



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

June 22, 2023

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Section 13.10 Request for Sale of the Department of Administration Buildings Leased to Beyond Vision -- Agenda Item I

REQUEST

The Department of Administration (DOA) is requesting approval from the Joint Committee on Finance for the proposed sale of two buildings that have been leased to Beyond Vision, located at 5316 West State Street and 5504 West State Street in Milwaukee, Wisconsin. Compensation for the transactions would be \$1,250,000 (5316 West State Street) and \$265,000 (5504 West State Street), for a total of \$1,515,000. The property at 5316 West State Street will be vacant on July 1, 2023, and the property at 5504 West State Street is currently vacant.

BACKGROUND

Both facilities were constructed in 1935 and were purchased by the State Building Commission (SBC) in 1964 for the use of the Department of Public Welfare (now the Department of Health Services) to accommodate the Workshop for the Blind Program (later known as Wiscraft and currently known as Beyond Vision), which operates a sheltered workshop for the visually impaired. In 1985, the program converted to a non-profit corporation and entered into a 25-year lease with DHS from July 1, 1985, to June 30, 2010, for the two West State Street locations. In 2008, the properties were transferred to DOA. In 2010, DOA entered into a 10-year lease amendment with Beyond Vision through June 30, 2020. In 2020, SBC approved two lease agreements between DOA and Beyond Vision from July 1, 2020, to June 30, 2030. However, on December 31, 2022, Beyond Vision relocated their operations. Beyond Vision no longer requires either building at the West State Street locations.

The 5316 West State Street property is 53,319 square feet (1.18 acres). Improvements include a two-story, single-tenant industrial and office facility, with 34,027 square feet of finished office

space on the first floor and 5,102 square feet of finished office space on the second floor. The 5504 West State Street property is 16,533 square feet (0.38 acres). Improvements include a one-story building with 3,157 square feet of finished office space. The remaining space is unfinished warehouse space. Both properties are 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 \$1,515,000 combined proposed sales prices of the buildings and their surrounding properties will include all furniture and equipment currently on site. As noted above, the property at 5316 West State Street is leased by Beyond Vision and will be vacant on July 1, 2023, and the property at 5504 West State Street was leased by Beyond Vision and is currently vacant.

The State Building Commission and DOA are authorized to sell state properties under 2013 Wisconsin Act 20. The Act also specified that the Building Commission or DOA 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 the Commission or DOA to submit the following information to the 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.

The Building Commission or DOA 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 Building Commission or the DOA Secretary are to consider all of the following in determining the 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, which 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

The Department indicates that no state agency expressed interest in purchasing either of the two buildings leased by Beyond Vision. Therefore, DOA issued a public notice of the sale of surplus real property and received four offers. Tadisich Properties III, LLC submitted the successful bid of \$1,250,000 for the 5316 West State Street property, and Luna LLC submitted the successful bid of \$265,000 for the 5504 West State Street property. The Building Commission approved the sales unanimously on May 3, 2023. 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 5316 West State Street property to be \$1,055,000 and the 5504 West State Street property to be \$295,000. The Department indicates that, in order to ensure a competitive and fair sale, it issued a Public Notice of Sale of Surplus Property from January 11 to February 15, 2023. The Department also reports that 'for sale' signs were posted on the property. The Department indicates that its legal division has reviewed and approved all transactional documents associated with the sales.

Full Cost of Retiring Remaining Debt. The Department reports that proceeds from the sale would be used to retire the property's outstanding debt of \$92,100 for the 5316 West State Street property and \$66,200 for the 5504 West State Street property, for a total of \$158,300 (\$125,900 principal and \$32,400 interest). Remaining proceeds would be used to retire outstanding debt on other state properties.

Cost-Benefit Analysis. In the short-term, the State would receive \$1,250,000 for the sale of the 5316 West State Street property and \$265,000 for the sale of the 5504 West State Street property. Proceeds from the sale would be used to retire outstanding debt on both properties. In the long-term, the transactions would allow DOA to sell two underutilized properties that have continued obligations for operating costs and ongoing environmental testing. For example, DOA estimates there would be costs of approximately \$123,500 per year for ongoing maintenance and environmental testing costs if the buildings were not sold. The Department indicates that both properties would be used by the proposed buyers for business use that could contribute to revitalization of the neighborhood.

Estimated Budget Savings. Beyond Vision used its own resources to operate and maintain both buildings. Therefore, outside of debt service savings, there would be no budget savings related to the sale of the two buildings.

ALTERNATIVES

1. Approve DOA's request to sell 1.18 acres at 5316 West State Street, Milwaukee to Tadisch Properties III, LLC for \$1,250,000, and 0.38 acres at 5504 West State Street in Milwaukee, to Luna LLC for \$265,000.
2. Deny the request.

Prepared by: Brianna Murphy