

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: October 12, 2018

TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

FROM: Teig Whaley-Smith, Director, Department of Administrative Services

SUBJECT: **Informational Report – Planned 9201-9501 W. Watertown Plank Road and Water System Transactions and Bus Rapid Transit Funding at Milwaukee Regional Medical Center**

Background

Previous Legislation –

- File 13-636 – A resolution authorizing the Department of Administrative Services to enter into a Memorandum of Agreement with the City of Wauwatosa for the transfer of seven Milwaukee County water utility customers and the West Water Tower to the City of Wauwatosa
- File 14-310 – Informational Report from the Public Policy Forum, presenting “Milwaukee County Water Utility: Analyzing the issues surrounding a potential transfer in ownership to the City of Wauwatosa.”
- File 16-390 – From the Director, Department of Transportation, requesting approval of the Locally Preferred Alternative; requesting authorization to apply for the Federal Transit Administration Small Starts grant; and requesting to commit \$7,775,000 to support the development of the proposed East/West Bus Rapid Transit Project.
- File 17-298 – Information Report and update relating to the Public Policy Forum report titled “Breaking New Ground? Analyzing the Potential for a Public-Private Center for Forensic Science and Protective Medicine in Southeast Wisconsin”
- File 18-484 – Informational Report on MRMC Land Options

Summary

Milwaukee County is considering the sale of the 9201 – 9501 W. Watertown Plank Road (“BHD Land”) and a portion of the County’s remaining water system servicing the MRMC campus (“MRMC Water System”). The buildings on the BHD Land are already vacant, except for the Behavioral Health Building, which the County would maintain rights to use as long as necessary. Through the sale Milwaukee County seeks market value for the sale of assets and intends to help facilitate the vision of the Life Science District Master Plan currently under consideration by the City of Wauwatosa. The Behavior Health Complex transaction is intended to create developable land for the proposed Center for Forensic Science and Protective Medicine and to accommodate infrastructure improvements for the County’s planned East/West Bus Rapid Transit line (“BRT”). While both transactions are still under negotiation, additional details are provided below.

Behavioral Health Complex and BRT Funding

The Department of Administrative Services is negotiating the sale of the BHD Land to members of the Milwaukee Regional Medical Center (MRMC). The buildings on site have met the end of their usual life, no longer serving the County as they were intended to when they were built, and would require significant investment to update or re-purpose. The MRMC members lease or own the adjacent land and the land is zoned for medical use.

The former Children's Adolescent Treatment Center ("CATC" or "9501") and Day Hospital ("9201") buildings have been decommissioned as part of the County's effort to reduce the County's administrative footprint by over 1,000,000 square feet. The Behavior Health Building ("9455") is already underutilized because of its massive size and will further diminish in need as the Milwaukee County Mental Health Board has approved a contract with Universal Health Services ("UHS") to provide mental health services at a privately constructed location elsewhere in the County. The Behavioral Health Division (BHD) intends to move all operations out of the Behavioral Health Building by June of 2021, by which time UHS will be prepared to serve patients elsewhere.

In considering the sale of BHD Land, Milwaukee County intends to help advance the Life Science District Master Plan prepared by the City of Wauwatosa. The plan calls for a campus like environment to support the growth of the MRMC and its existing medical and research uses. The western portion of the campus including BHD Land provides "a unique opportunity for bold, dynamic, iconic buildings visible from the freeway comparable to other nationally prominent academic medical centers." The plan also calls for a large community plaza and incorporating Bus Rapid Transit (BRT) to provide transportation choices and reduce the use of single occupancy vehicles to the campus. In addition to providing important medical services, the MRMC is a key economic driver in the region. Campus members employ more than 16,000 individuals and have a combined annual community benefit of \$410 million (City of Wauwatosa, Life Science District Master Plan).

Through the sale of the BHD lands to MRMC partners, Milwaukee County can fulfill several goals:

- Vacate underutilized buildings that are costly and inefficient to operate.
- Allow MRMC partners to control their own growth and further expand their investments in Milwaukee County thus increasing their quality of service and national prominence.
- Support development of a Bus Rapid Transit System connecting two economic engines of the region, downtown Milwaukee and the MRMC, and connecting thousands of individuals living along the corridor to jobs (see File 16-390).
- Support development of a state of the art Center for Forensic Science and Protective Medicine (see below).
- Receive above fair market value for sale of the BHD lands.

An appraisal for the BHD Land assigned a value of \$190,821 per acre, bringing the gross appraised value to \$7,911,248. The buildings are of a deteriorated condition and architecture that we do not believe they can be repurposed for private use. The estimated demolition cost is \$13,425,300 bringing the total net appraised value to -\$5,514,052. As a term of the proposed sale, the county will not be required to demolish any of the buildings on site. The MRMC partners will own and be responsible for the 9501 and 9201 buildings. Milwaukee County will

maintain responsibility for the 9455 building, through BHD's continued use of the building. Once the space is vacated, the County will decommission the building, until such time as the MRMC Partners develop the site.

