

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: March 10, 2020

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

FROM: Guy Smith, Director, Department of Parks, Recreation and Culture
Joe Lamers, Director, Department of Administrative Services - PSB
Scott B. Manske, Comptroller, Office of the Comptroller

SUBJECT: Exploration of Mutual Benefits and Feasibility of Partnership of Milwaukee County financing an indoor facility at Uihlein Soccer Park

BACKGROUND

In December 2019, the Milwaukee County Board of Supervisors adopted Resolution 19-959 (“Resolution”). The Resolution directed the Milwaukee County Department of Parks Recreation and Culture in conjunction with the Department of Administrative Services (“DAS”), the Office of the Comptroller, and the Milwaukee Kickers (“MKSC”) to explore the mutual benefits of Milwaukee County financing an indoor, full-sized soccer field and sports facility (“Indoor Sports Dome”) at Uihlein Soccer Park (“USP”). The County would be repaid by MKSC. The feasibility of the partnership was to be presented to the County Board no later than the March 2020 meeting cycle.

Milwaukee County Lease with MKSC and Ownership of Buildings

In 1994, Milwaukee County entered into a lease with the MKSC. Since the original lease, there have been four subsequent amendments. The MKSC leases the real estate, building and certain other improvements at 7101 West Good Hope Road from Milwaukee County. **The County is the owner of the real estate and the buildings on the premises.**

In 2014, the MKSC exercised its option to renew the lease. The first renewal term began on November 1, 2014 and ends on October 31, 2029. The current lease permits the MKSC to renew the lease under the same terms and conditions for two additional 15 year periods. The MKSC pays the County \$46,690 semi-annually for rent.

Discussions with MKSC

Representatives from the Department of Parks, Recreation and Culture, the Department of Administrative Services, and the Office of the Comptroller met with a representative from the MKSC in January and February to discuss the MKSC plans for the development of the Indoor Sports Dome. The MKSC provided preliminary plans for the Indoor Sports Dome, a ten year pro forma (“Financial Projection”), a memo discussing the mutual benefits that could occur, and other documents that would be included in a future Due Diligence¹ review.

¹ Milwaukee County Ordinance 32.88

MUTUAL BENEFITS

The MKSC has submitted a memo (Attachment 1) describing what they believe would be the mutual benefits derived from building a publicly accessible Indoor Sports Dome at USP.

Regional/Statewide Impact

According to MKSC, Milwaukee is the only major city in the Midwest that does not have a publicly accessible, full-size, indoor turf field. Detroit has four full-size indoor fields, Chicago has 12, Cleveland has 5, Indianapolis has 3, Minneapolis has 8 and Omaha has 1. Having a full-size indoor field will help MKSC attract more tournaments because cancellations due to inclement weather would be eliminated. The risk for teams traveling longer distances would be dramatically reduced and, thus, make the USP a more attractive tournament proposition.

Sports such as lacrosse, field hockey, softball, football, rugby, soccer and ultimate Frisbee are all sports that compete on full size fields. Development of the Indoor Sports Dome would provide a full field indoor option for these sports during the winter and spring seasons when Wisconsin's climate limits playing outside.

Existing Benefits Provided by MKSC through Milwaukee SCORES

Through the Milwaukee Scores program the MKSC has played a role in providing students throughout the City of Milwaukee ("City") with soccer and academic support. Milwaukee Scores' mission is, "To inspire youth to lead healthy lives, be engaged students, and have the confidence and character to make a difference in the world."

"SCORES' multi-faceted program is designed to fill "gaps" both academically and physically that many students in Milwaukee face. Each participating school fall within one of the following parameters: the school is in a low-income community; testing data for the school shows there is a great need for support; or that that there are few or no after school program offerings."

"Since launching locally in 2004, SCORES has provided meaningful out-of-school time programs for more than 10,000 youth residing in Milwaukee's urban, under-resourced, and under-served neighborhoods."

