

ALDERMAN
ROBERT J.
BAUMAN



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SUMMER 15

Bucks Funding Package Explained >

The State Legislature and Governor have enacted legislation that creates a public funding package for a new arena for the Milwaukee Bucks. Before discussing the merits of this funding package, I believe it would be useful to review the broad outlines of this deal as enacted by the State.

The package assumes that the new arena and related amenities will cost \$500 million to construct. The Bucks have agreed to assume the costs of any overruns or change orders that exceed \$500 million. It is also assumed that the public would finance one half or \$250 million of this cost. The remainder will be funded by a \$100 million gift from former U.S. senator and former team owner, Herb Kohl, and at least \$150 million will be funded by the new team owners.

You might ask: who agreed to a 50/50 public-private split of the construction costs? That is an extremely good question. The answer is somewhat vague, but it appears that early in the negotiations between the Governor, Republican legislative leaders, Mayor Barrett and County Executive Abele, this 50/50 split was agreed to.

THE STATE SHARE

The funding package provides that the state will fund \$203 million of the public share and the city will fund \$47 million. The state share is financed as follows: \$55 million in principal will be funded directly by the state using

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COMMITTEE ASSIGNMENTS

CHAIR

- Public Works Committee
- Capital Improvements Committee
- Historic Third Ward Architectural Review Board
- Public Transportation Review Board
- National League of Cities, Transportation Infrastructure Services Committee

CO-CHAIR

- Special Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes

VICE CHAIR

- Joint Committee on Streetcar Implementation

MEMBER

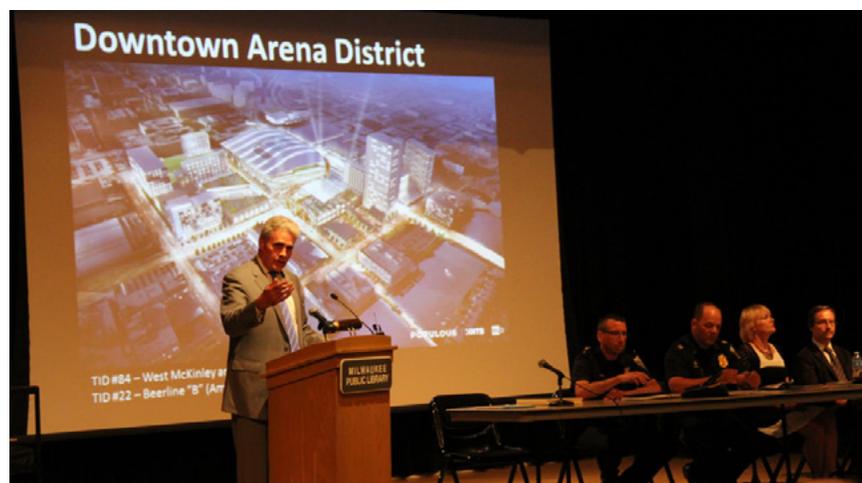
- Judiciary and Legislation Committee
- Zoning, Neighborhoods and Development Committee
- Steering and Rules Committee
- Board of Harbor Commissioners
- Historic Preservation Commission
- Housing Trust Fund Advisory Board
- Frank P. Zeidler Public Service Award Selection Committee
- National League of Cities Board of Directors

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Alderman Bauman hosted a well-attended July town hall meeting in the auditorium at Central Library's Centennial Hall that included a presentation about the arena proposal by Mayor Barrett, as well as a question and answer session about the project.

Legislative Provisions Intended to Help Milwaukee Deal with the Foreclosure Crisis



As part of the negotiations for the proposed new downtown arena, the state Legislature has amended state law regarding the recording of real estate transactions in Milwaukee County.

Alderman Bauman said he is especially pleased with the provision that will require buyers of foreclosed real estate at sheriff's sales to record their property and pay the recording fee prior to receiving the sheriff's deed (previously there was no mandate or requirement that the new owner record the ownership of the property). The alderman had repeatedly called attention to the problem, which let some buyers of foreclosed properties at sheriff's sales get away without recording the deeds with the County Register of Deeds. Property tax bills and fines for building code infractions would then continue to go to the former owner, and earlier this year the news media reported that up to 14% of the properties sold to third parties at sheriff's sales in the past two years were not recorded.

