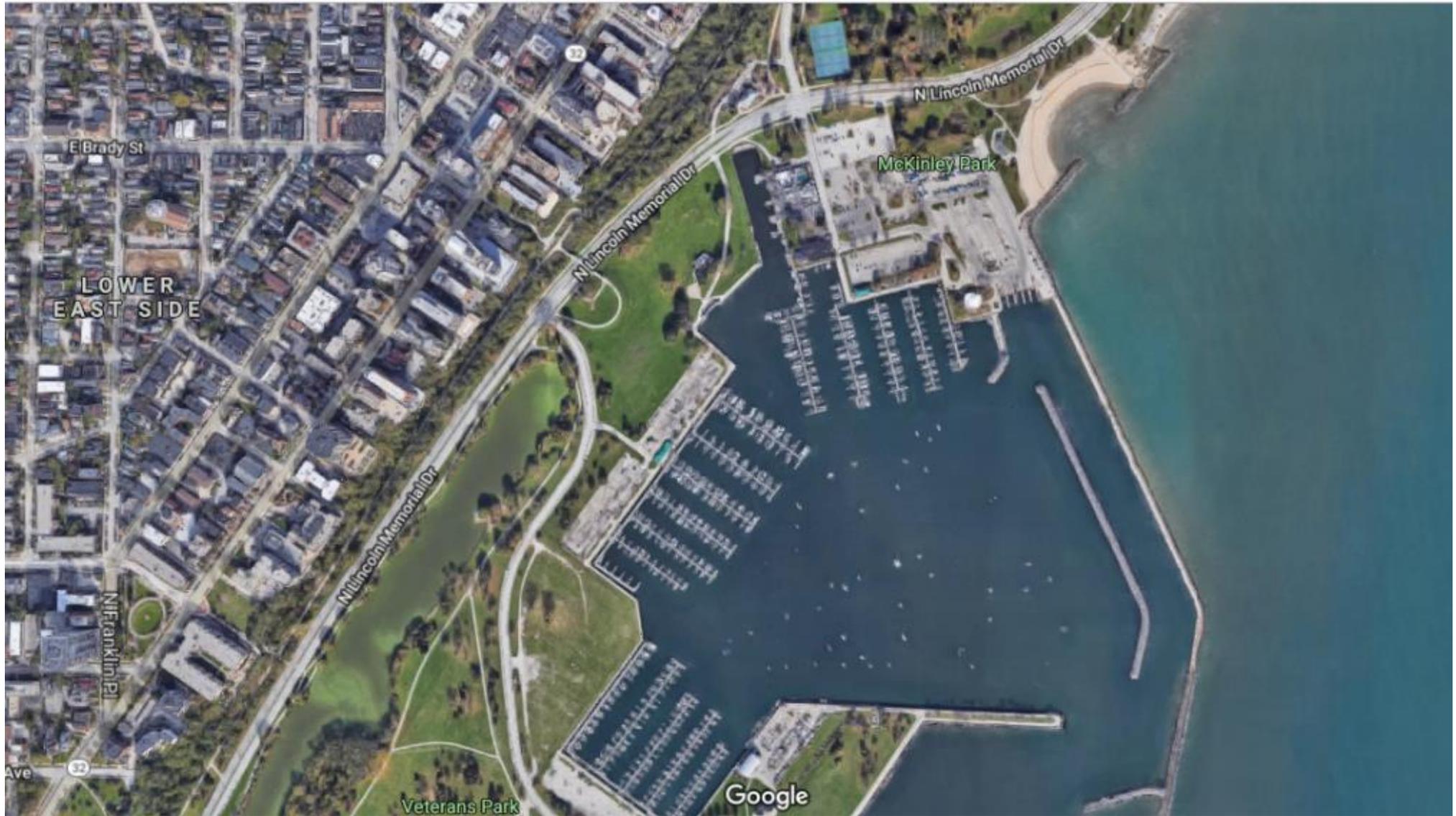