According to the most recent annual report for Milwaukee SCORES, more than 1,600 youth participate in one of the SCORES locations that span across 15 different zip codes in Milwaukee. The MKSC provided \$60,000 of financial support to SCORES during the 2018-2019 program year. The MKSC also provides in kind contributions. According to MKSC, in kind contributions include lining fields, balls, uniforms, goals, cleats, and coaching time from staff coaches and are valued at approximately \$15,000.

Incremental Benefits Provided by MKSC after the development of the Indoor Sports Dome*Transportation and Programming for Youth*

According to the MKSC, “Accessing Uihlein Soccer Park on a more frequent and consistent basis would add value for SCORES students on many levels, however, the biggest barrier is transportation. The Milwaukee Kickers plan to overcome this by using proceeds from the dome to secure vehicles necessary to transport youth participants. In addition to bringing children to the park, having their own transportation would allow SCORES to introduce other experimental learning and enrichment activities. With increased financial support, and the necessary transportation logistics in place, it is projected that more than 2,000 children will benefit from SCORES’ no-cost afterschool and summer programs annually.”

The MKSC has indicated that they, “will offer the (full) dome field to youth programs at no charge Monday through Friday from 3:00pm-5:00pm. An approximate value of \$200,000 per year, the donated time will be available to sport-based youth programming groups that do not have access to training space. Community Centers, non-profit sports-based organizations and more can all benefit by having such a large indoor, turfed area available to them.”

It is important to note that the current Financial Projections do not include expenditures for buying, maintaining and operating these vehicles. Based on the current Financial Projections, the operating margins in the first years of operation of the Indoor Facility are not sufficient in order to undertake this effort.

Documentation of Programming Efforts

In October 2014, MKSC and the County executed a 4th Amendment to the lease between the MKSC and Milwaukee County. Section 9.04 was amended and restated and included reporting the performance outcomes. The MKSC was to annually report to the Committee on Parks, Energy and Environment and the Committee on Finance and Audit regarding the extent of its success in achieving such performance outcomes associated with providing increased recreational soccer programming in under-served areas of Milwaukee County. A report was submitted in July 2015² and also in September 2019³. A report was not submitted nor requested in 2016-2018. The MKSC does document the number of youth served by zip code with its independent auditors. Regardless of whether policymakers decide to move forward on a County financed Indoor Sports Dome, the County should annually request MKSC to provide documentation of its programming efforts.

2 County Board File 15-510

3 County Board File 19-779

FEASIBILITY

Financial Feasibility

The MKSC has provided a financial pro forma for the first ten years (“Financial Projection”) for the operation of the indoor soccer dome (Attachment 2). The Office of the Comptroller provided debt service estimates based on the conceptual estimates provided by the MKSC.

Revenues

Rental Income

The primary revenue source from the indoor soccer dome is the rental income from fees that are charged to users. The rental income fluctuates based on the rate and the projected capacity that the facility operates based on. The average rental rate is assumed to be \$400 per hour⁴. The projected capacity percentage is assumed to be 50% in the first year of operation and ramps up to 80% by year nine. The usage percentages were provided by MKSC and are based on the actual usage of the current indoor fields at USP.

Sponsorships/Naming Rights

The Financial Projection also assumes \$40,000 in annual revenues from Sponsorships/Naming Rights. MKSC believes the range estimated for sponsorship revenue is \$25,000 - \$75,000 per year. According to MKSC, sponsorship opportunities are enhanced because having three regulation-size, artificial turf surfaces (the two outdoor fields plus the dome) qualifies Uihlein Soccer Park for significantly more national tournaments. Tournament naming rights and event accessories (T-shirts, etc.), in-dome signage and up-selling existing sponsors will add incremental sponsorship proceeds. As a result any potential future Development Agreement and/or Lease Agreement will need to clarify what, if any, County involvement be on naming rights of the new facility. The Financial Projection does not include any limitations on naming rights. Under the current lease between the MKSC and Milwaukee County, the MKSC may not permanently name any portion of the premises without prior written consent of the Director of the Department of Parks, Recreation and Culture. In addition, any proceeds received as a result of such permanent naming is supposed to be payable to the County and be segregated and used for capital improvements to the leased premises.

