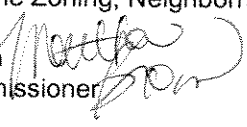


Department of City Development

MEMORANDUM

TO: Members of the Zoning, Neighborhoods and Development Committee

FROM: Martha Brown 
Deputy Commissioner

DATE: May 20, 2005

SUBJECT: Historic guidelines for Pabst Brewery Historic District

Earlier this week, you discussed a file regarding the amendment of the historic guidelines that govern the redevelopment of the Pabst Brewery Historic District. There were several questions about the use of historic tax credits. This memo seeks to provide clarifying information about the application of tax credits to the project.

Questions were raised about why the majority owners, Juneau Avenue Partners, decided not to file an appeal when historic tax credits for this project were denied by the federal government. The owners indicated at the hearing that the value of the credits did not offset the cost of using them. It may be helpful to know a bit more about how tax credits work in order to understand this situation.

Renovation work on property listed on the National Register of Historic Places qualifies for tax credits worth up to 25 percent of the cost of the project. This can be a powerful financial incentive to restore property. There is a catch, however. Tax credits are awarded only if the National Parks Service determines that the work being done meets historic renovation standards issued by the U.S. Secretary of the Interior. If a property owner seeking credits incurs additional costs to meet these standards, and if those extra costs raise the project cost by more than 25 percent, the financial incentive is far less attractive. In such a case, the use of tax credits actually costs the developer money.

The National Park Service denied tax credits to this project because the developer sought to install windows in several large industrial buildings that were built originally without windows. The developer determined that the buildings must have windows in order to be reused successfully. Although the developer had the right to appeal this decision, we have no way of knowing what the outcome would have been.

Ald. Murphy raised another important question about tax credits. He raised the likelihood that the demolition of so many buildings would cause the Pabst Brewery Historic District to lose its listing on the National Register of Historic Places, thus disqualifying the property for historic tax credits.

Ald. Murphy asked us whether this means tax credits would be unavailable for any part of the property. We talked today with Jim Draeger, Deputy Historic Preservation Officer, of the Wisconsin State Historical Society, who works with the federal government on tax credit issues. He indicated that, should the demolition proceed, the cluster of administrative buildings (buildings 27, 28 and 35, located on the southwest corner of 9th and Juneau) would be eligible for individual listing on the National Register and thus be eligible for tax credits. This is good news for the minority owner in the project, Jim Haertel, who hopes to renovate buildings 27, 28 and 35. Also, Mr. Draeger said that building 23, the former German Methodist Church, may qualify for National Register listing because of its importance to Milwaukee's ethnic history. National Register listing of the building would make it eligible for tax credits as well. However, the other remaining buildings are not architecturally significant and would not qualify for tax credits.

Should tax credits be garnered for buildings 23, 27, 28 and 35, the reset clause in the proposed tax incremental financing agreement specifies that 85% of the value of the credits would accrue to the City of Milwaukee, and 15% would accrue to the developer.

I hope this provides the additional information you seek. Please give me a call at ext. 5810 should you require anything further.