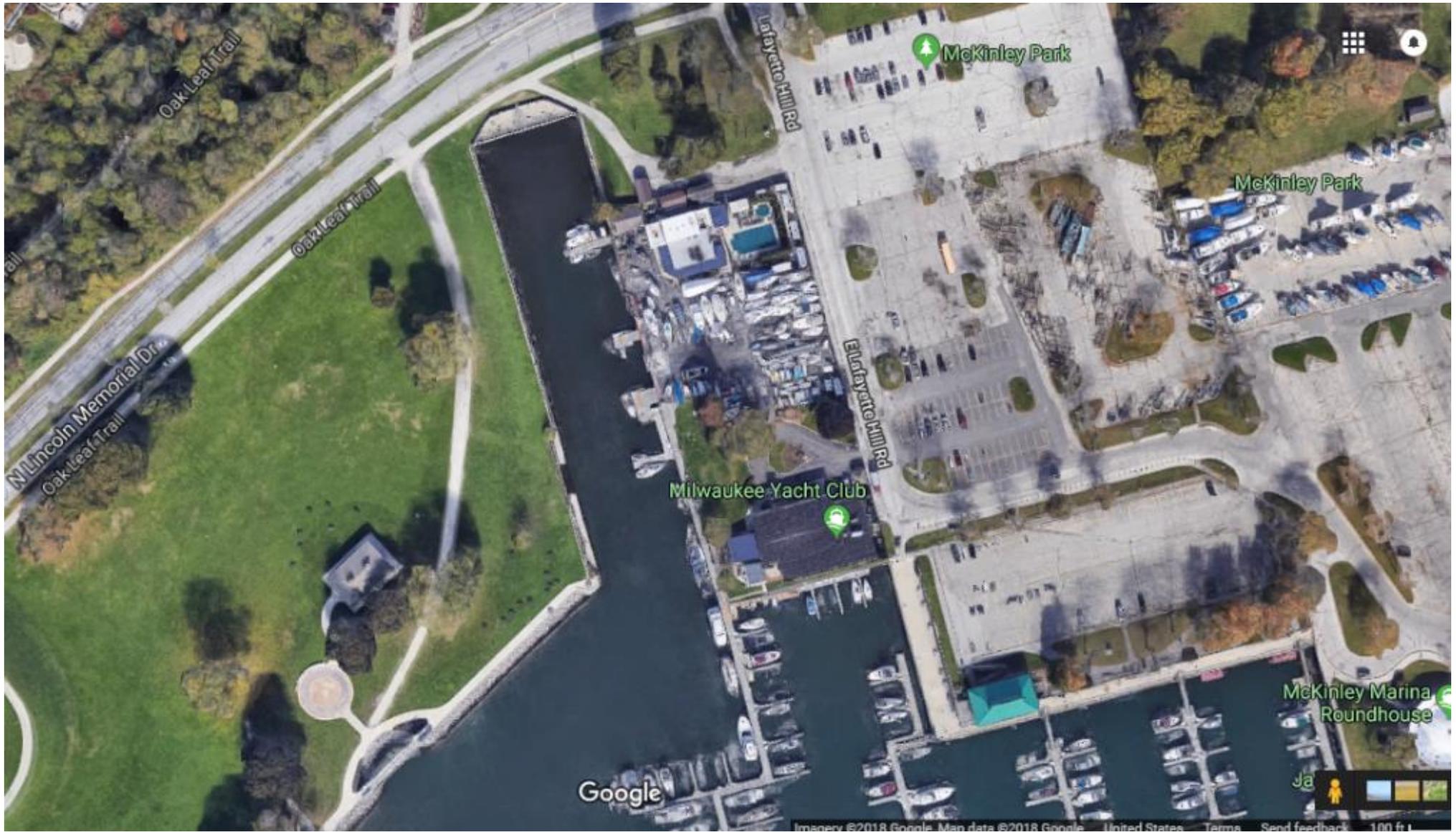


