

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE: November 12, 2021

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

FROM: Aaron Hertzber, Director, Department of Administrative Services
Dr. Ellen Censky, President & CEO, Milwaukee Public Museum

SUBJECT: Proposed Relocation of Milwaukee Public Museum

FILE TYPE: Informational Report

REQUEST

Informational report to provide an update on the proposed relocation of the Milwaukee Public Museum.

POLICY

Wisconsin State Statutes: Chapter 59.56
Milwaukee County Code of Ordinances: Chapter 89

BACKGROUND

On August 15, 2013, Milwaukee County (“County”) entered into a Lease and Management Agreement (“Agreement”) with the Milwaukee Public Museum, Inc. (“MPM”) whereby the County would own the current museum building at 800 West Wells Street and all of the artifacts, exhibits, and other items of historical or scientific value or significance owned or held by the County and used or intended to be used for exhibition, display, education or research in connection with the activities and operations of the museum and the County would lease the current building, the personal property, and the artifacts to MPM, and MPM would undertake the primary responsibility for managing and operating the museum.

The initial term of the agreement is through December 31, 2022 and can be automatically extended for four (4) successive periods of five (5) years each through December 31, 2042.

Related File Nos:

File 13-598 – Action Report – Authorization to Execute a Lease and Management Agreement with MPM

File 16-180 – Action Report – Authorization to Execute a revised Collections Policy, pursuant to Section 5.5 of the Lease and Management Agreement between Milwaukee County and MPM

File 21-259 – Action Report – Authorization to Execute a Revised Milwaukee Public Museum Collections Policy

File 21-606 - Action Report - Authorization and Direction of a Transfer of \$93,500 from ORG. UNIT 1940-1945 - Appropriation Contingencies to ORG. UNIT 9711 - Milwaukee Public Museum for the Purposes of Protecting the Most Vulnerable Collections

ACCREDITATION

One of the several drivers to this relocation project is to secure the museum's accreditation. Without accreditation, MPM risks losing federal grants, traveling exhibits, research opportunities, adjuncts, and the ability to teach museum studies for Wisconsin universities. In the past ten years, MPM has been directly awarded \$886,128 from the National Science Foundation, Institute for Library and Science Services and the National Endowment for the Humanities. In the past five years, that number is \$699,746. There is a pending award from the National Science Foundation for just under \$1M for collections care. Additionally, MPM collaborates with other museums and universities and as a result has received more than \$3M in the past several years. Most of the grant funding received supports the care, management and study of Milwaukee County's collections.

MPM's accreditation is currently in a tabled status. American Alliance of Museums, the accrediting body, has requested that MPM provide an actionable plan by August 2021 with the body making a determination of re-accreditation by June 2022. MPM is required to submit a report to AAM in April 2022, in which "significant progress" against the future museum project needs to be demonstrated. AAM has articulated that "significant progress" indicators include securing funding from the state and County, as well as launching a private capital campaign.

Loss of accreditation would impact MPM's ability to fundraise for the museum. At this time, no donors have said their gifts are conditional upon accreditation. However, donors have noted disappointment in the re-accreditation results and concern that MPM will deteriorate further without accreditation. They have also expressed concerns over the current state of the building and for the safety of the collections. They also frequently note the need for new/refreshed exhibits to maintain relevance, interest and attendance.

Loss of accreditation would also result in MPM's inability to host travelling exhibits, which would result in a significant fiscal impact. Not only do these exhibits provide revenue for the museum through increased attendance in ticket sales and ancillary retail and restaurant sales, travelling exhibits are also an important driver of membership sales. The last four travelling exhibits brought in \$1.2M in net revenue and generated nearly \$1.4M in memberships. If MPM became non-accredited, operations could likely continue until such time as cash reserves are depleted. However, a much more robust and thorough analysis of MPM financial records, operations, and donor activity would be required in order to substantiate how long MPM could "float" operations.

Generally, storage conditions of the artifacts are substandard and would require significant capital dollars to correct. Overall high-level estimated deferred capital costs associated with the current building are in excess of \$50,000,000. In 2015, MPM commissioned Gallagher and Associates, a leading museums consultant, to determine the costs associated with remaining in the current building (Exhibit A – Building Program Comparison). The study, which only considered the renovation of two of the current exhibits, projected the cost of renovating the current building would be \$131,857,000.00. MPM administration notes that this study underestimated the deferred maintenance of the building (at the time noting only \$30,000,000) and did not account for the full cost of storage equipment. Additionally, by renovating only two exhibits, the concept of

remaining in the building fails to achieve racial equity outcomes. Finally, the study only assessed the expense associated with renovation, and did not assess the feasibility of revenue associated with the plan. MPM understands from the capital campaign feasibility study and continued conversations with donors, that there is not philanthropic support for renovation of the current building. Therefore, Milwaukee County would be the only primary revenue source for a renovation plan.

