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**From:** Algiers, Patricia  
**Date:** 2/4/04 3:18PM  
**Subject:** Harley-Davidson Update

February 4, 2004

Dear Friends,

Harley-Davidson Motor Company's exciting proposal to build a \$95 million mixed-use development at 6th and Canal Streets in the City of Milwaukee's Menomonee Valley is generating a great deal of interest from around the world. The Department of City Development is thrilled that Harley has chosen to locate its 230,000 square foot development right in the heart of its hometown.

Harley's investment brings with it many economic benefits to our community, including 500 construction jobs and up to 585 jobs at the new museum and office development. According to the Metropolitan Milwaukee Association of Commerce (MMAC), the 350,000 annual visitors to the museum alone will generate \$31 million in total annual spending.

Harley's proposal brings a huge return on investment. For more information regarding the details of the project and the City's participation in the proposal, I encourage you to review the attached documents -- a "Frequently Asked Questions" document, a site map and project details sheet (as provided by Harley) and MMAC President Tim Sheehy's public comments regarding the potential economic impact of the project.

Sincerely,

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## **Frequently Asked Questions:**

### **Harley-Davidson Mixed Use Development**

Questions, Answers Compiled by City of Milwaukee DCD February 4, 2004

#### **Why does the city believe that the location at 6th and Canal is a good location for the Harley-Davidson development?**

The location is easy to reach via the existing street grid and the at-grade intersection provided by the rebuilding of the 6th Street viaduct. That new 6th Street connection ties together the downtown and Walker's Point. Harley's development would be situated at the center of that connection, close to hotels, restaurants and other attractions in downtown and in Walker's Point. The site also lends itself to handling larger events without impacting neighboring businesses and residents.

Over the years Harley-Davidson has repeatedly outgrown its Juneau Avenue headquarters, and in response has built new facilities in the suburbs to accommodate the requirements of growth. In addition to manufacturing capacity expansions, in recent years the company has built a 250,000 square foot distribution center in Franklin and a product development center in Wauwatosa that is now 400,000 square feet. As Harley-Davidson continues to grow the company will require additional space. By locating functions in 100,000 square feet at the Canal Street site, H-D would add to the tax base in Milwaukee and would grow its corporate presence in Milwaukee by 40 percent.

#### **Does the Harley development project fit the goals of the Menomonee Valley Comprehensive Plan?**

Yes.

In that plan document, adopted by the Common Council in 1998, under "Priority Development Areas" Scenario 1, the plan states: "If an at-grade intersection is constructed at 6th and Canal Streets, it is recommended that this area be redeveloped for more intensive office and commercial uses... offices, showrooms, light industry and services to be promoted." The at-grade intersection to which this text referred was indeed built, and was opened to broad community acclaim in 2002.

The Harley proposal conforms to the Valley Plan for mixed activity redevelopment at the east end of the Valley.

#### **What's the benefit of this \$95 million project to the city?**

This project would be one of the single largest corporate investments in the City of Milwaukee.

It speaks to business retention (40% corporate growth), provides an estimated 500 construction jobs on the front end and up to 585 jobs related to the project itself through Phase III. Those 585 new jobs would represent a 60% increase in Harley's employment in the City of Milwaukee.

The development would be a catalytic opportunity for the Valley and the neighborhoods surrounding it, including the downtown. There is the expected economic impact created by a potential 350,000 annual visitors.

MMAC (Milwaukee Metropolitan Chamber of Commerce) estimated the annual impact from just

the museum element of this mixed-use development at \$31 million in spending annually.

But MMAC also takes into consideration the impact of the jobs created by the development. It estimates that with that \$31 million level of spending would come approximately \$18 million annually in residential income (wages, salaries, proprietors' income). The state, city and county would see just under \$5 million in annual tax revenue.

Importantly, the research included a look at Phase III of the project, where office jobs would generate an additional payroll of \$25 million. MMAC's complete research on potential economic impact is detailed in a presentation Executive Director Tim Sheehy made to a Common Council Committee on February 3, 2004.

### **Who owns the land on which Harley wants to build?**

All the land is currently controlled by the City of Milwaukee. This includes the Traser Yard parcel, and other formerly industrial land that makes up the peninsula in question. The most recent piece to be acquired is the former Morton Salt property just south of Traser Yard, which was purchased by the city with the help of the Menomonee Valley Partners (MVP). MVP owns that land but has agreed to sell it to the city.