Expenses

Capital (Design/Construction) Costs

Based on conceptual design documents, the estimated costs of the design/construction of the Indoor Sports Dome are approximately \$3.1 million. The estimate was provided by a firm contracted by MKSC. **The estimated costs could vary substantially prior to the completion of construction plans and do not include any County project management expenses. The \$3.1 million figure does not include the estimated \$400,000 costs for the purchase and installation of the turf⁵.**

4 The rental rate for the full field is anticipated to be \$400 per hour. The rental rates for a half field and a quarter field are \$225 per hour and \$125 per hour respectively.

5 The MKSC intends to seek grant funding to offset the cost of the turf.

The design and engineering still needs to be completed so that construction plans and specifications can be created. Final plans would need to include a detailed storm water management plan with soil report, a site data table summarizing acreages for natural features and land uses, utility plans for full buildout, dimensioned site plans that resolve any conflicts between existing and proposed conditions, ADA-compliant amenity details, restroom plans in alignment with proposed maximum capacity, and parking plan(s). A soil report was conducted in July 2019 and will need to be reviewed by Department of Architecture, Engineering and Environmental Services (“DAS AE&E”) and Parks. The current project scope assumes no environmental hazards of any kind require consideration in design, construction or long-term maintenance. Should such environmental concerns arise, scope and project cost changes would be assumed, and should be considered a part of the eligible project costs.

A storm water management plan will need to be submitted to the City of Milwaukee. A stormwater basin has been designed to capture the 100-year storm and meeting the City of Milwaukee and MMSD stormwater requirements. A construction and erosion control permit from the Wisconsin Department of Natural Resources, and a Chapter 13 permit from the Milwaukee Metropolitan Sewerage District will be required.

The groundwater on the site had been an open site under WDNR's Remediation & Redevelopment Program, and was closed via an off-site exemption. The site closure conditions may require submittals to the WDNR to gain approval for the proposed work. The project may require testing of excavated materials in order to ensure the soil is not contaminated. Should it be determined that the soil on the site from a release or dumping is contaminated then mitigation actions may be required.

The conceptual design documents indicated that the MKSC will require a “no build easement” on the County owned land (known as “Melody Top”) west of the proposed Indoor Sports Dome. Any Development and/or Lease Agreement will need to define the status and use of the temporary parking site on the Melody Top. Since Melody Top is a County-owned parcel, easements on the site may require review and approval by the County Board, although the Melody Top parcel does not have Park zoning. The no build easement would also require a variance from the City of Milwaukee. It is anticipated that no work would occur on the Melody Top site.

The preliminary construction plans and estimates would be evaluated by the DAS AE&E. Construction estimates also need to be created by DAS AE&E and included County project management expenses. Since the County would own the Indoor Sports Dome, a request for bids would need to occur and the contract award would need to be made accordingly.⁶ It is anticipated that DAS AE&E will be able to complete design & construction documents by Dec 31st 2020, assuming the appropriation of funding in April 2020 and no major issues with contracting, permitting and design.

⁶ Wisconsin State Statute 59.52 (29) and Milwaukee County Ordinance 44.14 Award of Public Works Contracts

Operating Costs

Operations expenses primarily consist of debt service, utilities and insurance requirements. The estimated debt service schedule includes annual expenses of \$350,691 for a term of ten years. The schedule is based on the \$3.1 million estimate from the conceptual design documents. A taxable issue with a ten year term is being assumed because of the private activities being contemplated as part of the facility's use. A 10 year term is being assumed because that was the length of the loan that MKSC was negotiating with National Exchange Bank & Trust back in 2019. The estimated true interest cost is 2.34% and includes cost of issuance expenses.

The current Financial Projection does not include a reserve for debt service. A reserve for debt service should be included in order to ensure full and timely repayment to the county. Ultimately, the County would be responsible for making debt service payments to the bond holders (through the Depository Trust Company) regardless of whether or not it received payments from the MKSC.⁷

Maintenance

It is assumed that MKSC will cover all of the maintenance from the Indoor Sports Dome. The Financial Projection includes estimates for maintenance based on MKSC inquires with other Dome operators. The annual maintenance expenses are estimated to be \$2,700 annually and are inflated at 2% per year.

