



COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION
Office of the Comptroller
Scott B. Manske, Comptroller

DATE : June 13, 2018
TO : Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors
FROM : Scott B. Manske, Comptroller
SUBJECT : Milwaukee Regional Medical Complex (MRMC) Land Options

I am writing to provide my comments on the proposed executions of options for land sales on the County Grounds to current lessees of the County. I have served as the appointed Controller, and now elected Comptroller, for many years and understand the intent of the options and the impact upon County operations and finance. While many of the land leases on the Grounds predate my time at the County, I was serving as the appointed Controller while the three most recent leases were executed although at that time I was not required to sign the documents. As Milwaukee County's Chief Financial Officer, I can attest to the accuracy of the calculations in the documents. I was an active participant in the negotiations with MRMC that were led by Teig Whaley-Smith, the Director of Administrative Services for Milwaukee County.

I have included in the table below a more detailed discussion of the current proposals, which will likely be signed. I have agreed, as is my duty as set forth in State Statute, to sign these options as I believe them to be the best avenue for the future development of the County Grounds space and for the County and community as well. The Regional Medical Complex is a vital component of our community. These options allow for the most expeditious growth and future development of the area south of Watertown Plank Road, enhanced access to these medical facilities and the strong medical complex that our community needs. As a part of these agreements, MRMC would assume ownership of the land.

Executing these options also provides clarity as to future payments given that current leases often did not specify payment calculation methods in the future and instead required the use of market rates that were not clearly defined. These options clearly define future payments and calculations with mutually agreed upon methods. In addition, MRMC members become responsible for the maintenance and upkeep of all roads, sidewalks and stormwater ponds south of Watertown Plank Road.

	Appraised Value (based upon Medical Use)	Existing Lease Payment NPV			Proposed Lease Payments NPV		
		Start Date	End Date	Remaining Payments	Start Date	End Date	Payments
Blood Center	\$ 1,060,000	1989	2087	\$ 1,497,280	2018	2087	\$ 1,497,280
Curative Main	\$ 1,470,000	1974	2073	\$ 2,068,455	2018	2073	\$ 2,547,461
Curative Parking		1993	2073	\$ 479,006			
MCW	\$ 5,150,000	2004	2074	\$ 4,337,058	2018	2074	\$ 8,837,803
MCW Original		1975	2074	\$ 4,500,745			
CHW Watertown	\$ 2,400,000	1985	2085	\$ 3,499,760	2018	2100	\$12,755,899
CHW Connell	\$ 7,400,000	2001	2100	\$ 9,256,139			
FMLH Original	\$ 1,917,012	1980	2078	\$ 2,949,876			
FMLH Additional	\$ 5,082,987	1995	2028	\$19,362,145	2018	2022	\$22,049,293
Total	\$24,479,999			\$47,950,464			\$47,687,736

There are currently nine leases with the five MRMC members with varying rates, terms and start and end dates as shown in the table above. Under the new leases, the County will receive approximately \$109.4 million over an 83 year period (\$47.7 million in net present value (NPV) using a 3% interest rate) from the new agreements. While all the new agreements are effective in 2018, they maintain ends dates based upon current leases.

The following schedule shows the payments in five year increments for the first twenty years, twenty years for the next forty years, and the last period. A yearly average is provided to show anticipated average payment by year for the period.

Proposed Payment Schedule							
Schedule of Payments	5 Years	5 Years	5 Years	5 Years	20 Years	20 Years	Final Years
	Yrs 1-5	Yrs 6-10	Yrs 11-15	Yrs 16-20	Yrs 21- 40	Yrs 41-60	Yrs 61-83
Blood Center*	\$ 14,874	\$ 16,110	\$ 17,449	\$ 18,900	\$ 1,753,527	\$ 2,503,953	\$ 1,585,841
Curative	\$ 55,257	\$ 365,367	\$ 475,041	\$ 514,533	\$ 2,522,950	\$ 2,686,526	\$ -
Medical College of Wisconsin	\$ 561,006	\$ 1,123,999	\$ 1,577,265	\$ 1,708,390	\$ 8,376,875	\$ 9,556,826	\$ -
Children's Hospital	\$ 588,781	\$ 925,711	\$ 972,932	\$ 1,534,618	\$ 11,390,714	\$ 15,054,644	\$ 19,040,678
Froedtert	\$ 24,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 25,719,919	\$ 2,431,187	\$ 3,042,688	\$ 3,776,440	\$ 24,044,066	\$ 29,801,949	\$ 20,626,519
Yearly Average	\$ 5,144,000	\$ 486,000	\$ 609,000	\$ 755,000	\$ 1,202,000	\$ 1,490,000	\$ 897,000

* - Will be allowed an option to pay the net present value of payment stream instead of payments over time.

These options are only for land south of Watertown Plank Road and do not include the Water Utility, Fire Protection Charge or the Behavioral Health Complex. The agreements also call for the purchasers to abide by the plan established by the Wisconsin Historical Society should any additional human remains be found on the land south of Watertown Plank Road. The agreements do contain a clawback provision requiring that if any of the land is resold within a ten year period at a value higher than the appraised value the County would be entitled to a portion of the sale proceeds.

The first documents signed with MRMC members will be Option Agreements for the purchase of the land which would replace the current leases on the County Grounds. An Option Agreement allows each of the MRMC members a determined amount of time to complete all documents for the sale of the land. It is likely that all MRMC members will exercise the options and purchase the land from the County. The Option Agreement spells out the terms of the sale, including the payment stream that was shown above, and the purchase of the land in an "as-is" condition. Each Option Agreement with MRMC members is based on one common Option Agreement, with changes made for each member based on certain prior agreements with that member. The Froedtert Hospital Agreement concludes the previous lease payments related to Doyne Hospital, plus settles any future liabilities related to the prior lease agreements.

In summary, as CFO of Milwaukee County, I strongly agree with the execution of these options. I believe it achieves the following:

- Establishing a path to a world class Regional Medical Complex that will serve our community.
- Clarification of future payments based upon mutually agreed rates and terms.
- A recognition of the smaller foot print of Milwaukee County on the County Grounds over the past forty years.

I am available to meet with any interested Supervisor to discuss in more detail my role and decision in signing of these options.

Sincerely,



Scott B. Manske, Comptroller

cc: Chris Abele, County Executive
Supervisor James Schmitt, Chairperson, Finance & Audit Committee
Finance and Audit Committee
Supervisor Marcelia Nicholson, Economic & Community Development Committee
Teig Whaley-Smith, Director, Department of Administrative Services
Kelly Bablitch, Chief of Staff, County Board
Raisa Koltun, Chief of Staff, Office of the County Executive
Stephen Cady, Research & Policy Director, Research Services Division, Office of the
Comptroller
Shanin Brown, Committee Coordinator, Office of the County Clerk
Janelle Jensen, Legislative Services Division Manager, Office of the County Clerk