"The system failure was allowing some foreclosed property purchasers to skate through without paying unpaid taxes, building code citations and other fines," Alderman Bauman said. "The problem ballooned in the wake of the foreclosure crisis, whereupon the volume of real estate transferred via sheriff deed increased substantially."

Other helpful provisions approved by the Legislature include:

Improving the Tracking of Vehicle Owners

About 40% or \$14.4 million of the city's outstanding parking citation receivables are cited to vehicles that have no registered owners. A state provision now:

- Requires a vehicle seller to record the identity of the buyer in the transaction with the DOT. This helps the city identify the current owner and will also help track stolen vehicles.
- Allows a municipality to adopt an ordinance requiring any vehicle legally impounded or towed to be registered prior to release.
- Allows a municipality to adopt an ordinance stating owners of vehicles are responsible for non-moving traffic violations like parking citations. This is similar to s. 345.06 where vehicle owners are responsible for personal injuries.

Improving our Ability to get Judgments on Parking Citations

- Authorizes the Milwaukee Common Council to set a defined timeframe for the adjudication of parking citations. The provision encourages people to pay in a timely manner and may reduce vehicle registration holds and subsequent license revocations.

general obligation borrowing with projected debt service totaling \$80 million funded by state general purpose revenue; an additional \$55 million in principal will be funded by the state by deducting \$55M (plus interest of \$35M) from state shared revenue that would otherwise flow to Milwaukee County in an amount of approximately \$4 million per year. The state directed that the remaining \$93 million will be funded through borrowing by the Wisconsin Center District (the state-created entity that currently operates the Milwaukee convention center). This borrowing is very expensive in terms of interest costs because there will be no payment of interest or principal on this debt until approximately 2028 because the Wisconsin Center District has current debt that will not be paid off until 2028.

The funding package also imposes a \$2 surcharge on tickets for arena events. Three quarters of this surcharge will go to the Wisconsin Center District and one quarter will go to the state. It is expected that this revenue of approximately \$2 million annually would be used for debt service.

THE CITY SHARE

The City of Milwaukee's \$47 million share of this funding package is as follows: the city will pay \$35 million to construct a new parking structure at 6th Street & Juneau Avenue. The city will own this structure and will share the parking revenue 50/50 with the Bucks. The city will also provide \$12 million in tax incremental financing ([please see article on page 4](#)), along with certain infrastructure expenses. Debt service on this TIF financing will be funded from the additional property taxes generated by the new real estate developments in the vicinity of the new arena. City property taxes will not be increased to fund this package.

Common Council approval is required to implement the city's share of this funding package. Hearings on this issue will be held starting on August 31, and the council is expected to vote on the issue in late September.

My colleagues and I are still reviewing the details of this complex transaction and I have had several meetings

**Bucks Arena
City Funding
Proposal
Public Hearing:**

MONDAY

AUG 31

**at 4:00 PM
Room 301-B
City Hall**



with Bucks representatives regarding several aspects of the deal, especially those dealing with design, architecture and infrastructure.

SO WHAT ARE THE BUCKS PROPOSING?

They are proposing a three-phase development. **Phase 1** will involve construction of a new arena (immediately north of the current BMO Harris Bradley Center); construction of a plaza on 4th Street between Highland Ave. and Juneau Ave.; construction of the “Live Block” (on the site of the current parking structure at 4th & Highland) which will be a development containing restaurants, bars and other entertainment venues; construction of a new 1,200-stall parking structure at 6th & Juneau; construction of an apartment building at 4th & Juneau; construction of apartment and retail buildings surrounding the new parking structure; and construction of a new practice facility for the Bucks at 6th & Juneau (across the street from the new parking structure). It should be noted that the arena itself will be publicly owned by a reconstituted Wisconsin Center District, and the Bucks will lease the new arena.

Phase 2 will involve the demolition of the current Bradley Center and development of hotels and office buildings on that site. This phase is expected to be implemented between 2018 and 2021. The Bucks have committed to funding this demolition.

Phase 3 will involve the development of the Park East blocks from 5th Street to Martin Luther King Dr. between Juneau and McKinley Aves. This phase is expected to be implemented between 2021 and 2028.

The Bucks are predicting that approximately \$500 million in new development will occur over this time frame. All this new development will pay property taxes. Combined with the new arena, they estimate \$1 billion in new construction activity.