The \$50,000,000 identified in deferred capital expenses does not include upgraded storage furniture (most of the current storage furniture is subpar -- wooden oak cabinetry that off gases fumes that have a long-term negative effect on the collections) or any upgrades to the outdated exhibits. It also does not solve for the long-term operational expenses of operating such a large, poorly constructed building (lacking moisture barriers and insulation). MPM has indicated that the costs of updated storage furniture to be \$7-8M, with staffing to move the collections into upgraded storage equipment estimated at another \$9-10M, and the cost of upgraded exhibits to be \$80-90M (Exhibit B – Estimated Costs to Move MPM Collections). MPM has also indicated the building was not engineered or constructed to contemporary standards. To invest in upgrading the current building would well exceed the cost of a new building and would not ensure long-term financial sustainability, which is an important factor in evaluating a museum's accreditation. To bring the current building up to museum standards, store the collections appropriately onsite, and update the exhibits would well exceed the cost of constructing a new facility. Therefore, AAM has made MPM's accreditation contingent on moving the future museum project forward.

OPERATIONAL SUPPORT

Through the current Agreement, the County agreed to reimburse MPM \$3,500,000 per year in support of the operation of the Museum from the commencement of the Agreement through at least 2022 unless a number of performance criteria were not met, whereby the funding amount would be decreased by \$250,000 annually thereafter. MPM has requested to extend the term of the current Agreement, at the current contribution rate of \$3,500,000, until such time as the new facility is open.

With the County's capital support of \$45M, MPM's need for annual operational support in the future facility will decrease to \$1,000,000 thereafter. This annual support will ensure the care of the four million objects and specimens in the County's collections.

CAPITAL SUPPORT

In addition, MPM has identified the need for additional County capital financial support in order to achieve its public funding goals. The museum is requesting a \$45,000,000 capital contribution. This approach would impact the County's self-imposed bonding limit. Based on current state statute, the County has the ability to increase its tax levy to account for an increase in debt service. Any bond financed activities require the review and approval by the Comptroller's office.

The museum proposes that the County's support would be applied to bond eligible capital-only project expenses (pending review/approval by the Comptroller Office).

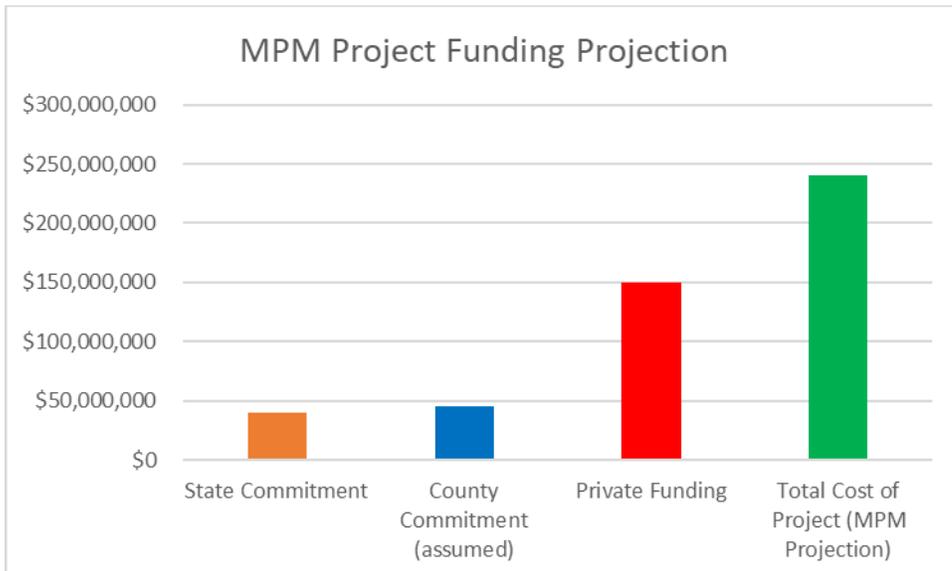
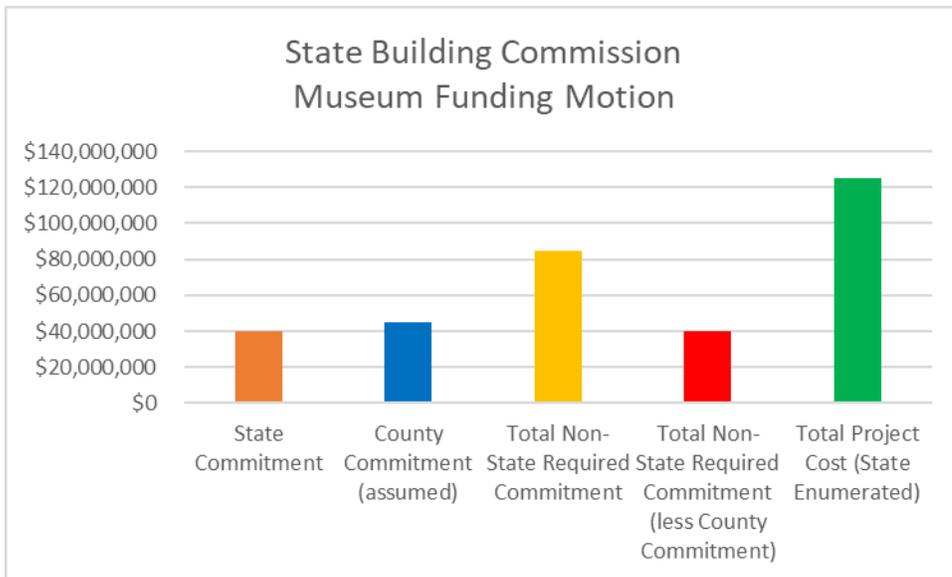
ALTERNATIVE CAPITAL SUPPORT OPTION

