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A new era, a new arena—Milwaukee should become an investor in the Bucks

Statement of Alderman Joe Davis, Sr. August 22, 2014



The City of Milwaukee faces a pivotal choice about its future with the Milwaukee Bucks basketball franchise. The need for a new arena has been established, and as other private stakeholders step up to fund this long-term investment, it is my belief that the city should do likewise. In the upcoming budget deliberations that will take place this fall, it is my intent to increase the city's bonding authority by \$100 million, so that the city has all options on the table to play its part as a partner in this critical project.

An economic region is defined by its cultural-entertainment district, and a sports facility is usually the centerpiece of such a district. The district becomes a destination, a place where people can work, eat, congregate, shop, socialize and enjoy a sporting event. What goes on outside the facility may be as important as what goes on inside of it.

We must understand that the continuation of NBA basketball in the Milwaukee market is imperative. There are a limited number of NBA franchises (30 to be exact), and they are difficult to acquire in any sports market. But once a market loses a franchise, it is even more difficult to acquire a new one. I see our basketball franchise as a community asset that needs to be protected.

With the recent acquisition of the Bucks by new ownership, this next year will determine Milwaukee's future with the team. The new owners are paying an enormous purchase price and franchise fees to acquire and locate a team. The city's part of the bargain is to create a place where the team can play and be successful. I'd call this a municipal franchise fee, because in the end, an entertainment district and professional sports team benefit the community with unmeasured local and national media attention and credibility.

An entertainment district constitutes a critical component of the community's cultural infrastructure, providing space for a multitude of diverse public entertainment events. The professional team's brand enhances the city's image

and quality of life, creating civic and community pride. When the issue of public financing has been brought to the courts, they have consistently concluded that sports teams and facilities serve a significant public interest, and the loss of a team by a city diminishes the quality of life for residents. We must also understand that a sports facility is part of a community's social fabric, influencing local decisions involving economic growth, attracting bright minds to that community and keeping them there.

Depending on how you price out the new arena, 40 to 50 percent of the costs are already accounted for. Presuming it will cost in the area of \$500 million, the new owners and the old owner have already brought \$200 million to the table. The new owners will sell 20 percent of the team to local investors, so that should net an additional \$100 million. Naming rights can go for \$4-5 million a year in the NBA, so for 20 years that's somewhere in the area of \$80-100 million. What we are really talking about is a \$100 million to \$150 million problem.

Accordingly, I'm announcing my intent to increase the City of Milwaukee's bonding authority by \$100 million during the upcoming 2015 budget process. Let me be clear—this initiative would not designate a single dime to be used for a new arena. It would simply give the city the flexibility to pursue that option later in the 2015 budget year if leaders see fit.

This initiative would minimize the taxes the public would pay, but would only accrue debt if city leaders would further instruct the Comptroller to issue bonds for this specific purpose. The City of Milwaukee has bonding authority and could bond for \$100-150 million, yet remain under the debt limit (which will be calculated when the State of Wisconsin releases the 2014 equalized value for the city in the month of August). Bond rating agencies like to see cities carry debt limited to a maximum of 65 to 70 percent of the ceiling. Currently, the city's equalized value of outstanding debt is 58 percent of the limit.

The city has options including the issuance of revenue bonds, general obligation bonds and tax exempt bonds. The key for the issuance of bonds is the duration of the repayment schedule and the terms. I will be proposing the City of Milwaukee become an equity partner as an investor in the new facility, with the intent of gaining a return on investment as revenue for the usage of the facility increases. As an investor, the city will exercise a leadership role in the operations of the facility with the authority to appoint a private sector partner to represent the city's longterm initiative to liquidate its equity at the appropriate time.

The idea of a Super TIF has been mentioned as a potential solution as well. While it has worked in other communities and I think it's a marvelous idea to fill the gap, it simply will not happen. Suburban community leaders have expressed their objections loud and clear, and I respect their decision.

The problem of the arena should have been decided two years ago when it really became an issue, rather than now, as the NBA threatens to take the team away. If

Milwaukee loses the Bucks, there is no guarantee that the current owners get the franchise in another community. They, like Milwaukee, have a lot to lose.

With shared interests, it is not too late to begin the conversation about how to keep the team in Milwaukee and make a community investment in the Bucks that will increase in value. While there may be hesitance to use public money for sports facilities because of a lack of political will and commitment, in Milwaukee's case, the arena writes our future. Let's not wait for reelection time—let's look our situation straight in the eye, create alternatives beyond the imposition of some new tax and get the job done!

The investment will put to rest questions about our commitment to the Milwaukee Bucks, the new owners, the NBA and making our city an economically-diverse hub for entertainment as we move forward with this exciting venture.