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MEMORANDUM

To: Common Council Members
From: Jeff Osterman, Legislative Research Supervisor
Date: March, 2025
Subject: HISTORY AND OVERVIEW OF TID NO. 84 (W. McKINLEY & JUNEAU)

In September, 2015, the Common Council adopted File Number 150383, a resolution approving a Project Plan and Development Agreement, authorizing expenditures, and creating Tax Increment District No. 84, West McKinley and West Juneau ("TID 84"). This resolution also declared the City-owned parking structure at 324 West Highland Avenue surplus to municipal needs, and approved the land disposition reports for, and authorized the conveyance of, 324 West Highland Avenue and 300-318 West Juneau to the Milwaukee Bucks. Together, these actions set in motion the development of a new \$500 Milwaukee Bucks arena, now known as Fiserv Forum.

TID 84 initially consisted of 70 properties totaling 44.82 acres. In addition to the \$500 million basketball arena, the developers indicated that up to \$500 million in additional private development was planned for properties surrounding the arena.

The funding sources for the Bucks arena were established as follows:

- | | |
|-----------------------------|---------------------|
| • Bucks | \$150 million |
| • Senator Herb Kohl | \$100 million |
| • Wisconsin Center District | \$93 million |
| • Milwaukee County | \$55 million |
| • State of Wisconsin | \$55 million |
| • <u>City of Milwaukee</u> | <u>\$47 million</u> |

TOTAL: \$500 million

The City's \$47 million contribution had two components – constructing a new parking structure and providing tax incremental district financing. The City funded and built, at a cost of \$35 million, a 1,243-space parking structure on the block bounded by West McKinley Avenue, North 6th Street, West Juneau Avenue and North 5th Street. This structure is owned by the City and serves both Fiserv Forum and other uses on nearby properties. The \$35 million to build the parking structure came from \$27 million in contingent borrowing for TID No. 22 (Beerline), approved by File Number 150480, and an \$8 million developer-financed TID No. 84 contribution from the Bucks arena developers.

As for tax increment financing, the Project Plan called for the TID to fund up to \$20 million in project costs, as follows:

- \$12 million in a City cash grant towards the construction of the plaza immediately to the east of the arena.
- \$8 million cash grant to the Bucks for construction of the arena. The Bucks purchased \$8 million in RACM bonds to fund this grant. While the Project Plan indicates that this money would fund construction of the arena, according to the Department of City Development, the Bucks actually used this \$8 million to finance part of the construction of the City-owned parking structure; no TID money was used to fund construction of Fiserv Forum.

The Project Plan and Term Sheet provided for tax incremental revenues to first be used to repay the City for its \$12 million contribution and borrowing cost. After the City is fully repaid, the Bucks will be repaid their \$8 million plus 4.5% compounded interest through tax increments actually received by the City.

The maximum legal life of a TID based on State Statutes is 27 years, which means that TID 84 must be terminated by 2042. However, the most recent Department of City Development periodic report on TID 84 (dated 12/31/23) indicates that TID cost recovery will be complete by the 2027 levy year. As of 12/21/23, the actual tax incremental revenues for the district totaled over \$14.5 million, meaning the City's \$12 million had already been repaid and incremental revenues are now going to the Bucks to repay their \$8 million contribution.

From a financial standpoint, TID 84 has been highly successful. The initial total assessed value of the district was \$51.7 million (or \$60.1 million, depending on the source). The projected total value of the district as of 12/31/23 was \$110.2 million, while the actual total assessed value as of 12/31/23 was \$252.3 million.

Two attachments/exhibits in the Project Plan ("Exhibit 1: Map Identifying the Various Blocks by Number" and "Map 3: Proposed Uses and Improvements", both attached) show the types and amounts of additional development that were considered possible for development sites in TID 84 at the time the TID was created. Going by block number (Exhibit 1), these proposed or potential uses and developments are as follows:

Block Number	Size	Planned or Potential Development	Current Status
1	6.67 acres	690,000 SF arena.	Construction completed; Fiserv Forum.
2	2.84 acres	170 apts., 90,000 SF office, 40,000 SF retail, 1,203 parking spaces.	Vacant.

3	3.31 acres	90,000 SF retail, 300-key hotel.	Construction of 4,500-person-capacity music venue, meeting and event spaces, outdoor balcony, rooftop patio and any other uses ancillary to the operation of a music venue is underway on northern part of block (CCFN 230626); 156-key, 7-story Moxy Milwaukee hotel proposed for southern part of block (CCFNs 241339 & 241340). Two lots remain undeveloped, including a large site to the west of the hotel site and a smaller site to the north of the hotel (used as a plaza in the interim).
4	1.37 acres	48 apts., 60,000 SF retail.	Construction completed (without apartments); the “Live Block”.
5	2.19 acres	215 apts., 100,000 SF office, 16,000 SF retail, 237 parking spaces.	Surface parking; construction not started; an ordinance (CCFN 240526) to change the zoning of the block from GPD to DPD is currently in committee; developer proposes a 5- to 7-story mixed-use building with 276 parking spaces, 269 apartments, MATC fieldhouse, and 14,000 SF of commercial space.
6	2.55 acres	183 apts., 70,000 SF retail, 183 parking spaces.	207-key hotel, The Trade, completed in 2023 on southern portion of block; remainder of block is vacant.
7	2.57 acres	98 apts., 30,000 SF office, 10,000 SF retail, 1,243 parking spaces.	Construction completed as planned.
8	3.31 acres	Bucks’ training/practice facility, 30,000 SF office, 40 parking spaces.	Construction completed as planned.