A second option is to increase the level of the County's operating support over the first 25 years of the facility's life. In this scenario, MPM would still require \$2-2.5M to support operations and

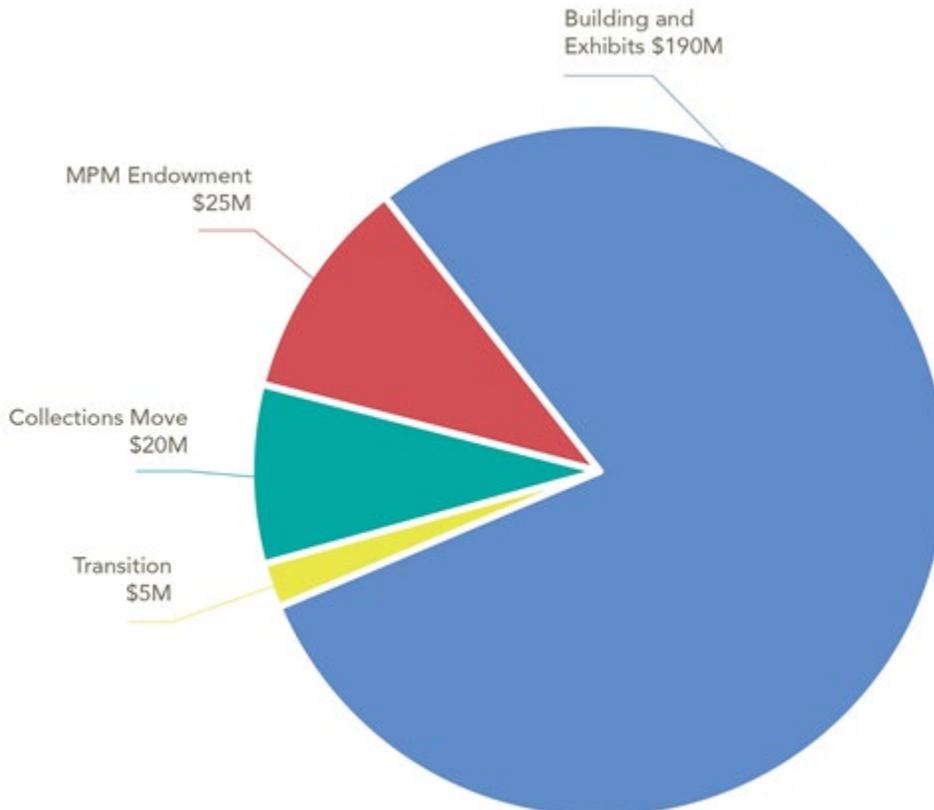
an additional \$3.9 million as the museum would need to absorb construction financing into its operations for 20-25 years. This option would have a significant impact on the County’s annual operating budget as it is subject to the state’s tax levy limit.

