

**County of Milwaukee
Interoffice Communication**

Date: June 4, 2012

To: Supervisor Gerry Broderick, Chair, Parks Energy and Environment Committee

From: Craig Kammholz, Fiscal and Budget Administrator, Department of Administrative Svcs

Subject: Due Diligence Report for Agreement with Journey House, Inc. for lease to Construct and Operate a Football Field within Mitchell Park

Request

The Department of Parks, Recreation, and Culture (Milwaukee County) requests approval to enter into an agreement with Journey House, Inc (Journey House) for the lease of land within Mitchell Park located at 524 South Layton Boulevard, Milwaukee, Wisconsin. The agreement would allow Journey House to construct and operate a football field within Mitchell Park.

Below is a summary of the terms of the lease agreement:

- Lease may be in place for a total of 30 years.
- Tenant pays a \$1 annual rental payment.
- Tenant will escrow the total amount of funds necessary for the construction and installation of the football field in advance of construction.
- Tenant agrees to establish an endowment fund in the amount of \$50,000 for ongoing maintenance and operation of the football field.
- Tenant has the authority to establish a fee schedule for use of the football field sufficient to cover ongoing operating costs.
- Tenant agrees to make the football field available to the public free of charge for at least four (4) hours a week.
- Tenant pays all utility costs, including installation and ongoing costs.
- Upon expiration or early termination of the Lease, the County shall acquire, free and clear at no cost, the title to the football field and any improvements made as well as equipment to maintain the field and any remaining endowment funds.

Background

Journey House is seeking a long-term lease agreement with Milwaukee County to install a football field turf, which was donated by the Green Bay Packers (the former Ray Nitschke Packers Practice Field in Green Bay, Wisconsin). Journey House proposes to use donations and grant funds to install and secure the football field as well as to create an initial endowment fund for the maintenance and operation of the field. Milwaukee County funds will not be used toward the construction or operation of the football field. In addition, Journey House will also charge user fees to recover the majority of the ongoing operations costs associated with the football field.

The installation and operation of the football field is envisioned as a two (2) phase project. Phase 1 is estimated at \$1 million for the installation of the donated Green Bay Packers practice field with goal posts and field markers as well as construction of a security fence around the field. Phase 2 is estimated at \$1.7 million and is considered field enhancements such as the following: stadium lights, bleachers, scoreboard, field entrance/pathway, parking, restrooms and a concession stand. Phase 2 also includes funding for the endowment fund.

Project Budget

Journey House Football Field	
Estimated Project Budget (financing provided from grants and donations to Journey House)	
Expense	
Phase 1	\$ 1,036,676
Phase 2	\$ 1,697,100
	<u>\$ 2,733,776</u>
Revenue	
Green Bay Packers Field Donation (In-Kind)	\$ 233,555
NFL USFC Grassroots Field Installation Grant*	\$ 200,000
Benidt Foundation Gift**	\$ 750,000
	<u>\$ 1,183,555</u>
Surplus/(Deficit)	<u>\$ (1,550,221)</u>
*Expires December 31, 2012	
**To be received according to the following schedule: May 2012 \$200,000, May 2013 \$275,000, May 2014 \$275,000	

Journey House anticipates the football field will be a catalyst to bring about many positive outcomes for the community such as youth development, increased safety of Mitchell Park and surrounding neighborhood, job creation, and economic development.

Review & Analysis

The Department of Administration - Fiscal Affairs (DAS) has reviewed the draft proposal from Journey House and prepared the analysis that follows. At this time, review and approvals related to this lease agreement have not been provided from Corporation Counsel or Community Business Development Partners.

The initial term of the proposed lease agreement is for fifteen (15) years with an additional fifteen (15) year extension at the same terms and conditions as the initial term. Milwaukee County will receive an annual rental payment of \$1 for the lease of the land.

Per the terms of the proposed lease agreement, Journey House will escrow the total amount of funds necessary to construct and install the football field and provide proof that the total amount of funds has been escrowed for this purpose prior to the start of any construction activities.

Journey House has proposed to charge ongoing fees for the use of the football field. Per the agreement, the reasonableness of such fees shall be determined by Journey House in relation to the long-term financial sustainability of Journey House's operation of the property. Journey House also recognizes that public use of the football field is desirable and therefore agrees to make the facility available to the public free of charge for at least four (4) hours per week.

Upon expiration or the early termination (due to a variety of reasons including default) of the lease, the County will acquire, free and clear, title to the football field including all alterations, improvements, and any assets remaining in the endowment fund.


Recommendation

Based upon review of the available information, DAS does not object to the approval of the draft lease agreement, should all of the following conditions be addressed.

In order to provide better safeguards to the County:

1. The initial term of the lease should be shortened to 10 years, with four optional extensions of 5 years each. Terms and conditions for each renewal should be subject to negotiation and approval by both Journey House and the County. As stated above, the current lease consists of two 15 year terms, with renewal at the current terms and conditions at the discretion of the Journey House only.
2. The Journey House endowment fund for major maintenance and operational improvements should be established as two distinct restricted funds. A restricted fund for major maintenance reduces the risk that the County will be the responsible for major maintenance items as funds will be dedicated solely for that purpose and cannot be expended for any operational improvement enhancements.
3. Given the long term nature of the lease agreement, the minimum threshold amount for major maintenance should be based upon the long-term maintenance needs of the facility. Presently the lease agreement establishes a \$50,000 minimum threshold.
4. Ensure that the minimum number of hours dedicated for free public access be maximized beyond the four hour weekly minimum by Journey House, to the extent practical.
5. Establish a revenue sharing agreement between Journey House and the County based on expected profits from admission/rental of the football field facility. Proceeds realized under the agreement should be restricted and used only to

supplement the restricted fund for major maintenance, thereby providing an added safeguard to the County.



Craig Kammholz, Fiscal and Budget Administrator

pc: Chris Abele, County Executive
Supervisor Marina Dimitrijevic, Chair, County Board of Supervisors
Amber Moreen, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Sue Black, Director, Department of Parks, Recreation and Culture
Patrick Farley, Director, Department of Administrative Services
Jessica Janz-McKnight, Research Analyst, County Board
Stephen Cady, Fiscal and Budget Analyst, County Board
Paul Kuglitsch, Contracts Services Officer, Department of Parks, Recreation, & Culture