

**COUNTY OF MILWAUKEE**  
**INTEROFFICE COMMUNICATION**

**DATE:** October 1, 2020

**TO:** Marcelia Nicholson, Chairwoman, Milwaukee County Board of Supervisors

**FROM:** Aaron Hertzberg, Director, Department of Administrative Services, Economic Development Division  
Dr. Ellen Censky, President & Chief Executive Officer, Milwaukee Public Museum

**SUBJECT: AN ACTION REPORT REQUESTING AUTHORIZATION TO ENTER A THIRD AMENDMENT TO LEASE AND MANAGEMENT AGREEMENT BETWEEN MILWAUKEE PUBLIC MUSEUM, INC. AND MILWAUKEE COUNTY**

---

**REQUEST**

Authorization to execute a Third Amendment to Lease and Management Agreement to avoid a default of commitments and maintain existing funding.

A requirement of the amended Lease and Management Agreement between Milwaukee County (“County”) and the Milwaukee Public Museum (“MPM”) is that MPM, alone, receive at least \$5.0 million in cash and donor commitments by December 31, 2020 for capital spending or for a “Relocation Strategy”. As of this date, MPM has raised most of these funds. Based on a plan for the Relocation Strategy, a certain amount of these funds is being raised by a separate legal entity so as to garner potential tax credits and loans. MPM wants to amend the Lease and Management Agreement to allow for the \$5.0 million in cash and donor commitments to include either MPM or a separate legal entity which will be utilized in the Relocation Strategy.

**PREVIOUS LEGISLATION**

File 13-598 – Action Report – Authorization to Execute a Lease and Management Agreement with MPM  
File 18-532 – Action Report – Authorization to Execute an Amendment to Lease and Management Agreement with MPM  
File 20-16 – Informational Report – MPM Presentation on Financial Statements  
File 20-482 – Action Report – Authorization to Execute a Second Amendment to Lease and Management Agreement with MPM

**REPORT**

On August 15, 2013, Milwaukee County (“County”) entered into a Lease and Management Agreement (“Agreement”) with the Milwaukee Public Museum, Inc. (“MPM”) whereby the County would own the current museum building at 800 West Wells Street and all of the artifacts, exhibits, and other items of historical or scientific value or significance owned or held by the County and used or intended to be used for exhibition, display, education or research in connection with the activities and operations of the museum and the County would lease the

current building, the personal property, and the artifacts to MPM, and MPM would undertake the primary responsibility for managing and operating the museum.

The initial term of the Agreement is through December 31, 2022 and can be automatically extended for four (4) successive periods of five (5) years each through December 31, 2042.

Through this Agreement, the County shall provide Base Level Funding for the management and operation of MPM \$3,500,000 per year, with planned reductions in future years. If MPM received at least \$5.0 million in cash and donor commitments for capital spending by a specified date, then the Base Level Funding would be maintained at \$3,500,000. However, if in any fiscal year, MPM is unable to meet certain attendance and financial performance criteria, the Base Level Funding would be decreased by \$250,000 in the subsequent calendar year.

In April 2019, the Agreement was amended to continue the \$3,500,000 Base Level Funding through 2020, and extend the period of MPM's requirement to meet the \$5,000,000 fund raising goal from 2017 to 2020. The fund raising goal was modified to require that a maximum of \$1.0 million of the \$5.0 million goal be for MPM exhibits. In addition, a cash and donor commitments for a "Relocation Strategy" was allowed for meeting the goal. The provision as stated in the amended Agreement is as follows:

If the Milwaukee Public Museum has received at least \$5 Million in cash and donor commitments for capital spending related to the Site, Building, exhibits, or donor gifts and commitments for its Relocation Strategy ("5 Million Commitment"), then the Base Level of Funding will increase to a total of \$3,500,000 each year from 2021 through 2022. Cash and Donor Commitments to Exhibits, in the \$5.0 million goal is limited to \$1.0 million. "Relocation Strategy" as used herein means MPM's efforts to develop a smaller more efficient building to make MPM more sustainable. Eligible Relocation Strategy expenses include, without limitation, consulting fees related to the feasibility of the Relocation Strategy, architectural study and design fees, and contributions related to any replacement facility. MPM will provide evidence of the \$5 Million Commitment by December 31, 2020."

This Amendment seeks to enhance the language with regards to the preceding requirements:

As of August 31, 2020, MPM has raised \$4.6 million directly per these requirements. The remaining amounts, and beyond the \$5 million commitment has been raised through a separate legal entity (New Site Entity) that is not consolidated into the MPM financial statements. The reason for a separate New Site Entity is to enhance the ability of the new building and location to benefit from Opportunity Zone and New Market Tax Credits. The separate tax-exempt entity has also received donations and commitments towards the relocation of MPM. In order to ease concerns from donors and to expedite the use of these tax credits, this new entity, whose mission is to finance and fundraise a new natural history museum in Milwaukee, is currently owned by the Milwaukee Development Corporation which is a subsidiary of the Metropolitan Milwaukee Association of Commerce (MMAC).