FISCAL EFFECT

State Finance Committee has allocated \$40,000,000 in general fund support for the project budget. This allocation is subject to certain conditions that MPM must meet. This includes proof that at least \$85,000,000 from non-state revenue sources have been secured; that the state retains ownership in the space equal to the state’s grant if, for any reason, the space is not used as a museum of nature and culture; and that the state DOA has reviewed and approved plans for the project. MPM has requested an aggregate of \$45,000,000 to be committed by the County, which will serve as match to the state funds and catalyze the capital campaign.



Within the State Building Commission Museum Funding Motion, it is noted that the enumerated project cost is \$125,000,000. This is a difference of \$115,000,000 to MPM's total projected cost of \$240,000,000. The State's cost is derived from the costs to design and construct the MPM portion of the building and does not include the exhibits, Betty Brinn's part of the building, the collections move, the transition (campaign and project management) or the endowment fund. All costs, which were based on an assessment conducted by museum consultant Gallagher and Associates, are further detailed in the following table:



With the state funding in place, MPM will still need to raise \$150,000,000 in private donor commitments. As of October 2021, \$12.2M has been raised, in addition to the \$2.5M raised in planning funds (not part of the campaign total). Knowing that a capital campaign was likely on the horizon, MPM conducted an assessment of its fundraising capabilities in 2018. This study recommended a series of steps the museum should take to build its capacity to conduct a campaign of this magnitude. MPM implemented those recommendations and saw significant year-over-year growth in its Annual Fund, an important base for a successful campaign.

The museum then conducted a feasibility study to test a \$150M campaign. The report concluded that the campaign could succeed if the project is a public-private partnership and donors were assured public funding would be committed to the project. Other highlights of the report included that colocation with Betty Brinn strengthens the museum's campaign case, and that the museum is in a position to take advantage of its statewide reach and expand the geography of the campaign to beyond SE Wisconsin. One of the campaign co-chairs resides in Fox Valley.

The feasibility study also noted some challenges that the museum will need to overcome to be successful in raising \$150M, including the readiness of major gift donors and that top-tier donors

have not considered MPM a top philanthropic priority given its history as a government department. To date, \$12.4M has been raised towards the campaign, which has not yet launched publicly. Two of the gifts are among the largest ever given by the donor. Currently (October 2021), more than \$27M in solicitations are pending.

REORGANIZATION OF MPM STRUCTURE

MPM is the current non-profit entity to which the County has entered into agreement to lease the building and manage the County's assets. This is projected to change with the development and relocation of the new museum. These changes are already being implemented in order to build a structure to accommodate New Market Tax Credits to support the project.

The new land acquired for the museum was done through a limited liability company known as Historic Haymarket Milwaukee, LLC ("HHM"). This is the entity to serve as developer a of the property. Their mission will also involve being the financing and fundraising arm for the new museum. To date, HHM has been controlled by the Milwaukee Development Corporation (MDC), its sole member, but Historic Haymarket Milwaukee, Inc. has received 501(c)3 status and is in the process of merging with HHM, LLC. It will spin off from MDC and will operate independently. HHM is the single-purpose entity to be the developer and financier of the project, and a capital contribution to the project will be to HHM.

In addition, a separate 501(c)3, the Wisconsin Museum of Nature and Culture ("WMNC") has been incorporated to operate the museum once the new facility is open. The \$1M annual contribution to support collections care will need to be detailed in a management agreement with WMNC in the future.

REBRANDING

MPM is positioning to rebrand the Milwaukee Public Museum as the Wisconsin Museum of Nature and Culture or a similar title. WMNC has been incorporated, but the actual title of the future museum is still undecided. The museum has been Wisconsin's natural history museum throughout its history, as it was chartered by the State in 1882, cares for collections from every county, welcomes visitors from every county, and explores the natural and cultural histories of the entire state of Wisconsin. The museum's intentions are to pursue a broader title, and one that more clearly articulates the type of museum we are.

Milwaukee County has been an essential partner and will continue to be so in the future. The collections are owned by Milwaukee County and the museum will work with the County to ensure the County's role is visible in the future museum. As architectural and exhibit renderings will be available in the spring 2022, the opportunities for recognition will be more apparent at that time.