It is reasonable to assume that **Phase 1** will be implemented and that the Bradley Center will be demolished under **Phase 2**. Beyond that, the proposed new developments under **Phase 2 and 3** are somewhat speculative and will depend on many factors such as local and national economic trends and the ability of the Bucks

to attract more people to the arena for sports events, concerts and other activities than is currently the case with the Bradley Center.

IS THIS A WISE PUBLIC INVESTMENT?

This is a complicated question because there are three levels of government involved, and each has its own set of priorities. For example, at the state level, it has been argued that it is less expensive to provide public funds for a new arena than have the Bucks leave Milwaukee and forfeit the income taxes paid by NBA players. I will let our state legislators defend the merits of this argument.

At the city level, the issues are a bit different because the city collects no income taxes or sales taxes. However, there is no question that \$500 million to \$1 billion in new construction in downtown Milwaukee represents significant economic development in the form of direct and indirect construction jobs and permanent jobs, and will add to Milwaukee’s property tax base generating a significant level of new property tax revenue (the arena will be tax exempt but the ancillary development will pay property taxes). In addition, the new arena and ancillary development has the potential to create a new activity center downtown that could attract new residents, new office tenants, new retail business and new food and beverage establishments. Accordingly, a \$47 million city investment in a project that could generate up to \$1 billion in new construction does not seem unreasonable.

On the other hand, a new arena for professional basketball is clearly not among the city’s top priorities when we face daunting challenges such as concentrated poverty, low educational achievement, deteriorating neighborhoods, and crumbling roads, etc. Many have said our state’s priorities are backward if we can use public funds for a new professional sports arena but can cut funding for education as was done in the recently passed state budget. There is truth to this. However, it needs to be stressed that the choice before the Common Council is not between spending \$47 million on education, public safety, street repair or neighborhood revitalization vs. a new arena. Rather, it is choice of investing in a new arena or doing nothing.

Clearly, the Common Council can reject this deal and not spend \$47 million (the state/county/Wisconsin Center District would also avoid the need to contribute their \$203 million share). However, it is equally clear that the Bucks would move the team to a different city if a new arena is not built. Many citizens have responded, "So what?" People would simply spend their discretionary income on other entertainment and the city would survive. There is truth to this, but there would be costs.

One cost would be the lost opportunity presented by a potential \$1 billion in new construction and all the jobs and new property tax base that it represents. Another cost would be reduced exposure for Milwaukee on the national and international stage. Basketball is the second most popular sport in the world, and Milwaukee has one of 30 professional franchises in that sport. It is a coveted asset, and it is part of our brand, part of our image on a world stage. A third cost would be the fact that we would still have a Bradley Center that would have to be maintained at substantial cost but without one of its major tenants. Some combination of state, county and city resources would be needed to fund these needs.

I also hear comments like, "Why are we subsidizing millionaire players and billionaire Wall Street bankers?" This is a fair point because we are. I asked the Bucks' owners this precise question, and their answer was that as a small market, Milwaukee cannot generate sufficient ticket, sponsorship or TV revenue to support the construction of a privately-funded arena. There appears to be truth to this because Milwaukee is not the only city that has been asked to subsidize professional sports venues.

The fact is that players make millions, and most owners of major professional sports franchises are billionaires. That is the reality of professional sports in America. I don't like it, and I suspect most of you don't, either. However, if we want to retain this NBA franchise, that is the game we have to play. Rich owners can demand public subsidies and almost always get them.

I also hear questions such as, "Why don't the Bucks give Milwaukee an equity share in the team?" I asked the owners that question and was told that the NBA's bylaws preclude governmental entities from holding ownership shares.

One part of me wants to tell these owners to take a hike. The other part of me, my position as your alderman, is not so sure. Yes, we are subsidizing professional sports, but we are also investing in a project that will maintain Milwaukee's national and global exposure and status as an NBA city, generate as much as \$1 billion in new development, create thousands of construction jobs and hundreds of permanent jobs, and expand Milwaukee's tax base by hundreds of millions of dollars. I cannot easily dismiss these potential benefits. Of course there is risk these benefits will not materialize and there is risk of adverse consequences, but every TIF investment the city makes carries such risks ([see TIF article below](#)).