### **How much will the city charge Harley for the land?**

Harley-Davidson will pay the City \$150,000 per acre for the land in as-is condition, or \$2.5-\$3MM. This is representative of full fair market value. The precise amount will be based upon a survey of the entire site. The total land area will be about 20 acres.

### **Is the city moving DPW's facility from 6th and Canal Street solely because of the Harley project?**

No, the move had been planned. Harley's interest accentuates the land's value and reinforces the need to relocate the yard.

The Menomonee Valley Land Use Plan adopted by the Common Council in 1998 envisioned moving the DPW facility at 6th and Canal, known as Traser Yard, if an at-grade intersection were constructed there. The implication was that such an intersection provides new and easy access to the land and opens it up for development.

In 1999, state, county and city officials approved the use of federal funds to replace the Sixth Street Viaduct with two at-grade bridges.

The city has acquired parcels at the intersection in past years with the intent of assembling them for potential development. In 2003, the Common Council included \$2.5 million in the city's Capital Budget to pay for planning and some site preparation for the Traser Yard relocation.

### **How big is the Traser Yard?**

The parcel is roughly 436,000 square feet (10.2 acres) in size, constituting about half of the land Harley would like to purchase for its project. There are currently eight buildings on the Traser Yard site.

### **What does DPW do at the Traser Yard?**

The Traser Yard facility is a base of operations for DPW field crews who do maintenance on city streets, sewers, bridges, etc. Tools and materials are stored there. There is an asphalt plant, which will be eliminated at the proposed new site. There are shop areas, locker/shower rooms and offices from which project scheduling is done.

### **How much is the move going to cost?**

No final decision has been made. Estimates for the planning, design and construction of the new DPW site and the move itself range from \$12 million to \$20 million. The final price tag will depend on elements such as preparations needed at a new site, which has not yet been selected, the services to be included there and the simplicity of the buildings.

### **Did the company look at any other sites for its development?**

Harley-Davidson representatives have stated they were looking at several Milwaukee-area locations. The Canal Street location is the only site in Milwaukee that allows Harley to build the mixed-use development it needs for expansion.

In 1999, the company had announced a plan to build its development in the Schlitz Park area just north of downtown. Harley-Davidson was compelled to cancel the project due to mounting costs of renovating the historic building that was to be the centerpiece of the project.

### **What financial incentives will the city give Harley for this development?**

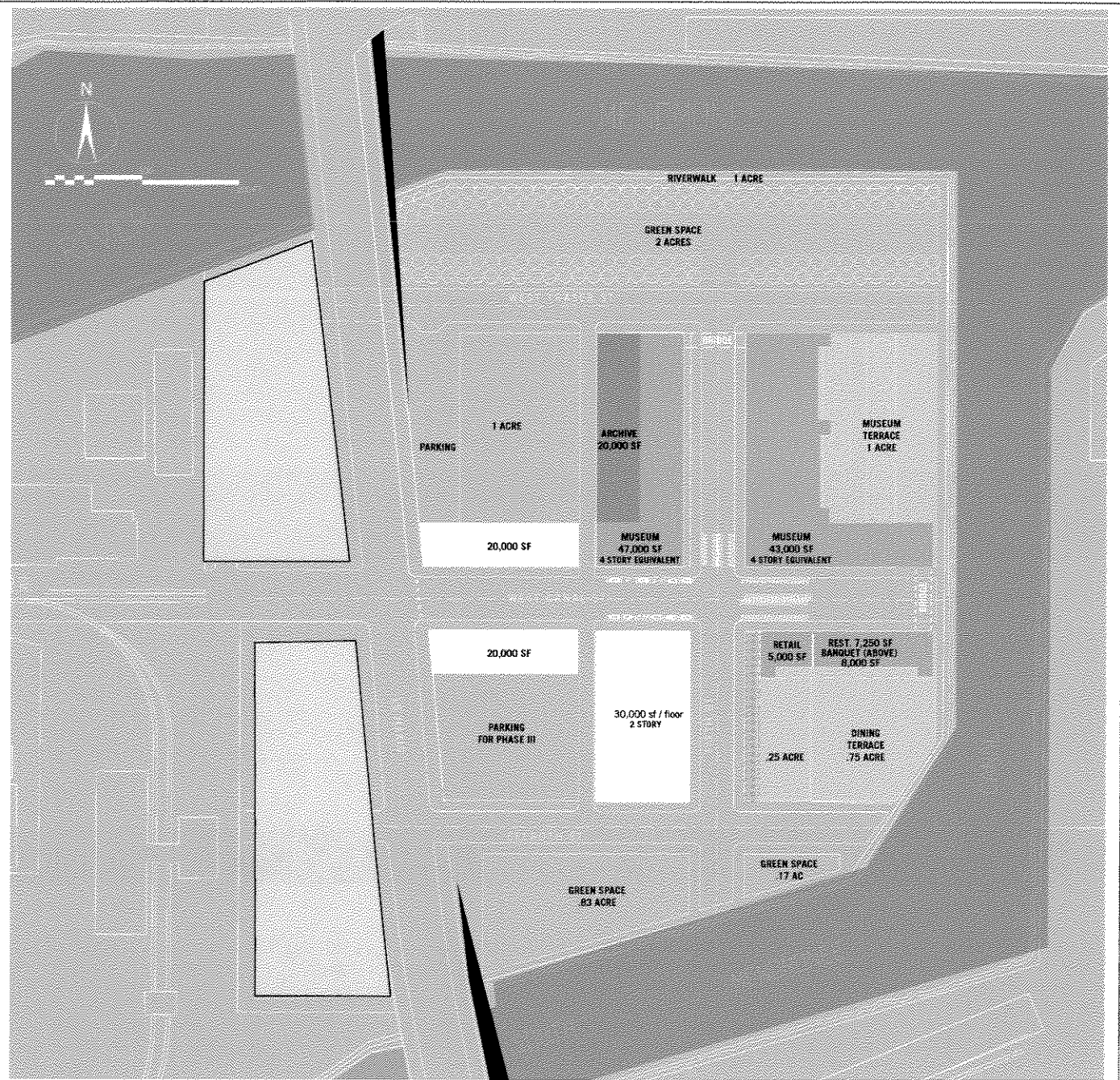
The City expects to create a tax increment district (TID) in support of the project. The TID will offset Harley's extraordinary expenses associated with environmental remediation; lack of infrastructure; geo-technical instability and the related increased construction cost to engineer structural solutions for poor soil quality; flood plain mitigation; and dock wall failure and disrepair. In effect, the City levels the playing field with this site compared to a real estate parcel that was environmentally clean, build-able and fully improved.

