



## Legislative Fiscal Bureau

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February 22, 2022

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Section 13.10 Request for Sale of the Department of Natural Resources  
Former Regional Headquarters Property in the City of Milwaukee -- Agenda Item II

### REQUEST

The Department of Administration (DOA) is requesting Joint Finance Committee approval of the proposed sale of the former Department of Natural Resources (DNR) southeast regional headquarters and Milwaukee service center to Bronzeville Center for the Arts, Inc. (BCA). Total compensation for the transaction would be \$1,600,000. The property is not currently occupied.

### BACKGROUND

On July 6, 2021, DNR took occupancy of its new southeast regional headquarters, located at 1027 West St. Paul Avenue in Milwaukee. The former and now unoccupied DNR southeast regional headquarters building, located in the 2300 block of N. Martin Luther King Jr. Drive in Milwaukee, was mostly constructed in 1983 but incorporates elements of an older building dating to 1911. The property comprises 3.4 acres, including approximately 34,000 square feet of office space, 13,000 square feet of field laboratory space, 2,230 square feet of attic space, and approximately 166 surface parking spaces. The property is being sold in "as is" condition, meaning that no repairs, renovations, or alterations will be made to the building prior to the intended sale. The total \$1,600,000 proposed sale price of the building and its surrounding property will include all furniture and equipment currently on site.

2013 Wisconsin Act 20 provided DOA and the State Building Commission authority to sell state properties. The Act also specified that DOA or the Building Commission could not sell or lease state-owned property unless such a transaction was approved by the Joint Committee on Finance. In addition, the Act requires DOA or the Commission to submit the following information to the Joint Finance Committee as part of any request for approval of a sale or lease: (a) the estimated value of the facility as determined by DOA and at least one qualified privately-owned assessor; (b) the full

cost of retiring remaining debt for the facility; (c) a cost-benefit analysis that considers the short-term and long-term costs and benefits to the state of selling or leasing the property; (d) the length and conditions of any proposed sale or lease between the state and a proposed purchaser or lessee; (e) the estimated budgetary impact for affected state agencies for at least the current and following biennium; and (f) any other information requested by the Committee.

DOA or the Building Commission are first required to use the proceeds from the sale of state assets to retire any outstanding principal, interest, or premium due on debt used to finance the acquisition, construction, or improvement of the property. Under Act 20, after the outstanding debt and all other obligations related to property are met, the DOA or the Building Commission must use the remaining proceeds to pay principal and interest on other outstanding public debt. To the extent practical, the DOA Secretary or the Building Commission are to consider all of the following in determining which public debt to redeem: (a) the extent to which the debt service on the property being sold or leased was paid from a segregated fund, other outstanding debt related to that fund should be redeemed; (b) the extent to which general obligation debt was issued to acquire, build, or improve the property is subject to current optional redemption, would require the establishment of an escrow, or could be assigned for accounting purposes to a statutory bond purpose; (c) the fiscal benefit of redeeming outstanding debt with higher interest costs; and (d) the costs of maintaining federal tax law compliance in the selection of general obligation debt to be redeemed.

## ANALYSIS

No state agency expressed interest in purchasing the property. Therefore, DOA issued a public notice of the sale of surplus real property and received five offers. Bronzeville Center for the Arts, Inc. (BCA) submitted the successful bid of \$1,600,000. BCA is a nonprofit arts organization that intends to develop an arts and cultural center on the property, including an auditorium, exhibition space, and outdoor sculpture gardens. The Building Commission approved the sale unanimously on February 9, 2022. Therefore, closing sale and title transfer procedures could occur within 30 days of the Committee's approval.

**Estimated Facility Value.** As required under 2013 Act 20, DOA and a qualified privately-owned assessor determined the fair market value of the property at \$1,200,000. DOA indicates that in order to ensure a competitive and fair sale, the Department issued a Public Notice of Sale of Surplus Property from October 7 to December 2, 2021. The Department also reports that 'For Sale' signs were posted on the property. DOA indicates that its legal division has reviewed and approved all transactional documents associated with the sale.

**Full Cost of Retiring Remaining Debt.** The Department reports that proceeds from the sale would be used to retire the property's outstanding GPR and SEG debt, which totals \$214,500. Remaining proceeds would be used to retire outstanding debt on other state properties.

**Cost-Benefit Analysis.** In the short-term, the sale will save DNR approximately \$252,000 per year in facility maintenance costs. DNR currently spends \$21,000 per month to maintain the unoccupied building, for costs such as utilities, security, snow removal, and pest control. In the long-

term, the sale will allow the property to be redeveloped for community use. In addition, the sale will provide \$1.6 million to the state, allowing the state to reduce debt service costs.

## **ALTERNATIVES**

1. Approve DOA's request to sell 3.4 acres and improvements in the 2300 block of N. Martin L. King Jr. Drive in Milwaukee, Wisconsin, to Bronzeville Center for the Arts, Inc. (BCA), for a total of \$1,600,000.
2. Deny the request.

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