The third Amendment to the Agreement should provide the following changes to the Agreement:

"if the Milwaukee Public Museum or entity affiliated with its Relocation Strategy has received at least \$5 Million in cash and donor commitments for capital spending

related to the Site, Building, exhibits, or donor gifts and commitments for its Relocation Strategy (\$5 Million Commitment”), then the Base Level of Funding will increase to a total of \$3,500,000 each year from 2021 through 2022. Cash and Donor Commitments to Exhibits, in the \$5.0 million goal is limited to \$1.0 million. “Relocation Strategy” as used herein means MPM’s efforts to develop a smaller more efficient building to make MPM more sustainable. Eligible Relocation Strategy expenses include, without limitation, consulting fees related to the feasibility of the Relocation Strategy, architectural study and design fees, and contributions related to any replacement facility. An “Entity Affiliated with the Relocation Strategy” shall include an entity whose sole mission is to assist with MPM’s efforts to meet its relocation strategy and could include such entities that could assist in garnering opportunity zone or other tax credits. MPM or the entity affiliated with the relocation strategy will provide evidence of the \$5 Million Commitment by December 31, 2020.

MPM Management Comments:

MPM management has indicated that if these changes in criteria are not memorialized, then MPM risks being in default of the \$5.0 million commitment of the Agreement. Such default would mean a reduction in operating support from \$3.5 million to \$3.2 million for 2021 and \$3.0 million for 2022.

The full allocation of \$3.5M becomes incrementally more important as other revenues for the museum are at risk. Even though MPM continues its fundraising efforts with results that are currently in line with expectations, membership and event revenue are down dramatically. Future economic commitments become less predictable than in years past. Currently, MPM also maintains the employee benefits for employees who have been furloughed.

The metrics of the Agreement are in place to ensure that MPM acts on behalf of the County as its steward of the artifacts and collections, to promote these cultural assets. The intent does not appear to provide a path to punishment when faced with the headwinds of a global pandemic. Through alternative programming utilizing social media and other web-based platforms and working directly with public school teachers and parents, MPM is making the best possible efforts to continue its primary mission and deliver on its commitment to serve the County and its citizens. In the two months following the closure to the public, MPM touched over 1 million citizens and directly engaged with more than 182,000 of them. MPM continues to grow these efforts as we are closed. This would not be possible without the funding provided by the County.

**RECOMMENDATION**

MPM has requested the Agreement be revised to address these issues. Based on this information, as well as review from the Comptroller’s Office and the Office of Corporation Counsel, DAS recommends amending this Agreement as provided in the attached.

The original lease is attached to this report as Exhibit A, and the proposed amendment is included as Exhibit B.

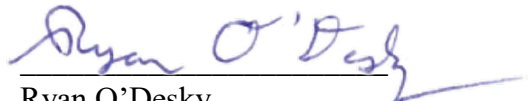
**FISCAL IMPACT**

These amendments update the existing lease to clarify performance criteria for MPM to achieve

the funding levels as established in 2013 and as previously approved by the County Board. The updates reflect current conditions due to the COVID-19 pandemic. The County's present contribution levels do not change with this amendment, and therefore there is no associated immediate fiscal impact. The amendment does not impact or reduce any of the additional performance criteria MPM is required to meet in order to receive County funds. The 2021 County Executive Recommended Budget assumes a \$3.5 million operating contribution to MPM.

---

Aaron Hertzberg  
Economic Development Director



---

Ryan O'Desky  
SVP Finance & Operations, Milwaukee Public  
Museum

Cc: David Crowley, County Executive  
Mary Jo Meyers, Chief of Staff, Office of the County Executive  
Kelly Bablitch, Chief of Staff, County Board  
Supervisor Jason Haas, Chairman, Finance and Audit Committee  
Finance and Audit Committee Members  
Shanin Brown, Committee Coordinator  
Steve Cady, Director of Research and Policy  
Supervisor Sheldon Wasserman, Chairman, Parks, Energy and Environment Committee  
Parks, Energy and Environment Committee Members  
Kelsey Evans, Committee Coordinator, Office of the County Clerk  
Emily Peterson, Research & Policy Analyst  
Julie Landry, Director, Department of Administrative Services  
Guy Smith, Executive Director, Milwaukee County Parks  
Scott Manske, Comptroller  
Joe Lamers, Director, Office of Performance, DAS-PSB  
Vince Masterson, Capital Budget Coordinator, DAS-PSB  
Ryan O'Desky, Chief Financial Officer, Milwaukee Public Museum