

..Number
100534
..Version
PROPOSED SUBSTITUTE E
..Reference

..Sponsor
ALD. WITKOWIAK

..Title
Substitute resolution approving the First Amendment to the Cooperation, Reimbursement and Redevelopment Agreement (Harley-Davidson Museum Project).

..Analysis
The Cooperation, Reimbursement and Redevelopment Agreement for the Harley-Davidson Museum provides for three phases of development, the first two of which, including the main museum, archive building, conference/reception facility and restaurants, were completed in June of 2008.

This resolution approves an amendment to that agreement to eliminate the proposed 100,000-square-foot third phase of the museum complex.

The current agreement provides the City with certain options in the event the third phase is not completed by June of 2011: sue the developer for the City's actual damages, as a result of the third phase not being completed, or exercise its option to repurchase a portion of the museum campus, specifically, the two parking lots located west of 6th Street, for \$535,000, the price the developer paid the City for the sites.

This amendment eliminates the requirement for the third phase of the museum development and in lieu of the City's current contractual remedies, provides a payment of \$700,000 from the developer for the purposes of funding future redevelopment activity in the city.

The amendment also provides for a First Offer of the parking lots to the City and/or the Redevelopment Authority, for a purchase price of \$535,000, for the next five years. In the event the third phase of the complex, or the substitute equivalent, is completed, the First Offer would terminate.

The developer also advanced funding for a tax incremental district to assist the museum project. The City is currently repaying that funding from incremental taxes generated by the project. As provided in the Redevelopment Agreement, given that Phase III will not be developed, reimbursements from the tax incremental district to the developer will be reduced from \$7,000,000 to \$5,765,000. The developer advanced all of the funding in the tax incremental district.

..Body
Whereas, The City of Milwaukee ("City"), the Redevelopment Authority of the City of Milwaukee and H-D Milwaukee, LLC entered into a Cooperation, Reimbursement and Redevelopment Agreement ("Agreement") dated as of February 1, 2005, providing for the development of a three-phase, 230,000 square-foot Harley-Davidson museum

complex at a cost of \$95 million to be located at North 6th and West Canal Streets in Milwaukee; and

Whereas, Phases I and II of the complex were completed in June of 2008, consisting of the main museum structure, archive building, conference/reception facility and restaurants; and

Whereas, As provided in the Agreement, Phase III of the complex, consisting of one or more office and/or commercial structures totaling approximately 100,000 square feet, was to be completed on or before June of 2011; and

Whereas, Harley-Davidson, Inc. has indicated that due to the deep recession, especially affecting real estate, together with Harley-Davidson's refocus of its business strategy on the transformation of its operations to be competitive and viable long-term, Harley-Davidson is not able to proceed with Phase III and wishes to eliminate the requirement to build Phase III; and

Whereas, As provided in the Agreement, in the event Phase III is not substantially completed on a timely basis, the City may sue for damages or exercise its option to repurchase two parking sites located west of 6th Street, which the City sold for the museum development; and

Whereas, The September 9, 2011, version of the First Amendment to the Agreement, a copy of which is attached to this Common Council File, provides for the elimination of the requirement to complete Phase III of the museum complex, the elimination of the above remedies on the part of the City and the payment of \$700,000 to fund future redevelopment projects in the city; and

Whereas, The September 9, 2011, version of the First Amendment to the Agreement also provides for a First Offer of the parking lots to the west of Sixth Street to the City and/or the Redevelopment Authority for a purchase price of \$535,000, for the next five years; and

Whereas, In the event Phase II of the complex, or the substantial equivalent thereof, is eventually completed, the First Offer would terminate; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the September 9, 2011, version of the First Amendment to the Cooperation, Reimbursement and Redevelopment Agreement is approved and the proper City officials are directed to execute such First Amendment on behalf of the City.

..Requestor

..Drafter

LRB121732-3

Jeffrey D. Osterman

09/09/2011