The buyer will take responsibility for constructing certain BRT infrastructure that aligns with the County's plans to service the campus. This includes the expansion and re-alignment of 92nd Street and Connell Avenue to provide dedicated lanes for the BRT to operate (Exhibit B). The expected cost of the BRT investment by MRMC is \$4,511,062. This investment by MRMC is viewed as mutually beneficial to the County and would be credited against the purchase price of the property. The buyer will also receive credit for approximately 5 acres of land associated with the County's portion of the planned Center for Forensic Science and Protective Medicine, bring the purchase price to an estimated, \$2,446,081.

The BRT investment would otherwise be a responsibility of the County, but is more easily facilitated by the buyer, as the MRMC and its partners make corresponding investments in infrastructure on campus. The Buyer will build the BRT infrastructure to the County's specifications.

If the County does not receive Federal Transit Administration Capital Assist Grant Program or approval alternative funding commitment by December 31, 2019, the buyer would not receive the credit.

Milwaukee County would continue to occupy the Behavioral Health Building with associated parking, until it has an alternate location for patient services through UHS, and separate administrative space.

Water System Transactions

Milwaukee County currently owns the water system servicing the MRMC Campus and other properties in the area (see Exhibit C). The "Water System" includes infrastructure to deliver water to properties, as well as stormwater and sanitary sewer systems servicing the area. The County has entered discussions with both the City of Wauwatosa and the MRMC partners to sell the system. The Public Service Commission may play a role in any potential transfer.

Milwaukee County previously transferred the western portion of the County's water system to the City of Wauwatosa (see File 13-636). While transfer of the full system was long discussed, the 2013 transfer was expedited to accommodate the rebuilding of the Zoo Interchange by the State of Wisconsin. As noted in a 2014 Public Policy Forum Report on a potential transfer of the Water System to the City of Wauwatosa (see File 14-310), there are many complicating factors impacting sale of the system.

The MRMC partners would acquire the system at or near their property line and take responsibility for managing the system on Campus and at the MRMC Thermal Power Plant property. Then, Milwaukee county intends to transfer the remaining parts of the system to Wauwatosa. The County considers the transactions to be separate and distinct, one not necessarily requiring the other to occur.

Sale discussions with the MRMC partners are more advanced than those with the City. The MRMC partners have suggest their willingness to purchase the system is contingent on acquiring land currently leased and under option for purchase by the partners on campus. Sale of the water system to the MRMC partners could be completed in late 2018 or the first quarter of 2019.

Included in the sale would be stormwater management ponds on campus, the water spheroid on campus, the water tower north of Watertown Plank Rd. (East Tower) (with corresponding land easement or sale), sanitary sewer mains, and other associated assets. MRMC partners would also assume maintenance responsibility for the stormwater management pond north of Watertown Plank Road. Milwaukee County may retain and lease connection points of the water system to the MRMC partners to continue to facilitate water access and discharge agreements with Milwaukee Water Works and MMSD, respectively.

Both portions of the system would be sold for their depreciated Book Value. The City's portion being approximately \$1,356,000. MRMC's portion being approximately \$3,281,000. Water systems are paid for and maintained with direct service charges to customers. With these transaction, Milwaukee County will receive full value for its prior investments and no longer be responsible for operating the water system or billing customers. The City of Wauwatosa and MRMC partners (together the "buyers") will take over responsibility for future maintenance and operation of the system and will bill customers directly for services. These two sales would complete the disposition of all of Milwaukee County's water system operation responsibilities. The sales would also include stormwater and sanitary systems.

The water system is maintained by County employees and paid for with direct service charges to customers. Currently, the direct costs of maintenance include approximately 2.0 FTE County employees assigned to service the water system from the Department of Administrative Services – Facilities Management Division at an annual cost of \$148,000 to the County budget. The 2019 Recommended Budget includes a provision where these employees would not be laid off, but rather reassigned to other critical Milwaukee County Infrastructure and as a consequence paid for by tax levy. Disposal of the water system via the contemplated sales will also result in some indirect administrative savings to the County. Savings will be fully realized upon complete of both transactions.

Through the sale, Milwaukee County seeks to retain or receive market value for all existing sources of revenue associated with the water system. This includes continued billing of fire service charges billed to the MRMC Thermal Power Plant, Blood Center of Wisconsin and Curative Care Network. Milwaukee County also seeks to retain or receive market value for existing and potential future cell phone tower lease associated with the East Tower.

Through Milwaukee County's operation of the Water System, approximately \$600,000 has been compiled in a Water Asset Reserve Account. These funds are collected from water customers with the intention the funds will be utilized to correct or invest in the system. As part of the transaction, Milwaukee County may apply these funds to improvements necessary to complete these transactions. This includes ensuring that all existing County customers continue to have access water and sewer services.

RECOMMENDATION

The Director of the **Department of Administrative Services** respectfully requests that this informational report be received and placed on file.

Prepared by: Teig Whaley-Smith, Director, Department of Administrative Services



Teig Whaley-Smith
Director, Department of Administrative Services

Exhibits: Exhibit A BHD Land Map
 Exhibit B BRT Lane Map
 Exhibit C Water System Maps

cc: Chris Abele, County Executive
 Committee on Finance and Audit, County Board of Supervisors
 Raisa Koltun, Chief of Staff, County Executive's Office
 Kelly Bablitch, Chief of Staff, County Board of Supervisors
 Steve Cady, Research and Policy Director, Office of the Comptroller