Replacement/ "Demolition" Reserve

A replacement reserve is not included in the current Financial Projections. According to a dome manufacturer, domes could last from 20 to 25 years. The County would own the Indoor Sports Dome. The County would need to negotiate with MKSC who would bear responsibility for either the replacement of Indoor Sports Dome or the removal of the Indoor Sports Dome at the end of its useful life.

Feasibility Conclusions

The operating margin for the Financial Projection is 4% in year one, 16% in year two before expanding to 21%-28% for the balance of the 10 years. As a result, there is a risk that the MKSC would need to use other income to repay the County or that the County would not receive full reimbursement of its debt service expenses during the 10 year term should revenues not meet expectations or expenses be more than anticipated. In addition, the current Financial Projection does not include the costs for purchasing and installing the turf, a debt service reserve, a major maintenance reserve, facility replacement/demolition reserve. There is a reserve for turf replacement beginning in year five.

It is likely that a 15 year repayment schedule will ultimately be more realistic, lead to a higher likelihood of a successful partnership and provide more flexibility to set aside resources from the Indoor Sports Domes operations to ensure repayment to the County and proper maintenance of the facility.

⁷ The final debt service schedule may be different from the reimbursements from the MKSC in order to ensure that the County's overall debt service payment amounts remain level.

In order to improve the feasibility for a successful partnership, the following items should be addressed.

Prior to approval of the agreements:

- A formal resolution from with the MKSC should be provided to the County indicating support for the venture.⁸
- The County should complete the Design/Engineering efforts and prepare construction documents so that a more accurate estimate can be relied upon for the agreements. This would require an appropriation. The appropriation is estimated to be \$322,000.
- A survey of other Dome operators or market analysis should be completed to determine reasonableness of:
 - Usage and hourly rate figures.
 - Annual maintenance costs. There is \$0 included for annual turf maintenance.
- Update and review pro-forma including
 - Artificial turf purchase and installation
 - Construction costs based on the completed Design/Engineering (i.e. final construction documents).

As part of the agreements, the County should seek to include:

- Reimbursement of all County project costs.
- A debt service reserve in order to ensure full and timely repayment to the county.
- A replacement or “demolition” reserve so that the County is not left with a liability at the end of the Indoor Sports Dome’s Useful life.
- All repairs and maintenance (minor and major) are the sole responsibility of the MKSC.
- Separate commitments between MKSC and groups (schools) that participate in the SCORES program. These commitments would make it more likely that the access to the new Indoor Dome Facility would be fulfilled.

Next Steps

If policymakers want to move forward with this partnership, an appropriation of \$322,000 should be made from the appropriation for contingencies to create a new capital project that would finance the completion of the design of the project and the development of construction documents. The Department of Parks, Recreation and Culture should create a development agreement and (if necessary) amendments to the lease necessary to facilitate the development. Assistance will need to be provided by other departments to construct elements of the agreements.

The Office of the Comptroller would review the financial and debt aspects of the agreements, recommend a debt financing structure (including a reserve for debt service) and prepare the necessary resolutions to issue the debt.

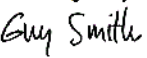
⁸ MKSC has provided minutes from their November 2019 meeting that indicates that they are interested in pursuing financing from Milwaukee County.

Due Diligence materials would need to be collected by the Department of Parks, Recreation and Culture and reviewed by the Department of Administrative Services once the agreements have been negotiated and prepared.⁹

The agreement should be submitted to the county board for approval after negotiations are complete and construction documents have been prepared.

Committee Action

This is an informational report only. The report should reviewed and placed on file.


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Scott B. Manske
Comptroller

cc:

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- Kelly Bablitch, Chief of Staff, County Board
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- Jeremy Lucas, Director of Administration and Planning, Department of Parks, Recreation and Culture
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- Greg High, Director of Architecture, Engineering and Environmental Services, DAS
- Sean Hayes, Capital Planning Manager, DAS
- Vince Masterson, Capital Budget Coordinator, DAS
- Emily Petersen, Research Analyst, Office of the Comptroller

⁹ Milwaukee County Ordinance 32.88 Due Diligence