The estimated amount of the TID is \$7 million. It is important to note that Harley will pay out of pocket for costs far in excess of this \$7 million to complete all land development work. In lieu of the city borrowing to fund the district, Harley will advance all of the \$7 million and be repaid through the tax revenue Harley itself will be creating. This form of TID support (i.e. offsetting extraordinary site development expense) is very common. It is similar to the TID for Midtown Center (formerly Capitol Court), and the TID's for Jewel/Osco at 35th & North and Granville Station (formerly Northridge Mall).

### **Does the Harley project have support in the community?**

Yes.

There is strong support from Mayor Marvin Pratt, Milwaukee County Executive Scott Walker, and Milwaukee Metropolitan Chamber of Commerce (MMAC) Director Tim Sheehy. The Menomonee Valley Partners endorsed the Harley Davidson museum and office development when it agreed to sell the Morton Salt parcel to the city for the site. The Menomonee Valley Business Association also passed a resolution of support.



**OPTION TO RE-PURCHASE PARCELS**

6TH & CANAL ST

HARLEY-DAVIDSON MUSEUM



Pentagram

## Project information provided by Harley-Davidson, January 2004

### Proposed Development, 6th and Canal Streets

\$95 million, 230,000 square-foot mixed use development

### Preliminary Project Summary

Phase I – 110, 000 sq. ft.	Phase II – 20,000 sq. ft.	Phase III – 100,000 sq. ft.
Museum, café, retail, Supporting offices and technical functions, banquet and restaurant (includes site work and property acquisition)	Archives, restoration shop and additional exhibits	Additional space that could include Harley-Davidson technical training, offices or other functions that would otherwise have to be located outside of Milwaukee due to space constraints at the Juneau Avenue facility
Approximately two years after property acquisition, depending on timing of Traser Yards move (Target 2006 if move is in first half of 2005)	Target: open two years after Museum opening	Target: within five years of museum opening (depending on needs for additional space; could occur earlier)
Investment: \$60 million	Investment: \$15 million	Investment: \$20 million
Estimated 500 on-site construction jobs Museum operations: estimated 70 full-time and 15 part-time, plus approximately 20 FTE services. Restaurant operations: 300-seat restaurant, estimating 40 to 70 jobs.	Estimated ten jobs	Based on current average density at Juneau Avenue facility, 100,000 ft <sup>2</sup> could be expected to house 280 to 400 employees