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Office of the Comptroller

August 24, 2015

The Honorable
Common Council of the City of Milwaukee

Re: Transmittal Letter for file numbers 150383 and 150384 related to tax increment financing for the City's \$47 million contribution to the Milwaukee Bucks' arena package

Dear Council Members:

The attached reviews provided by my office, only address the viability of the proposed city financing for a new arena complex. However, we have been reviewing documents related to public financing of sports arenas that cover the past 25 years. There have been numerous discussions about whether to publicly fund sports arenas in the United States. Many have weighed in and oddly enough, as an historic reference, both the liberal Brookings Institute in 1997 and the conservative Cato Institute in 2000 agreed on one thing: they do not support public financing for sports arenas. Additionally, there are studies available, produced by university professors across our country that come to a similar conclusion. None of this has prevented public financing of sports arenas, nor should those studies prevent our own review of the arena financing package. They are a reference. It appears that we must strive to reach conclusions from our own thought processes, analyzing the current situation.

Most national sports associations convey a limited venue for their franchises, and as a result, scarcity comes in to play. Therefore, from the reading material available, one may conclude that U.S. cities have been played against each other in order to retain national teams. If there were a federal law that prevented any public financing, we would not be having this discussion, and the market would most likely dictate which cities would have a national sports team. Currently, most host cities of national sports teams are very large cities; Milwaukee is an exception. So because such a law does not exist; Milwaukee has national sport teams, and we have an opportunity to review the implications of that exception. So the discussion continues on whether to publicly finance a portion of the new arena for the Milwaukee Bucks, a National Basketball Association (NBA) team.

The discussions have been from the view point of "it's cheaper to keep them" recognizing the state income tax revenue that may be lost, to "we are subsidizing billionaire's" in reference to the new owners of the Milwaukee Bucks. Both the Senate and Assembly have passed legislation that directly address funding for a new arena; and the Governor has now signed that legislation into law. It is now up to the Common Council to review and potentially approve \$47 million in financing as the final piece to the public financing package which totals \$250 million. Note: the public financing is limited to \$250 million, and cost overruns are to be borne by the Milwaukee Bucks. No prior deal that we have read had a similar limitation. And nowhere in the many documents that we reviewed, did anyone mention the consideration that a host city appears to receive free advertising every time the team is mentioned anywhere else in the country. In addition, the legislation for the Bucks does not include an open-ended




agreement for future arena upgrades to keep pace with NBA changes. The public financing piece has been conservatively limited by the legislation. It is also our understanding that there will be an intergovernmental cooperation agreement executed between the city and the convention center district, to ensure any city financing is provided for appropriately.

This transmittal letter precedes the financial review conducted by my office for the two tax increment districts (TID) involved: a new TID 84 – West McKinley & West Juneau, and an amendment to TID 22 – Beerline “B”. My office has provided a larger overview as part of the TID 84 letter, to define the pieces related to not only the city financing as part of the legislation, but the other associated costs that devolve to the city in building the new arena complex. The TID 22 letter only incorporates the analysis of the amendment to the existing TID. They should be read in that order for a complete picture.

My office also intends to provide the Council and Administration with a larger review, hopefully prior to the September 22nd Council meeting. We have hired HVS Consultants, who have experience in analyzing sports facilities to do three things: provide an overall review of the entire financing package for all entities involved, to delineate the benefits derived from that financing, and to hypothecate on the aspects of future development. This report, obviously, may be constrained by the cooperation provided by all the entities involved. However, I believe future elected officials, 10 or 15 years from now, will be referring to this report to compare actual experience to what we believe is being acted on today.

Finally, I want to be clear to the members of the Council, that it is the position of my office that the city's piece of the financing which is before you for your consideration is achievable. At this point in time, I recommend approval of the proposed financing, which may reflect the beginning of an even larger economic development opportunity.

Sincerely yours,

A handwritten signature in black ink that reads "Martin Matson". The signature is written in a cursive style with a large, stylized 'M' and 'M'.

Martin Matson
Comptroller

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