Since its creation in 2015, there have been two amendments to TID 84. The first was approved by Common Council File Number 200378, adopted in July, 2020. Amendment No. 1 provided \$1,000,000 for the \$54 million Journal Square Project, which sought to redevelop a portion of the former Milwaukee Journal Sentinel complex. This project, which is located outside the 8-block arena development plan area but within the TID boundary, includes 116 market-rate apartment units and 83 student housing units. The term sheet for the Journal Square TID amendment provides that the developer will advance, and the City will reimburse, \$1 million for project costs

associated with façade restoration and housing unit development at the Journal Sentinel site. The City repays the developer by making annual payments based on the incremental tax revenue received from the Journal Sentinel project site (and that property alone) plus 4.5% interest per year, less \$7,500 in annual expenses, for up to 10 years. The affordable student housing units were completed in 2021, while the market-rate apartments opened in 2022. As of 12/31/2023, the developer had already been repaid \$601,042 of the \$1 million.

Amendment No. 2 to TID 84 was approved by Common Council File Number 241347, adopted January, 2025. This amendment removed 4 parcels from the TID (the City-owned parking structure at 5th and Juneau and parcels in the area roughly bounded by 5th, 6th, McKinley and Vliet (site of the new Milwaukee Public Museum). It also amended the project plan for TID 84 to include \$7 million for two new public infrastructure projects (all project costs to be incurred 2025-2027):

- Design and construction of a new public plaza on West Highland Avenue at the Milwaukee River (to be funded by a cash grant to the Downtown Riverwalk BID No. 15, which will carry out the project).
- Reconstruction of West Vliet Street between North 6th Street and Vel R. Phillips Avenue.

Amendment No. 2 brings total capital project costs for TID 84 to \$28 million:

Funding for Deer District Plaza	\$12,000,000
Grant to the Bucks	\$8,000,000
Monetary Obligation to JS Developers	\$1,000,000
Public Infrastructure (Vliet St., Highland Plaza)	\$7,000,000
TOTAL	\$28,000,000

The Moxy Hotel Project

The Milwaukee Bucks and Middleton-based NCG Hospitality have recently proposed development of a seven-story, 156-room Moxy Hotel at 430 W. State Street, on the southern portion of Block 3 of the Arena Master Plan. This is far smaller than the 300-unit hotel shown for Block 3 of the Arena Master Plan. Also, the design standards for Block 3 of the General Planned Development – Arena Master Plan (CCFN 150724) permit a building up to 20 stories tall.

Given the great financial success of TID 84 so far, with current total assessed valuation and incremental value both being more than double what was projected for this point in time, it is in the City's best interest to continue to seek development that is the highest and best use of the property. The City should aim to maximize the total assessed value of each block in the Arena Master Plan area. The Moxy Hotel, as proposed, clearly is not the highest and best use of the southern portion of Block 3 – a much larger, taller hotel or other structure could be built under current GPD design standards, and would provide more tax base for the City.

A high-performing tax incremental district like TID 84 can bring financial and other benefits to areas surrounding the district and to TIDs in aldermanic districts throughout the city, including:

- When a TID is within one year of fully recovering its project costs (i.e., is about to be closed), the TID's project plan can be amended to provide that up to one year's worth of tax incremental revenue from the TID may be used for street-paving projects anticipated to occur within the district or within one-half mile of the district within the next 6 years (s. 304-95, MCO).
- After a TID has paid off all of its project costs and is about to be closed, the Common Council may adopt a resolution extending the life of the district for one year and use the additional revenue for affordable housing and other housing stock improvements anywhere in the city (s. 304-96, MCO).
- Revenues from high-performing TIDs can be transferred or donated to TIDs that are "under water" or performing poorly. This has occurred on numerous occasions in the past. It helps make underperforming TIDs whole without hurting the solvency of the donor TIDs. Examples include donations of \$11.8 million from TID 48-Park East to TID 74–Century City (authorized by CCFN 231456), \$5.6 million from TID 42-Midtown Center to TID 74-Century City (CCFN 211609), and \$7.2 million from TID 37-Grand Avenue to TIDs 51-Granville Station, 71-Mitchell Street and 72-Bishop's Creek (CCFN 191951).

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