I will continue to scrutinize this project and will work to ensure that it maximizes the potential return and minimizes the risk to the citizens of Milwaukee. I intend to suggest changes to the deal and offer amendments to this end. We will see how that all turns out. ■

Tax Incremental Financing Explained

I receive a lot of questions about Tax Incremental Financing (TIF). Citizens want to know what it is, how it works and whether it affects property taxes and public services.

TIF is a public financing tool created by state law that enables local governments to expand their tax base (the assessed value of all real property within the city) by investing in infrastructure and development costs for real estate development projects. The size of the tax base is extremely important to cities in Wisconsin including Milwaukee.

To understand why, it is necessary to briefly discuss how Milwaukee prepares its annual budget, determines the property tax levy (the total amount of

money raised through property taxes), and calculates each property owner's property tax bill.

The first step is to determine how much revenue will be generated from non-property tax sources. This includes state shared revenue, state/federal road aids, income from licenses and permits, payments in lieu of taxes such as the annual payment to the city from the Forest County Potawatomi, fees for services (like the sewer maintenance fee, snow removal fee and solid waste fee), and fines and penalties.

The second step is to determine how much revenue the city needs to fund on-going operations and the delivery

of city services such as police, fire, infrastructure maintenance, public health, the library, trash collection, snow plowing and debt service; and capital needs such as road and bridge reconstruction, sewer and water main replacement, major repairs to city buildings, and heavy vehicle purchases such as fire trucks, snow plows and garbage trucks. Ultimately, the city comptroller certifies how much non-property tax revenue will be available and the Common Council approves the total amount authorized to be spent on operations and capital projects.

Once these two numbers are determined, (non-property tax revenue and the city budget) the amount of non-property tax

revenue is subtracted from the budget. The difference is the property tax levy – the amount of money that will be raised from property taxes. This property tax levy is then divided by the assessed value of all non-tax exempt real estate in the city (tax exempt property is not included such as churches, most hospitals, most private educational institutions, etc.). This process generates the tax rate.

The actual property tax for each property is then calculated by multiplying the assessed value of each property by the property tax rate. The tax bill received by each property owner in the city contains the property tax for six units of government: City of Milwaukee, Milwaukee County, Milwaukee Public Schools, Milwaukee Area Technical College, Milwaukee Metropolitan Sewerage District and the State Forest Fund.

As can be seen from this simplified description, the total tax base of the city is a critical component of the property tax rate, and the amount each property owner will pay. The bigger the total tax base, the lower the property tax rate will be assuming all other factors remain the same. In other words, growing the tax base is key to the city’s financial health, its ability to fund city services, provide public infrastructure and keep property taxes for each owner as low as possible.

Tax Incremental Financing enables the city to expand this tax base.

Here is how it works.

Take a piece of vacant or improved property in the city. That property has an assessed value. The property tax for that property is determined by multiplying the assessed value by the tax rate. At some point, a developer or property owner approaches the city with a plan to construct a new building or renovate an existing building on that property. The developer or property owner demonstrates to the city that this new building or renovation cannot be accomplished solely with private funds because of the blighted condition of the



Photo courtesy of Urban Milwaukee

Alderman Bauman joined Mayor Barrett and Pabst Brewing Co. Chairman and Chief Executive Officer Eugene Kashper in a toast earlier this summer at The Brewery to celebrate the announcement that Pabst will open a microbrewery in 2016 in the historic church building at the site, which housed the original Pabst Brewing Co. operation.

property, neighborhood or other factors. This is the “but for” test; namely, that the property improvement cannot occur without a public investment in the form of Tax Incremental Financing. Keep in mind that the redevelopment plan may apply to a single property, or, in a more frequent scenario, multiple properties. The properties contained within the redevelopment plan comprise what is known as a Tax Incremental District, or TID.

The city then identifies how much public investment is required to enable the property improvement to occur. This public investment may involve public infrastructure improvements or covering a gap between the cost of the improvement and the amount of private funds available. This “gap financing” is in effect the “TIF budget.”

The city then looks at the projected assessed value of the property upon completion of the property improvement and subtracts the assessed value that would exist if no improvement occurred. This difference is called the “value increment” or “incremental tax base” – the additional tax base created by the improvement of the properties within the TID. Based on the anticipated tax rate for future years, the city then determines whether the city’s investment will be

repaid through the property taxes generated from the incremental tax base. If it will be repaid within 27 years, (the time specified in state law) the investment is deemed “financially feasible.”

