COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: September 2, 2014

TO: Supervisor Patricia Jursik, Chair, Economic & Community Development Committee

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

SUBJECT: Informational Report regarding the Downtown Transit Center and the related land located at 909 E. Michigan Street (the "DTC Site") (File 14-9)

Summary

The DTC Site is the County's most exciting opportunity for enhancing public access to the lake, activating public space, and bringing modern public transportation infrastructure into the area. Barrett Visionary Development has been working with the County and City of Milwaukee to develop a plan to meet these public goals. The result is The Couture, a public-private partnership that includes 1.9 acres of outdoor, 24 hour public space, $68,000,000 of tax revenue to cover public infrastructure or other needs, thousands of construction jobs, and over $23,000,000 in contracts to Disadvantaged Business Enterprises. The County's contribution to this partnership would be discounting the land to $500,000. The project would be owned and developed by Barrett Visionary Development.

This informational report is designed to update the Committee on the key components of the development being proposed at the DTC Site. In order to move the project forward, outside counsel needs to be engaged to draft the appropriate agreements. An amendment to an existing contract has been prepared by Corporation Counsel and submitted under the passive review process. Once agreements have been negotiated with Barrett Visionary Development, then an action file will be prepared for a decision by the County Board.

I. Improved Public Access

Currently the DTC Site does not provide any access to the Lakefront. Pedestrians on Michigan Street are unable to cross Lincoln Memorial Drive without confronting major traffic exiting and entering the freeway (See Figure 1).

Figure 1: Existing Pedestrian Conditions

The Couture project resolves these issues. As shown by Figure 2, the Couture will keep the bridge to the North to the O'Donnell Parking Structure, but also add connections across

Lincoln Memorial Drive to the East and a future connection to the site to the South. Perhaps most importantly, the interior Pedestrian Plaza offers easy access from Michigan Street to the West. Pedestrians, including persons in a wheel chair, can now travel seamlessly from Michigan Street directly to the Lakefront.

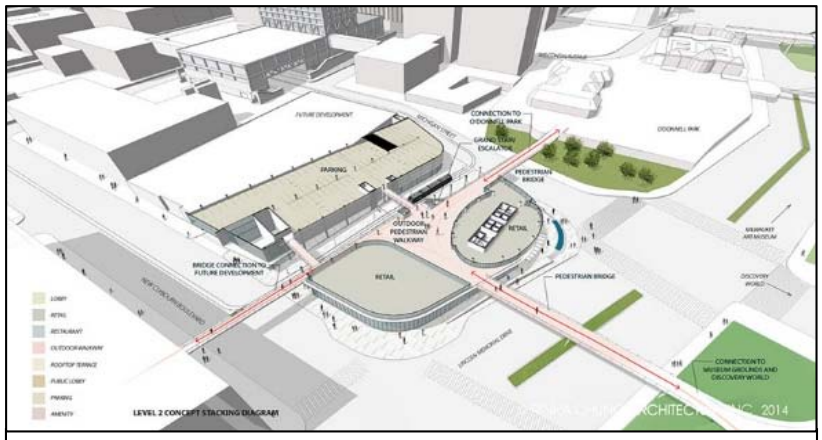

Figure 2: Planned Connections

Full size versions of Figures 2-5, plus additional renderings of the Pedestrian Plaza and other elements of the Couture can be found in Exhibit A.

II. Improved Public Space

Currently the DTC Site includes approximately 65,000 square feet of plaza space on the upper deck. This area is open to the public 24 hours a day, 7 days a week ("24/7 Public Space"). The Couture project will include approximately 81,561 square feet of 24/7 Public Space, a 25% increase. This includes a Public Transportation Concourse, Rooftop Park (See Figure 4), Bike Share Station, Public Plaza and Visitor Walkway (See Figure 3). That's over 1.6 acres of 24/7 Public Space. This acreage represents 73% of the total site acreage.

Figure 3: Pedestrian Plaza

Currently the DTC site also includes the Harbor Lights room which is open on a controlled/fee basis to the public ("Limited Public Space"). The Couture Project includes 54,893 square feet of similar restaurant and retail space, plus 59,806 square feet of public parking.

