other appropriate County official(s), are authorized to execute any and all releases and/or terminations to eliminate the appropriate exceptions to the title commitment for closing.

Craig, we appreciate Milwaukee County's ongoing support and patience. This has been a long process. Once we obtain title to this property, once we commence construction of the accelerator building, once the City of Wauwatosa initiates the installation of needed infrastructure and once redevelopment activities commence on the Eschweiler parcel, UWM Innovation Park will no longer be just a concept; it will be a reality. While we believe that obtaining the extended installment payment dates is fiscally prudent for us, we hope that we will be able to perform at a significantly faster pace. And we believe that our aggressive marketing of the Eschweiler parcel and the prepayment schedule we have proposed will provide a significant infusion of cash to the County well in advance of the date that our next payment is due.

If you have any questions or require further information or clarification, please do not hesitate to give me a call.

Yours very truly,

UWM Innovation Park, LLC

By: UWM Real Estate Foundation, Inc., sole member



By:

David H. Gilbert, President



CAMBRIDGE COMMONS
1440 East North Avenue
Milwaukee, WI 53202

DAVID H. GILBERT
President
(414) 412-4140

December 15, 2010

Mr. Lee Holloway
Chairman, Milwaukee County Board of Supervisors
Milwaukee County Courthouse
901 North 9th Street, RM 201
Milwaukee, Wisconsin 53233

Dear Chairman Holloway:

This letter will confirm that UWM Innovation Park, LLC waives all of the remaining contingencies in the July 1, 2009 Purchase Contract for the Northeast Quadrant of the Milwaukee County Grounds. In accordance with the terms of the contract, we will deposit an additional \$175,000 of earnest money with the title insurance company no later than Monday, December 20 (three business days following the date of our waiver).

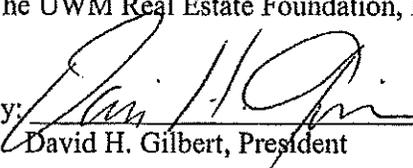
As you know, the current economic conditions have had a material impact upon our ability to fundraise for this endeavor. Fortunately, we are in a position to make the first \$5 million installment of the purchase price. We are concerned, however, that we may not be able to raise the second \$5 million installment within the twelve months required under our contract. Accordingly, we respectfully request that the County consider an amendment to the purchase contract that would extend each of the payment dates for the remaining installments of the purchase price by twenty four months. We understand that the legislative cycle of the County Board would allow such an amendment to be considered and approved by the first week in February, 2011. If such an amendment were approved, we could close this transaction in early February without the specter of a potential default which we clearly wish to avoid. We therefore hope that the County will give our request very serious consideration. Our expectation is that once we close on the property and begin construction of the accelerator building and other activities, our fundraising capabilities will be enhanced and we will be able to accelerate the payments due the County. But our experience to date is that we can take nothing for granted in today's financial climate.

We are very appreciative of the cooperation and assistance you and the entire County Board of Supervisors have provided throughout this complex transaction. We firmly believe that UWM Innovation Park is one of the most important economic development initiatives currently underway in Southeast Wisconsin and we are committed to its success. We look forward to working together with you in this endeavor.

Yours very truly,

UWM Innovation Park, LLC

BY The UWM Real Estate Foundation, Inc., sole member

By: 
David H. Gilbert, President

Cc: Mr. Craig Dillmann
Mr. Michael Orgeman
Mr. John Schapekahn

(ITEM), From UWM Innovation Park, LLC requesting an amendment to the Real Property Purchase Agreement for County-owned land located in the Northeast Quadrant of the County Grounds in the City of Wauwatosa, by recommending adoption of the following resolution:

A RESOLUTION

WHEREAS, in May 2009 the Milwaukee County Board of Supervisors adopted Resolution File No. 09-14(a)(g) approving a Development Agreement and accepting a Real Property Purchase Agreement (“Purchase Agreement”) from UWM Innovation Park, LLC (“UWM”) for approximately 88.9 acres of land in the Northeast Quadrant of the County Grounds for the development of a new College of Engineering and Applied Science Campus, known as Innovation Park. The Purchase Agreement, executed on July 1, 2009, includes the following schedule of installment payments by UWM for the \$13.55 million purchase price:

- Initial \$5 million payable at closing on January 15, 2011
- Second \$5 million payable on the one (1) year anniversary of closing or January 15, 2012
- \$887,500 payable on January 15, 2013
- \$887,500 payable on January 15, 2014
- \$887,500 payable on January 15, 2015
- \$887,500 payable on January 15, 2016

; and

WHEREAS, the County Board adopted Resolution File No. 09-14(a)(n) in December 2009 approving a Habitat Restoration Landscaping Plan (“Habitat Plan”), which preserves and protects the environmentally sensitive areas of the land to be acquired by UWM. In response to the County Board approving the Habitat Plan, the Purchase Agreement and the Development Agreement were amended to incorporate the elements of the Habitat Plan; and

WHEREAS, in May 2010, the City of Wauwatosa (“City”) Common Council approved the Preliminary Business Planned Development for Innovation Park, the change of zoning and the land division by CSM and in September 2010 the following events occurred:

- The City approved the creation of a Tax Incremental Financing District (“TIF”) district to fund public infrastructure improvements for Innovation Park.

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- UWM waived the three major contingencies of the Purchase Agreement (Preliminary Business Plan Development (i.e.; site plan), the change in zoning, and the land division by CSM), thus eliminating them as a condition of closing.
- The CSM, which legally divides and describes the land to be conveyed to UWM was fully executed and will be recorded in conjunction with the closing.
- Mr. Michael Lovell, dean of UWM’s College of Engineering and Applied Science, was named the interim chancellor upon the departure of Chancellor Santiago.
- A \$5.4 million federal grant was secured to fund the construction of the “business accelerator” building within Innovation Park.

; and

WHEREAS, in November 2010, the County Board adopted Resolution File No. 10-14(a)(j) extending the Contingency Waiver Date in the Purchase Agreement until December 15, 2010. The extension was granted to solidify the donations necessary to fund the purchase of the County-owned land and to address the remaining closing contingencies in the Purchase Agreement; and

WHEREAS, by letter dated December 15, 2010, UWM waived all the remaining closing contingencies and per the Purchase Agreement agreed to deposit an additional \$175,000 of earnest money to the existing \$25,000 currently in escrow with the title company (received by the title company on December 17, 2010). UWM indicated in the letter they are in position to make the first \$5 million installment payment of the \$13.55 million purchase price at closing in early February 2011, but may not be able to raise the second \$5 million payment by the one-year anniversary of closing, as required in the Purchase Agreement. UWM requested in the letter that the County consider granting an amendment to the Purchase Agreement that would extend each of the five remaining installment payment dates from closing by twenty-four (24); and

WHEREAS, by subsequent letter dated January 5, UWM outlined their request to extend the installment payment schedule for the remaining \$8.55 million of the purchase price as follows:

1. Extend the closing date to February 15, 2011.
2. Extend each of the purchase price installment payment dates by twenty-four months.
3. Provide that 75% of all gross sale proceeds from a sale of real property in UWM Innovation Park shall be paid to Milwaukee County in consideration of the County’s release of such property from the lien of its first mortgage.
4. Provide that gross sale proceeds paid to the County per par. 3, above,

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shall be credited against the outstanding installment payments due the County in the inverse order of the due dates for such installment payments, thereby shortening the payment schedule.

5. Provide that in consideration of UWM Innovation Park, LLC's payment of the initial \$5 million at closing, Milwaukee County will release from its first mortgage the amount of land necessary to construct the "accelerator building" being funded by a U.S. Economic Development Administration grant (not to exceed two acres).
6. Provide that the County will agree to release from its first mortgage those portions of the site that the City of Wauwatosa requests be dedicated to the City or must be granted to a utility company to accommodate the installation of public improvements and site infrastructure, such as streets, sewer, water, gas and electric.
7. Provide that all philanthropic funds in excess of \$1.8 million received for the acquisition of the Innovation Park property be paid to Milwaukee County within thirty (30) days of receipt, and credited against the next installment payment due the Milwaukee County.
8. Provide that the County Executive and County Clerk, or other appropriate County official(s) are authorized to execute any and all releases and/or terminations to eliminate the appropriate exceptions to the title commitment for closing.