If the “but for” and “financial feasibility” tests are met, the city is legally entitled to make the investment under state law. When the city’s investment is recouped, the incremental tax base is added to the overall city tax base. The tax base has been expanded.

The city has created 79 Tax Incremental Districts (the geographical area where the property improvement is planned to take place) over the last 35 years or so. Forty-eight Tax Incremental Districts are open at this time. The remainder have been closed out, meaning the TIF investment has been recouped. The total amount of incremental tax base added to the overall city tax base from these closed-out TIDs is approximately \$1,163,953,280.

I have heard several misconceptions about Tax Incremental Financing. One misconception is that TIF reduces the property tax revenue available to the Milwaukee Area Technical College and the Milwaukee Public Schools. This is false. As described above, the

The Metrics of TIDs: How they add development, value and jobs in Milwaukee

Tax Incremental Districts are created in three broad categories: infrastructure, environmental/blight cleanup, and job retention/creation in the manufacturing and professional service sectors. The Milwaukee TIDs are broken down in terms of what each was created for (purpose) and how each brought value, jobs and development to the city. Here are a few examples:

The Brewery – TID No. 67

TID #67 (The Brewery Project at the long vacant site of the former Pabst Brewing Co. complex) was created in 2006 with authorized expenditures of \$31.5 million, and to date has helped finance infrastructure and facade improvements totaling more than \$20.3 million. Those funds are being repaid through property taxes from renovated and new buildings at The Brewery.

The TID has paid for new streets, utilities, storm water, public amenities, and facade restoration with the end result creating an increase in tax base, hundreds of new jobs and the city's first LEED-certified neighborhood.

To date, The Brewery Project has completed several new developments including senior and student apartments, an office building and the rehabilitation of many of the historic buildings that are now home to a hotel, restaurant, banquet & gift shop space and offices. In return for the city's investment, there are facade easements to ensure the preservation of the historic buildings at the site, including buildings some "experts" claimed could not be saved. It was recently announced that the new owner of the Pabst Brewing label will return to Milwaukee and The Brewery, where it will open up a microbrewery and tasting room in the old church building sometime in 2016.

Northwestern Mutual – TID No. 78

The Northwestern Mutual TID was created in April 2013 to retain 1,100 employees with the addition of 1,900 new employees at the company's newly-developed \$600 million office tower in Milwaukee's downtown.

The TID includes \$73.3 million in authorized expenditures, including:

- \$50 million grant to NM for building demolition and extraordinary site conditions
- \$4 million grant to NM for public infrastructure improvements surrounding the NM campus
- \$18 million for public improvements and streetscaping as part of the Lakefront Gateway Plan

Century City – TID No. 74

In 2009, the city created a TID to fund the acquisition of the former Tower Automotive site at N. 35th St. and W. Capitol Dr. and undertake a multi-year redevelopment

plan. A total of \$15.6 million in district revenues were used for acquisition, demolition and stabilization of vacant and underutilized buildings, environmental clean-up, and public improvements in the way of new streets and utilities to serve future developments. To date, a newly-constructed building is the home to Benson Industries that employs local residents to assemble windows for the construction of the downtown Northwestern Mutual Life tower, and General Capital has broken ground on the second building known as Century City that will be home to future tenants that will employ additional local residents.

Posner Building (Plankinton and Wisconsin) – TID No. 80

Created in June 2014, TID No. 80 included a \$2.5 million developer-financed grant to offset the costs of rehabilitating the facade to historic standards, improving the storefronts and white-boxing the first-floor retail space. The restoration and increase in use of this historic building was identified as a priority in the Downtown Plan and by the stakeholders of the West Wisconsin Avenue Task Force. With 100 additional apartment units and a new restaurant, this development will be a positive step forward in the city's efforts to revitalize West Wisconsin Avenue.

S. 1st and E. Greenfield – TID No. 81

Created in December 2014, TID 81 included a \$4.8 million grant to the developer for the purpose of environmental remediation and infrastructure work, a storm water management system and the purchase by the city of a future office building site. This former foundry site on the northeast corner of 1st and Greenfield will now consist of a new urban grocery store, a mixed-use residential and retail development in Phase 1 and commercial and office buildings in Phase 2.