NEW LOCATION

HHM closed on the property on February 23, 2021. The site is located along the east side of N 6th Street between W McKinley Avenue and W Vliet Street. This is an assemblage of three adjacent lots resulting in approximately 2.4 acres. Based on the transfer fees, the land was acquired for \$8,077,000. HHM gave a mortgage to Northern Trust Company in the amount of \$7,069,489. There was also recorded a Post-Closing Memorandum between HHM and Martin Drive Real Estate, LLC, the owner of one of the parcels that was acquired. The property was purchased

through a combination of private contributions and a loan from Northern Trust.

BETTY BRINN CHILDREN’S MUSEUM

Betty Brinn Children’s Museum (“Betty Brinn”) will occupy approximately 33,000 square feet within the new facility. Betty Brinn will be a tenant in the new facility. No changes have been indicated with regard to Betty Brinn’s organizational structure.

PROJECT TIMELINE

MPM has proposed the following timeline to complete the new museum:

A/E, Construction Management, & Exhibit Design Selection	January 2021
Conceptual Design Completion:	March 2022
Construction Bid Date:	December 2022
Construction Start:	2023
Substantial Completion:	2025
Final Project Completion:	Spring 2026

PROJECT DESIGN TEAM

MPM has named the architectural, design and construction management teams:

- Thinc Design (New York City, NY)
- Ennead Architects (New York City, NY)
- Mortenson Construction (Minneapolis, MN)
- Kahler Slater (Milwaukee, WI)
- ALLCON (Butler, WI)

OFF-SITE DEEP STORAGE

Based on the proposed size of the new museum, some of the less frequently accessed collections will be stored offsite, which will reduce the overall cost of the new building. The space within the new off-site storage is contemplated to house these when not on display, on loan, or being researched. The off-site storage will be an upgraded warehouse or comparable space and the museum will operate it.

Criteria for museum storage is relatively specialized due to needs associated with temperature and climate control, separation from other storage co-tenant that could cause contamination to the artifacts, and distance from any manufacturing or transportation facilities (i.e., railroads), that could create unwanted vibrations.

The museum has built the expenses of upgrading an approximately 40,000 square foot warehouse to museum storage conditions, including the storage furniture and the staffing required to assess, document, pack and unpack the collections, in the capital project budget with an estimated cost of \$2.3M. The museum intends to select a site in 2024/2025 and transition the collections at the same time.

The County should explore how to incentivize MPM to proactively explore deaccession of artifacts not deemed significant.

RISK IMPACTS

MPM has an obligation to maintain the collection under the existing Lease & Management Agreement. This responsibility is envisioned to continue through any future agreement. Throughout the move and future storage of collections, the museum will need to continue to work with Milwaukee County to comply with insurance requirements. The County's insurance policy only covers \$45M for collections in transit, for instance, so the museum will need to ensure the collections are transported in waves (which aligns with the museum's plan).

Conceptual design began in August 2021. The design team, which includes architecture, exhibit design and landscape, was hired at the same time as the construction management firm, Mortenson, with partner Allcon (DBE/WBE/MBE). The design team is actively engaged in value engineering and cost modeling to ensure the project is designed to the budget. Construction will not begin until a conservative percentage of pledges/contributions have been made to support the project. Additionally, the project budget includes contingency (approximately 14%) for unforeseen expenses.

ALIGNMENT TO STRATEGIC PLAN

The museum's move to a new facility provides a rare and significant opportunity to advance racial equity, diversity, inclusion and accessibility. MPM has long been a leader among museums in accessibility. The only museum in the state to have a full-time accessibility coordinator, MPM has led advancements in accessibility for years. Programs like Spark!, which serves persons with dementia and their caregivers, a sensory room which provides a space for persons with autism or other sensory sensitivities, to Braille and audio guides for visitors with sight impairments.

This work is informing MPM's efforts to become a more diverse and inclusive institution. In 2020, MPM consulted with the Office of African American Affairs to select a consultant to do a baseline assessment of MPM's racial equity work. That report's recommendations are being implemented and will support the work of a new position, Inclusion, Diversity, Equity and Accessibility (IDEA) Director, which is expected to be filled in November 2021. The IDEA Director will advance MPM's commitment to diversifying the staff and board, implement and promote inclusive programming and support incorporation of community voice in MPM's programming and future exhibits, similar to the Community Council of 50+ leaders that informed programming and engagement related to the recent Nelson Mandela exhibit MPM hosted, in partnership with America's Black Holocaust Museum, in Spring 2021.