Figure 4: Green Roof

Today the combined 24/7 Space and Limited Public Space of the existing site ("Combined Public Space") is approximately 70,000 square feet. In the Couture, the combined public space is 196,260 square feet, more than 2.8 times as much. This 196,260 of Combined Public Space is 28% of the total building area.

III. Improved Transit Connections

Although called the Downtown Transit Center, currently there are no connections to transit, the DTC Site is used only as a terminal point for buses. The Couture will be Wisconsin's first connection between County buses, the City Street Car, the Bublr Bikes, Public Parking and the pedestrian access to the Lakefront.

Figure 5: Public Transportation Plaza

Economic Development studies show that an integrated public transportation system is vital to attracting more businesses, cost savings for businesses and cost savings for public infrastructure.[1]

IV. Creates Substantial Investment Impact

Currently the DTC Site is not generating any tax revenue. Over a 30 year period, the Couture is expected to generate $68,000,000 of property taxes. This value can be used to support the $17,500,000 of public improvements at the Couture and other public improvements as necessary for development of the area. After the necessary public improvements are made these resources can be used to support County, City, Public Schools and Technical Schools. A similar strategy was employed by the County in developing Milwaukee County Research Park which in 2015 will have paid for all necessary infrastructure and result in an estimated $4.3 million annually to public operations, $1.05 million of which will come to the County.

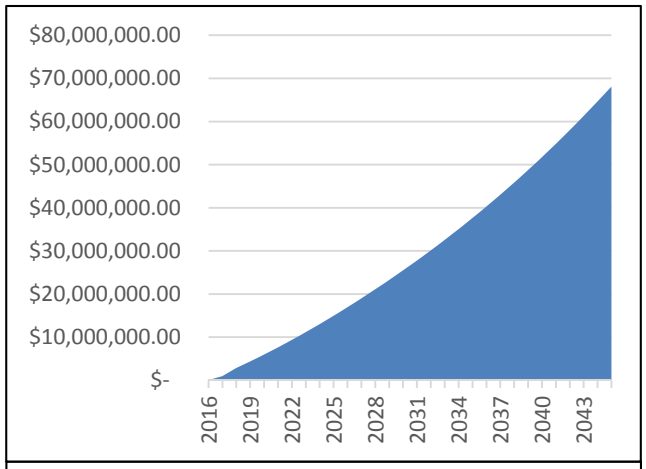

Figure 6: Cumulative Growth of Public Revenue

In addition to the tax value 2,074 direct and indirect construction jobs and 150 permanent jobs are expected to be created. Furthermore, with a construction contract of $93,000,000, more than $23,000,000 of contracts will be awarded to Disadvantaged Business Enterprises.

[1] Federal Highway Administration, "Transportation and Economic Development," available at http://www.fhwa.dot.gov/livability/fact_sheets/transandeconomics.pdf

V. Meets Objectives of the Approved Long-Range Plan for the Lakefront

In 2011 the Milwaukee County Board established the Long-Range Lakefront Planning Committee, comprised of officials from Milwaukee County and the City of Milwaukee, as well as representatives from the various lakefront attractions and the business community (File 11-154). Later in 2011, the Milwaukee County Board adopted the Long-Range Lakefront Planning Committee's Report ("Lakefront Plan"), including the goal of developing the DTC Site to a "high-value, multi-story use housing amenities more appropriate to its lakefront location." The Lakefront Plan is attached as Exhibit C. The Lakefront Plan indicates a desire for the DTC site to include an "active street level," "engage pedestrians" and "draw people to the lakefront," with "easy access to the lakefront."[2] The Couture project accomplishes all of these goals.

VI. Meets Objectives of resolution 12-633

In 2012 the Milwaukee County Board adopted resolution 12-633 supporting the Couture project because of the following elements.

