

Evaluating the Benefits of the City Campus Disposition



Executive Summary

PROJECT OVERVIEW

Analysis Overview

The sale of the City Campus complex which was recommended in the implementation phase of the Comprehensive Facilities Plan (“CFP”; completed 2/11/13), initiated an assessment to confirm that the completed sale supports the overall goals of reducing costs, improving space utilization and enhancing service delivery efficiencies.

Methodology

- The 20-year discounted cash flow (DCF) analysis compares the cost of remaining in City Campus in sufficient renovated space to house existing occupants, against the cost of relocating staff to more efficient owned and leased facilities.
- DCF alternatives compare the cost of occupancy for each scenario utilizing inputs for facilities support, utilities, contract services, repairs/maintenance, capital costs, and rent paid (leased space).

Selling City Campus Has Greatly Enhanced Real Estate Operations and Savings

- **Identified Savings Over 20 Years - \$19.5 Million NPV Savings by moving staff to alternative space compared with a Remodel City Campus scenario**
 - Current occupancies in owned and leased space have far lower operating and capital costs than the alternative of remaining in City Campus.
- **Disposing of City Campus Reinforces the County Goals of Downsizing Underutilized and Costly Space, Enhancing Operations and Reducing the Overall Cost of Occupancy**
 - City Campus provides a major milestone in the County’s efforts to downsize the real estate portfolio and identify long-term savings.
- **City Campus – The Building Was NOT Viable for Long-Term Occupancy**
 - High occupancy cost due to original design as a hospital.
 - High construction cost for redevelopment – Building must be demolished down to basic structure.
 - Reduced market value compared to comparable properties – Despite the proposed reconstruction, the desirability of the property is reduced due to its out-of-the-way location and limited demand for a major rehab of a special purpose property into an alternate use.
- **Benefits of Occupancy in Alternative Owned and Market Leased Space**
 - Lower occupancy cost than staying in-place and remodeling City Campus.
 - Market alternatives reduce the County’s exposure to market risk at renewal of leased space.
 - Cost avoidance savings - Dollars allocated for City Campus capital needs can be spent elsewhere.
 - Moving has created more efficient space layouts than was available on the old hospital floors.
 - City Campus staff can occupy space closer to other County work hubs (such as the Courthouse) and generate savings in both staff time driving to City Campus and vehicle mileage.
 - City Campus was sold to a buyer for a re-use that is compatible with Milwaukee’s Near West Plan.