Related to the future museum project, MPM has set aggressive IDEA goals. The design team is required to meet a minimum of 30% of expenditures with DBE/WBE/MBE. For the exhibit design team, because of the specialized nature of the industry, the requirement was altered to mandate at least 30% of the team working on this project meets Milwaukee County's definition of a "disadvantaged person." At this time, 86% (6 of 7) people on our design team meet that definition.

Additionally, the architect of record (Kahler Slater) has incorporated an internship for a student of color to participate at every stage of the project. Several students will gain experience as team members throughout the life of this project. Mortenson is partnered with Allcon Construction, a certified DBE in a mentorship throughout the construction management process to enhance Allcon's portfolio of work beyond general contracting.

Workforce requirements exceed Milwaukee County's standard requirements. 40% of workers will qualify through Milwaukee's Residential Preference Program (RPP) and 50% of workers are required to reside in Milwaukee County. This local workforce ensures that the investment in this project will ripple through our own community and support local jobs and families.

Community engagement is at the heart of the future museum project. Thousands of community members have participated in focus groups, workshops, surveys, and more to provide input and share their aspirations for the future museum. Future exhibits will be designed in collaboration with members of the community, as was A Tribute to Survival (the Pow-Wow exhibit), so that the cultures are represented as they want to be, not how they are perceived or studied by others, as is often the case with natural history museum exhibits. The future museum exhibits will be inclusive and will provide an opportunity for every child who walks through to see themselves represented.

The museum cares for one of the most extensive collections of Native American history, both of the Wisconsin tribes and across the country. The museum has strong relationships with the various tribal communities in Wisconsin and is working with tribal members to inform and design the future museum exhibits and building. In recent months, the museum has met with several of the tribes across the state. The existing lease and management agreement includes a section on Cultural Awareness.

FUNDING CONTINGENCIES

There are two general methods that could be employed to release any budgeted funds to MPM. This could be a percentage based on the amount of private funds raised and/or a release of funds based upon actual costs incurred by MPM relative to the project.

As the state desires a hold on the real estate, so should the County. The County's interest in the property is perhaps more critical as the artifacts are owned by the County. If the new museum is not successful, there needs to be the realization and ability for the County to control the space or find a new entity to manage the facility.

Additionally, the County should require approval of the design in line with the level of approval required by the State.

SUMMARY OF KEY FINDINGS/SUGGESTED TERMS OF AGREEMENT

The total project cost is anticipated to be \$240 million. The State has pledged \$40 million, with contingencies. The request to the County is to provide \$45 million. This public support will leverage \$150M in private funding to support the project, which will be the largest cultural project in the state's history.

A new agreement will need to be negotiated with HHM and the new operating entity, WMNC, since MPM will cease to operate in a County-owned facility. Any approval of funds should contain conditions to release funds.

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As the state desires a hold on the real estate, so should the County. This is more critical as the artifacts are the County's property. If the new museum is not successful, there needs to be the realization and ability for the County to control the space or find a new entity to manage the facility.

MPM administration should develop a contingency plan for potential project funding deficits related to under-realized donor revenue and/or project cost overruns.

The County should explore how to incentivize MPM to proactively explore deaccension of artifacts not deemed significant.

Consideration should also be given whether to include additional racial equity goals with any County funding commitment.

Through the transition, MPM should continue to submit its budget request status quo based on the existing lease and management agreements.

Currently, Lease and Management Agreement provides for a commitment of \$3,500,000 for annual support to MPM. This commitment would need to be extended until the opening of the new museum, at which point the commitment could decrease to \$1,000,000/year under an upfront contribution scenario.

VIRTUAL MEETING INVITES

Adam Stehly (adam.stehly@milwaukeecountywi.gov)

Katie Sanders (sandersk@mpm.edu)

PREPARED BY:

Adam Stehly, Project Manager, Department of Administrative Services, Economic Development Division

Katie Sanders, Chief Planning Officer, Milwaukee Public Museum

APPROVED BY:

Aaron Hertzberg

Aaron Hertzberg, Director, Department of Administrative Services

Dr. Ellen Censky

Dr. Ellen Censky, President & CEO, Milwaukee Public Museum

ATTACHMENTS:

Exhibit A – Building Program Comparison

Exhibit B – Estimated Costs to Move MPM Collections

cc: Kelly Bablitch, Chief of Staff, County Board of Supervisors
Janelle M. Jensen, Legislative Services Division Manager, Office of the County Clerk
Scott Manske, Comptroller
Joseph Lamers, Director, Office of Performance, Strategy and Budget