1. *Develop a plan to incorporate the components of the Park East Redevelopment Compact (PERC) into the development agreement in order to provide additional sustainable community benefits that includes disadvantaged business opportunities and verified best faith efforts to employ Milwaukee County racial minorities and women in the project.*

   The Couture includes a commitment to 25% of DBE participation and 40% Milwaukee County Resident Hiring.

2. *Identify or develop an element of public attraction within the proposed development and ensure the project does not compete with public use facilities near the site.*

   As indicated by Section 1 above, the Couture includes several exciting public elements.

3. *Advise the Committee on Economic and Community Development on the appraised value of the site with the understanding that the County Board expects to receive fair market value for the property.*

   With the Couture generating $68,000,000 of public revenue and including $17,500,000 of public amenities, the County has negotiated a deal far above the raw value of the land of approximately $7,000,000.[3]

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[2] See Long Range Lakefront Committee: The Enhancement of Milwaukee's Most Valuable Property, at p5 (attached as Exhibit C).

[3] The appraisal is for $9.6 Million less $700,000 for demolition. It is now known that the demolition is closer to $2 Million, consequently the net value would be $7.6 Million. The Appraisal is attached as Exhibit B.

4. *Work with the Parks Director and the Wisconsin Department of Natural Resources to determine if any portion of the development site is in conflict with the lakebed public trust doctrine.*

   The State of Wisconsin has specified that the development site and other applicable sites west of the 1913 line are ”not part of the lake bed of Lake Michigan” (Wis. Stats. Sec. 30.2038).

VII. Deal Structure

The transaction that will be proposed is a sale of the land to Barrett Visionary Development for $500,000. BVD would be responsible for the demolition of the site which is currently estimated to be approximately $2,000,000. The County would not be making any guarantees or other financial contribution to the project. The $500,000 would be deposited as an indemnity to the title company. Once the indemnity is released the funds would be available to the County.

Given the complexity of this transaction, it is our recommendation that the County engage outside counsel, Reinhart Boerner Van Deuren, s.c (“Reinhart”) to prepare the Offer and Development Agreement. Reinhart has assisted the County before in developing such documents for the Park East and other transactions. Reinhart is also familiar with the complex title issues of the DTC Site.

A contract amendment for $50,000 has been prepared by Corporation Counsel to extend the existing Reinhart contract. The amendment has been submitted for passive review to the Board.

Once an Offer and Development Agreement are prepared, an action file would be presented to the County Board.

VIII. Financial Analysis

Although the Economic Development Department has thoroughly reviewed the developer’s proposal, as an extra measure of protection, the County has engaged SB Friedman to do an independent financial analysis verifying the reasonableness of developer’s assumptions. Once the report is completed it will be presented to the County Board for review.

IX. Recommendation

This is an informational report and there is currently no request. When a request is made, it will be our recommendation that the County sell the DTC site to Barrett Visionary Development for $500,000, pursuant to the terms outlined in Sections VI(1) and VII above.

X. Fiscal Note

A fiscal note will be prepared when a request for action is made. At this point it is estimated that there would be no fiscal impact for 2014, as during the due diligence period the County would continue to be entitled to income and be obligated to pay existing expenses. For 2015, the fiscal impact would be the net sales proceeds of $500,000.

In summary, this informational report is designed to update the Committee on the key components of the development being proposed at the DTC Site. In order to move the project forward, outside counsel needs to be engaged to draft the appropriate agreements. An amendment to an existing contract has been prepared by Corporation Counsel and submitted under the passive review process. Once agreements have been negotiated with Barrett Visionary Development, then an action file will be prepared for a decision by the County Board. I respectfully request that the file be placed on the agenda for closed session.

Teig Whaley-Smith
Economic Development Director, Department of Administrative Services

cc: Chris Abele, County Executive
Marina Dimitrijevic, County Board Chairwoman
Economic and Community Development Committee Members
Don Tyler, Director, Department of Administrative Services
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Raisa Koltun, Director of Legislative Affairs, County Executive's Office
Julie Esch, Director of Operations, DAS

Exhibit A – Couture Presentation
Exhibit B – Lakefront Plan
Exhibit C – Appraisal