District Dissolved

TIDs that fulfill their purpose can be dissolved by the city. **Below** is information pertaining to one TID that was dissolved last year.

Walnut/Locust – TID No. 44

Dissolved in March 2014, TID No. 44 provided \$6.5 million in funding for the Lindsay Heights, Walnut Circle and Franklin Square housing developments (grants and loans to developers, a neighborhood loan program and public infrastructure improvements).

Property value increment: \$21.6 million (this is how much more the district's property was worth at the time of dissolution versus when it was created).

revenue that needs to be raised by each government body is determined by that government body through the budget process. TIF does not reduce the revenue of any government body. It impacts the tax base – the value of property within the TID.

Another misconception is that Tax Incremental Financing causes everyone’s property taxes to increase. Again, this is false. As demonstrated above, each property owner’s property tax bill is determined by multiplying the property’s assessed value by the property tax rate. Tax Incremental Financing does not increase the tax rate and does not increase the assessed value of any property other than the property actually being improved within the Tax Incremental District. In fact, after the city recovers its investment, the increased tax base becomes available to reduce the tax rate for all the local taxing jurisdictions.

In summary, Tax Incremental Financing is a public financing tool created by state law that has been used by cities throughout Wisconsin to expand their tax base. Milwaukee has used this tool to expand the city’s tax base and add significant value to the built environment of the city in the form of residential, commercial and industrial real estate developments that would not have occurred but for the use of this public financing tool. These developments, in turn, have created thousands of construction and permanent jobs, created thousands of new or renovated housing units, created thousands of square feet of new or renovated commercial and industrial space, created numerous public amenities and revitalized blighted or underutilized areas of the city.

Tax Incremental Financing is our most important economic development tool. I am proud to have supported over \$290 Million in Tax Incremental Financing during my 11 years serving as your representative on the Common Council. ■

Advanced Parking Guidance System Explained ➤

The electronic and static signs located on medians and at prominent downtown locations are hard to miss. But how should they be used?

The signs are a key part of the city’s Advanced Parking Guidance System and are designed to help motorists and visitors find parking downtown and near the lakefront. The system was implemented in late June 2014 to alleviate traffic congestion and reduce the “circling” of cars looking for spots around the Maier Festival Grounds.

Eleven electronic and two static signs were installed in various downtown locations that provide real-time parking availability information and help direct drivers toward available participating structures. The participating structures are listed on the signs by their addresses, and once a driver chooses a structure, they are directed to that structure by more conventional parking facility signs.

The idea is to help alleviate traffic and eliminate the frustration of finding a spot close to a specific destination.

“This initiative is about getting people out of their cars so that they can enjoy what our city has to offer,” Alderman Bauman said. ■



ALDERMAN ROBERT J. BAUMAN



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SUMMER 15

IMPORTANT HEARING ON SEPTEMBER 17

Two strip clubs are applying for licenses to operate in downtown Milwaukee:

- **Silk Exotic** has submitted an application to open a location at **804 N. Milwaukee St.** on the top floor of a four-story office building.
- An existing bar at **730 N. Old World Third St., Rusty's Old 50**, has submitted an application to add exotic dancing to its existing license.

Their applications will be heard at a special meeting of the Common Council's Licenses Committee at **10:00 a.m. on Thursday, September 17**. Members of the public are invited to attend and share their views with committee members.



Robert J. Bauman

Alderman, 4th District
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Collaboration Between Alderman, Marquette University High School and Housing Authority Helps Seniors ➤

When Alderman Bauman learned that public funds were not available to get much-needed painting done in the Merrill Park Apartments (operated by the Housing Authority of the City of Milwaukee) at 222 N. 33rd St. (33rd and Mount Vernon), he contacted Fr. Warren Sazama at Marquette University High School. Father Sazama, MUHS President, was able to enlist a teacher and some students from the college-prep high school to tackle the painting as part of a summer community service project that took place in July.

The low-income seniors who reside in the building embraced the volunteer painters, and Alderman Bauman praised the efforts of all involved in this community-uniting project. "I hope this serves as an example to our city that when compassionate members of our community combine their resources, great things can happen," said Alderman Bauman. "If it weren't for the generous contributions by Father Sazama and his students, this project would not have been possible." ■