Milwaukee
Yacht Club
Lease

Finance and
Audit
Committee
10/29/18







128. Milwaukee Yacht Club, near
Flushing Tunnel Park, Milwaukee, Wis.



McKinley Bathing Beach and Milwaukee Yacht Club, Milwaukee.







Overview

- The Milwaukee Yacht Club (MYC) was incorporated in 1871 and has existed at the current location in McKinley Marina since 1888 when it was a City park
- In 1936, the park was then known as “McKinley Park” and was sold by the City of Milwaukee to Milwaukee County for \$1 along with many other public parks.
- When McKinley Park was transferred to the County it came with a deed restriction that states -
 - “The ...premises are sold and conveyed upon the further express condition that the Milwaukee Yacht Club will be permitted the occupancy of its present site.”



Overview

- Since 1936, the County and MYC have entered into a series of Lease agreements
- The guiding principle behind each Lease has been that the MYC operates a County building and public facility and must maintain that facility
- The ownership of the building comes back to the County when the Lease expires
- An extended Lease guarantees that the building is taken care of while the County collects rent



1966 / 1967 Lease

- The first lease was entered into in 1966 and amended in 1967
- Allowed for MYC to lease the land for 50 years
- Rent was made as the capital improvement to construct the facility
- All improvements at the MYC became the property of Milwaukee County in 1994
- Establishes that the parties would renegotiate the rent payments after 25 years



1994 Lease

- Extended the MYC lease for 25 years until 2017 and included a renewal option for an additional 25 years.
- Lease is currently extended per the 1994 agreement
- The 1994 agreement acknowledged that the County and MYC would need to renegotiate only the rent in 2017
- Identified needed capital improvements and maintenance in the amount of \$600,000 to the facility that was to be spent during the first 25 years
- MYC began paying for 100 parking passes to the Marina parking lot



2018 Lease

- While the MYC exists under the extended term of the 1994, and the parties were only asked to address the rent at this time, both parties agreed that the entire agreement should be updated
- The current (2018) lease updates many of the clauses and lease provisions from the older agreements that are now standard in County contracts



2018 Lease (continued)

- One additional renewal term of 25 years.
- Updated rent schedule
- Acknowledgement of capital improvements that may be made in lieu of cash rent payments, based on an annual request to the County and based on the County's discretion
 - This is a refinement of the existing practice from prior leases where all improvements were decided up front
- Clearly defined annual reporting requirements
- Continuation of the 100 parking pass lease from the 1994 agreement with updated revenue per appraisal
- Clearer definition of maintenance requirements, County has no maintenance obligation in the building



2018 Lease (continued)

- Updated construction approval process
- Compliance with ADA accessibility laws
- Updated insurance requirements, indemnification, environmental language, and County audit requirements
- Creation of a default and remedy process for the agreement



2018 Lease (continued) Updates to Lease since June -

- A provision that rent increases between years will have a floor of 2% above last year's amount or a ceiling of 3% tied to changes in the Consumer Price Index (CPI). If CPI for the region is between 2% and 3% the rent will increase by that amount.
- The annual rent escalator in the prior Lease version was a 2% annual increase.
- CPI is a measure of inflation that measures the average costs of consumer goods and services and in this case will be measured on an annual basis for the Milwaukee region.



2018 Lease (continued) Updates to Lease since June -

- A provision protects the County in case of dramatic changes to the economy as it related to the annual rent increase.
- The new Lease states that if inflation meets or exceeds 10% during any year above the prior year then the parties would renegotiate the annual rent increase.



2018 Lease (continued) Updates to Lease since June -

- A provision that specifically excludes the docks at the MYC from “eligible capital improvements”.
- The MYC has the ability to request that rent payments could be credited against eligible capital improvements in the facility and this ensures that such capital improvements are related to health, safety, and the condition of the building.
- Adjusted the rent due date from January to February for easier accounting purposes



Rent

Assuming a 2% annual increase (ceiling of 3%)

Year	Annual Land Lease Payment	Annual Parking Pass Payment
2018	\$62,860	\$21,000
2019	\$64,117	\$21,420
2020	\$65,400	\$21,848
2021	\$66,708	\$22,285
2022	\$68,042	\$22,731
2023	\$69,403	\$23,186
2024	\$70,791	\$23,649
2025	\$72,206	\$24,122
2026	\$73,651	\$24,605
2027	\$75,124	\$25,097
2028	\$76,626	\$25,599
2029	\$78,159	\$26,111
2030	\$79,722	\$26,633
2031	\$81,316	\$27,166



Rent

Assuming a 2% annual increase (ceiling of 3%)

Year	Annual Land Lease Payment	Annual Parking Pass Payment
2032	\$82,942	\$27,709
2033	\$84,601	\$28,263
2034	\$86,293	\$28,828
2035	\$88,019	\$29,405
2036	\$89,780	\$29,993
2037	\$91,575	\$30,593
2038	\$93,407	\$31,205
2039	\$95,275	\$31,829
2040	\$97,180	\$32,466
2041	\$99,124	\$33,115
2042	\$101,106	\$33,777
TOTAL	\$2,013,425	\$672,636



Recommendation

- Enter into the new lease with the MYC
- Bring the contracts into a modern era
- Provides greater clarity over the improvements to the facility
- Greater assurance that the facility will be maintained
- Consistent revenue stream for Parks
- Partnership to provide nautical education and programming in a County Park which a service that the County itself cannot provide