;and

WHEREAS, at the meeting on January 24, 2011, the Committee on Economic and Community Development recommended the following:

1. Extend the closing date to February 15, 2011, with the initial \$5 million payment due at closing.
2. Extend each of the purchase price installment payment dates after closing by twenty-four months as follows:
 - Second \$5 million payable on February 15, 2014
 - \$887,500 payable on February 15, 2015
 - \$887,500 payable on February 15, 2016
 - \$887,500 payable on February 15, 2017
 - \$887,500 payable on February 15, 2018
3. Provide that 75% of all gross sale proceeds from a sale of real property in UWM Innovation Park shall be paid to Milwaukee County in consideration of the County's release of such property from the lien of its first mortgage.
4. Provide that gross sale proceeds paid to the County per par. 3, above, shall be credited against the outstanding installment payments due the

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County in the inverse order of the due dates for such installment payments, thereby shortening the payment schedule.

5. Provide that in consideration of UWM Innovation Park, LLC’s payment of the initial \$5 million at closing, Milwaukee County will release from its first mortgage the amount of land necessary to construct the “accelerator building” being funded by a U.S. Economic Development Administration grant (not to exceed two acres).
6. Provide that the County will agree to release from its first mortgage those portions of the site that the City of Wauwatosa requests be dedicated to the City or must be granted to a utility company to accommodate the installation of public improvements and site infrastructure, such as streets, sewer, water, gas and electric.
7. Provide that all philanthropic funds in excess of \$1.8 million received for the acquisition of the Innovation Park property be paid to the County within 30 days of receipt, and credited against the next installment payment due Milwaukee County.
8. Provide that the County Executive and County Clerk, or other appropriate County official(s) are authorized to execute any and all releases and/or terminations to eliminate the appropriate exceptions to the title commitment for closing.

; and

WHEREAS, staff recognizes that the uncertain economic environment has had a material adverse impact on UWM’s fundraising ability for the Innovation Park project and the importance of the project to UWM, the County and the region again calls for a unified partnership to accomplish this mutually beneficial objective; and

WHEREAS, each partner is contributing toward the project; the City of Wauwatosa by creation of a \$12 million Tax Incremental Financing District for the project infrastructure, the U.S. Department of Commerce with a \$5.4 million grant toward construction of the first building and Milwaukee County by conveying the needed land for the project at fair market value, while protecting environmental components of the land; now, therefore,

BE IT RESOLVED, the Milwaukee County Board of Supervisors hereby approves the following revisions to the Purchase Agreement and Development Agreement with UWM:

1. Extend the closing date to February 15, 2011, with the initial \$5 million payment due at closing.
2. Extend each of the purchase price installment payment dates after closing by twenty-four months as follows:
 - Second \$5 million payable on February 15, 2014

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- \$887,500 payable on February 15, 2015
- \$887,500 payable on February 15, 2016
- \$887,500 payable on February 15, 2017
- \$887,500 payable on February 15, 2018

3. Provide that 75% of all gross sale proceeds from a sale of real property in UWM Innovation Park shall be paid to Milwaukee County in consideration of the County’s release of such property from the lien of its first mortgage.
4. Provide that gross sale proceeds paid to the County per par. 3, above, shall be credited against the outstanding installment payments due the County in the inverse order of the due dates for such installment payments, thereby shortening the payment schedule.
5. Provide that in consideration of UWM Innovation Park, LLC’s payment of the initial \$5 million at closing, Milwaukee County will release from its first mortgage the amount of land necessary to construct the “accelerator building” being funded by a U.S. Economic Development Administration grant (not to exceed two acres).
6. Provide that the County will agree to release from its first mortgage those portions of the site that the City of Wauwatosa requests be dedicated to the City or must be granted to a utility company to accommodate the installation of public improvements and site infrastructure, such as streets, sewer, water, gas and electric.
7. Provide that all philanthropic funds in excess of \$1.8 million received for the acquisition of the Innovation Park property be paid to the County within 30 days of receipt, and credited against the next installment payment due Milwaukee County.
8. Provide that the County Executive and County Clerk, or other appropriate County official(s) are authorized to execute any and all releases and/or terminations to eliminate the appropriate exceptions to the title commitment for closing.

