




Tom Barrett
Mayor, City of Milwaukee

TO: Members of the Common Council

FROM: Tom Barrett 
Mayor

DATE: July 6, 2005

SUBJECT: File #050073

Yesterday, the Zoning, Neighborhoods and Development Committee recommended approval of file #050073, regarding the creation of a Tax Incremental Financing District to support the Pabst City project. The file as passed includes three amendments that must be changed in order to ensure that this project can move forward successfully. These changes were adopted with almost no discussion on the part of the committee, and without allowing any comment by either Department of City Development staff or the project developer.

I ask that you amend the file to remove these provisions before voting on it today.

My first area of concern is language indicating that the leases with the three anchor tenants (House of Blues, Gameworks, and Marcus Cinema) must provide for 10-year terms with no opt-out clauses. While I can understand the surface appeal of such a provision, this provision is entirely out of alignment with standard practices in the commercial real estate industry. Imposition of these terms threatens to undo the agreements reached by the developer with the three anchor tenants. Furthermore, adoption of such terms will send a strong signal that Milwaukee is inhospitable to national retail tenants. Unless this provision is changed, major national retailers will be given the message that they can negotiate the same deal in Dallas, New York, Chicago, Minneapolis, or any other large city, but they can expect more restrictions in Milwaukee. During this renaissance, that is exactly the wrong message to send. As Doug Nielsen of Visit Milwaukee testified at yesterday's ZND meeting, national tenants with "brand recognition" are exactly the types of tenants that are required to build Milwaukee as a first-class tourist and convention destination.

The second change adopted by the committee requires that the final development agreement be approved by the Council by separate resolution. Once again, on the surface, this sounds like a great idea. It is not. The term sheet that is presented as part of file #050073 is the result of months of negotiation between the development team, the Department of City Development, the Comptroller, and the City Attorney. The development agreement will require months more work. It will cover every issue spelled out in the term sheet in exhaustive detail.

It is unreasonable to expect the development team and City staff to invest the money and time required to craft the development agreement when there is absolutely no commitment on the part of the Common Council to adopt the agreement. Moreover, a move to require Council approval of the development agreement after approving the term sheet reverses more than 15 years of successful development practice on the part of the City of Milwaukee. During that period, the development community has been able to trust the quality of its negotiations with City staff. If this amendment stands, such trust will evaporate. Under the best circumstances, the change will

delay for months this project's ability to raise the necessary outside capital to make the deal happen; under the worst circumstances, this will kill the project.

Third, the committee adopted an amendment which requires the developer to provide more than \$5 million for transit linkage year round between the site and other areas within 3 miles of downtown. The consultants for the city have recommended – and the developer and city negotiators agree – that transit linkage is critically important to the success of the project. However, rather than necessitating a certain level of spending based on “back of the envelope” calculations, I encourage you to adopt language that will allow the development team to implement a link that complements current and contemplated downtown transit links.

Finally, a change may be offered at today's meeting to move the job training components of this project from the Department of City Development to the Department of Administration. From the beginning, we have indicated that we do not intend to create a new bureaucracy with this important provision, and the Department of Administration is clearly the best vehicle for making sure these funds are spent in the right place in this community. I support this change as an improvement to the project and to the term sheet.

These items may be taken up as separate amendments or as a substitute for the version passed by the committee. I encourage you to make the changes necessary to the version that passed the committee so that we can move forward with this project immediately. After you have made the necessary changes, I urge you to vote in favor of the file.

When it comes to decisions like those you will make today, Milwaukee has a justifiable reputation as a conservative city. We analyze opportunities like these thoughtfully and deliberately. But now, the time for analysis is over, and the time for action is here.