



Department of Administrative Services Milwaukee County

INFORMATIONAL REPORT

TO: Chairman Theodore Lipscomb, Sr.

FROM: Teig Whaley-Smith, Director of Administrative Services

RE: Marcus Center Lease

DATE: July 12, 2018

I. Summary

The Milwaukee County Board, pursuant to file 16-214, approved a 2016 Contribution Agreement with the Marcus Center for Performing Arts (MCPA). This agreement contemplated a long-term lease with MCPA. The Director of Administration has been working, with input from Milwaukee County Corporation Counsel and Comptroller, on a long-term lease with MCPA. During lease negotiations it was discovered that a change in Milwaukee County bonds is necessary. Milwaukee County Comptroller has submitted File 18-491 regarding the refunding of previously tax-exempt bonds with taxable general obligation bonds for the MCPA. As detailed in File 18-491, this change provides "necessary flexibility so that [MCPA] fundraising activities would not be limited by tax-exempt debt covenants." The cost of the refunding is approximately \$500,000. The Milwaukee County DAS Director submitted File 18-544 which indicated that MCPA was willing to share in half of the cost of the refunding by reducing the 2026 required contribution under the County Board approved 2016 MCPA Contribution Agreement. Both Files 18-491 and File 18-544 indicated that the "Lease agreement [with MCPA] would not be executed until the cost sharing has been approved." The Milwaukee County Board Chairman's office has requested an additional informational report on the proposed MCPA Lease. The proposed MCPA Lease is attached and a summary is provided below.

II. Summary of Lease Terms

The proposed Lease with MCPA includes the following provisions:

1. Term. The initial term of the Lease is through 2066. MCPA may extend the term to 2115.¹
2. Maintenance. In lieu of MCPA making a rent payment, MCPA agrees to take on the maintenance and repair costs of the building, except for (a) utilities outside the building, (b) the

¹ MCPA Lease, Section 4.

Riverwalk, (c) work required by the 2016 MCPA Contribution Agreement, and (d) any pre-existing ADA conditions.²

3. Capital Reserve. MCPA is required to maintain a Capital Reserve of at least \$500,000.³
4. Future Capital Expenses. The Lease includes a mechanism that for future capital expenses that cannot be covered MCPA that MCPA can request the required funds from the County Board, and if approved will be repaid as Additional Rent.⁴ If the request is denied, then MCPA may use the Lease as collateral with a bank to borrow the funds.
5. Other Provisions. The lease includes other standard provisions protecting the County, including permitted uses,⁵ limitation on material alterations,⁶ limitation on assignment,⁷ limitation on encumbrances,⁸ insurance requirements,⁹ environmental compliance,¹⁰ indemnification,¹¹ default,¹² right to audit,¹³ nondiscrimination,¹⁴ conflicts of interest,¹⁵ and public records.¹⁶
6. Contribution Agreement. The 2016 Contribution Agreement is included as Addendum I to the Lease.

III. Update on State Statutes

The 2016 Contribution Agreement included a provision that “if the Marcus Center is transferred pursuant to 2015 Act 60, §155, to a district created under subchapter II of Wis. Stat. Ch. 229, the County shall be relieved of its obligation to provide financial or other support.” The provisions relevant to the MCPA in 2015 Act 60, §155 were removed by the state legislature by 2017 Wisconsin Act 205.

IV. Recommendation

This is an informational report to the County Board of Supervisors for informational purposes. No action is requested by the County Board at this time, other than the requests of Files 18-491 and File 18-544 as mentioned above. I am available to meet with any interested Supervisor to discuss in more detail.

² Id., Section 9 & 15(B).

³ Id. Section 9(C).

⁴ Id.

⁵ Id. Section 8(A),

⁶ Id. Section 10.

⁷ Id. Section 12.

⁸ Id. Section 13.

⁹ Id. Section 14.

¹⁰ Id. Section 15.

¹¹ Id. Sections 16-17.

¹² Id. Section 20.

¹³ Id. Section 21.

¹⁴ Id. Section 22(a).

¹⁵ Id. Section 22(c).

¹⁶ Id. Section 22(d).

Respectfully Submitted



Teig-Whaley-Smith, DAS Director

CC: Chris Abele, Milwaukee County Executive
Raisa Koltun, County Executive Chief of Staff
Milwaukee County Board of Supervisors
Kelly Bablitch, County Board Chief of Staff
Comptroller Scott Manske
Margaret Daun, Corporation Counsel

Exhibits

Proposed MCPA Lease