; and

BE IT FURTHER RESOLVED, the County Executive and County Clerk, or other appropriate County officials are authorized to execute an amendment or an amended Purchase Agreement and Development Agreement, after Corporation Counsel approval, incorporating the aforementioned revisions to the Purchase Agreement and Development Agreement as well as the authority to execute any and all releases and/or terminations to eliminate the appropriate exceptions in the title commitment for closing and the release of aforementioned lands from its first mortgage.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: January 10, 2011

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: From UWM Innovation Park, LLC requesting an amendment to the Real Property Purchase Agreement for County-owned land in the Northeast Quadrant of the County Grounds in the City of Wauwatosa.

FISCAL EFFECT:

- | | |
|--|---|
| <input type="checkbox"/> No Direct County Fiscal Impact | <input type="checkbox"/> Increase Capital Expenditures |
| <input type="checkbox"/> Existing Staff Time Required | <input type="checkbox"/> Decrease Capital Expenditures |
| <input type="checkbox"/> Increase Operating Expenditures
(If checked, check one of two boxes below) | <input type="checkbox"/> Increase Capital Revenues |
| <input type="checkbox"/> Absorbed Within Agency's Budget | <input checked="" type="checkbox"/> Decrease Capital Revenues |
| <input type="checkbox"/> Not Absorbed Within Agency's Budget | |
| <input type="checkbox"/> Decrease Operating Expenditures | <input type="checkbox"/> Use of contingent funds |
| <input type="checkbox"/> Increase Operating Revenues | |
| <input type="checkbox"/> Decrease Operating Revenues | |

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		
	Revenue		
	Net Cost		
Capital Improvement Budget	Expenditure		
	Revenue	-5,000,000	-887,500
	Net Cost	5,000,000	887,500

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. An amendment to the Real Property Purchase Agreement is being requested by the Department of Transportation and Public Works. The request is seeking to change the payment schedule by UWM in order to postpone some of the payments further into the future.

B. The change in the schedule of payments would result in a \$5,000,000 shortfall in 2011 revenue that was budgeted in a number of capital projects. The change in payment schedule will also result in \$887,500 less revenue in 2012 compared to the original agreement. The total nominal value of the original agreement and the amended agreement are each \$13,550,000. Since the cash flows under the amended agreement are being received over a longer period of time, the net present value of the amended agreement is \$342,615 less than the original agreement.

C. The amended agreement would result in a shortfall of \$5,000,000 of revenue that is budgeted in the 2011 Adopted Capital Improvements Budget. The projects that would be impacted are WP174 Parks Major Maintenance (\$100,000) (Domes HVAC Repairs & Upgrades), WP186 Parks Naturalization (\$61,000), WZ600 Zoo Master Plan (\$200,000), WO114 Countywide Infrastructure Improvements (\$2,848,382), WO205 Fiscal Automation Program (\$65,000), WO444 BHD/MCSO Electronic Medical Records System (\$500,000), WO514 War Memorial Window Replacement and Reseal (\$42,000), WO515 War Memorial Window Ledge Leak Repairs (\$15,300), and WO949 Inventory and Assessment

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.

of County Buildings (\$1,168,318). In 2012, the amended schedule would decrease anticipated revenue by \$887,500 compared the original agreement. The complete schedule of payments is listed below:

Year Revenue is Recorded	Current Schedule of Payments	Revised Schedule of Payments
2010	\$5,000,000	\$5,000,000
2011	\$5,000,000	\$0
2012	\$887,500	\$0
2013	\$887,500	\$5,000,000
2014	\$887,500	\$887,500
2015	\$887,500	\$887,500
2016		\$887,500
2017		\$887,500

D. The discount rate used for the calculation of the net present value was 2%. This is based on the County's current investment rates. The DAS consulted with the County's Financial Advisors regarding the discount rate.

Department/Prepared By Craig Dillmann

Authorized Signature _____

Did DAS-Fiscal Staff Review? Yes No