

Brown, Shanin

From: Jursik, Patricia
Sent: Thursday, February 05, 2015 7:32 PM
To: Guy Mascari
Cc: Brown, Shanin
Subject: Re: Development Plan

Thanks Guy: My goal is to get all the info and make sure we understand what we are voting on. I don't know that anyone said tax money was going into this, it was clear to me that the Endowment Fund was from land sales.

I would like all of the issues that were outlined in a report and I have already asked Shanin, our clerk, to gather what we've been getting through several different e-mails into one file. It would be helpful if we got it all together as a final package in any event.

I talk to Bill Drew next Tues via phone call.

From: Guy Mascari <gtm@mcrpc.org>
Sent: Thursday, February 5, 2015 6:37 PM
To: Jursik, Patricia
Subject: Development Plan

Pat,

I finally got a chance to carefully look over Teig's e-mail of January 28 (been kind of underwater closing the books for 2014 and other things). It's basically a good piece of work and demonstrates the complexity of the relationship between the County and MCRPC and the operation of the research park and Technology Innovation Center. There was one correction to his paragraph 4. The current "base rent" is \$7.50, with some variations approved by DAS some time ago for rough space in the basement and storage space.

He made a good point concerning the "endowment". In reality there is no such thing but the term has taken root in some ways. I was also glad he made the point that since 1998 no tax levy has gone to MCRPC. That was a point that I made at the ECD committee meeting. The terms of the conveyance agreement actually did two things, it replaced tax levy with "contract fees" in order to make MCRP self-sufficient (along with TIC rent revenue). This has been successful. (Knowing the research park/business incubator industry like I do – this is very rare.) The other thing it did was replace the stream of land lease revenue that previously had been contemplated as the funding mechanism for the MCRP. It's my opinion that the County has been much better off under the current arrangement. Here is a rough summary of the disposition of land sale revenue. Please keep in mind that a few sales occurred before the current agreement was put in place.

- Total Sale Proceeds - \$16,500,000
- To Milwaukee County - \$11,000,000 (67%)
- Retained by MCRPC - \$5,500,000 (33%)
- Here is where the \$5,500,000 went:
 - \$1,400,000 in capital improvements to the TIC (Labs, 4th & 5th Floors, etc.)

- \$800,000 in operating capital over the 16 years since 1998 (average of about \$50,000/year & application of the spending rule).
- \$3,300,000 in “reserves” that were invested. The “base” investment has increased by about 27%. Current value is \$4,500,000 after sales to Irgens and allocation of some of those proceeds.

As you know, under the current by-laws if MCRPC goes out of business the reserves will go to Milwaukee County along with any other remaining assets. My guess is that this would need to be the same for any [say 501(c)3] successor entity. This would be allowed by the IRS based on the information I have.

The good thing about Teig’s narrative is that it gives us a starting point for where we go from here. If I read you correctly you are concerned about (1) protecting the reserves which are critical to make this all work since the County’s “safety net” will go away and (2) how the board is appointed. I think it goes without saying that once the MCRPC or some successor entity purchases all of the remaining land and the TIC building, the County (County Executive and Chair of the County Board) shouldn’t have “control” over the research park /TIC board. What I envision is something like the Charles Allis Villa Terrace Museums, Inc. (CAVT) board where new members are elected by the current board (self-perpetuating) and a minority is appointed by the Count Executive and Chair of the County Board. Of course in the case of CAVT, the County is still providing some funding. This presumably wouldn’t be the case with the research park/TIC. So what is appropriate needs discussion. These are issues that need to be taken up by the MCRPC board. I have some further thoughts about how this will all look in the future but need time to flesh things out.

The transition from a 501(c)6 to a 501(c)3 is complex but very doable in a reasonable amount of time. 501(c)3 status is going to be very important since 501(c)3 foundations can only grant money to 501(c)3 entities and because of tax implications virtually all corporations and individuals will give money only to 501(c)3s. In addition some money may be available from existing government programs. However, based on the support that the corporate community has given to the Water Council and organizations like BizStarts, I think that we can make a strong case for such funding once we get this all settled later this year. But I digress. Most importantly, I want to make sure I get you what you want for the March 16 meeting.

As Teig pointed out, Section 8.02 of the MCRPC by-laws states that amendments to the MCRPC by-laws are not effective until approved by the County Board. Another kick at the cat. If there are any changes to the by-laws those changes would need to be approved by the County. I am not saying what all of the changes to the MCRPC by-laws would need to be. Presumably the by-laws would need to allow for the reserves to be transferred to a successor entity and not the County. This being said, changes to the by-laws, protection of the endowment/reserves, board appointments, etc. don’t figure directly into the TIC lease amendment and M-10 lots purchase. However, I share your concern about all of this. Keeping in mind that the MCRPC board will not meet again until April 14, after your committee meeting on March 16 and County Board action on March 26. However, I am confident that I can have something by the March 16 meeting. It would most likely be a detailed outline of the “development plan” that you have been talking about that has been vetted with the MCRPC officers and key MCRPC board members, including the all the County supervisors on the MCRPC board.

Please let me know if we are on the same page regarding all this. Thanks for all your help and patience. I feel confident that this is all going in the right direction and that the outcome will be in everyone’s best interest.

Guy M.

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