



Legislation Text

File #: 230928, **Version:** 4

230928

SUBSTITUTE 4

191960

Common Council

Substitute resolution directing the appropriate City officials to seek to reopen and renegotiate the Payment In Lieu Of Taxes agreement between the City of Milwaukee and the Wisconsin Center District.

This resolution directs the City Comptroller, Director of the Department of Administration, a member of the Common Council appointed by the Common Council President and any other appropriate City officials to seek to reopen negotiations for the Payment In Lieu Of Taxes agreement between the City of Milwaukee and the Wisconsin Center District. The resolution further directs City officials to negotiate an agreement that is a true payment in lieu of taxes, and not a contingent annual payment. Whereas, The Wisconsin Center District (WCD) is a public entity created by s. 229.42, Wis. Stats., in 1994; and

Whereas, The WCD owns and operates significant public assets in Downtown Milwaukee, including the Baird Center, Panther Arena, and Miller High Life Theater, and also owns Fiserv Forum, which is leased to and operated by the Milwaukee Bucks; and

Whereas, In 2020, the WCD approved a plan to significantly expand the WCD convention center (n/k/a the Baird Center) for the approximate cost of \$458,000,000; and

Whereas, In connection with the deliberations around approval of this expansion plan, the City of Milwaukee and the WCD engaged in discussions to establish a revenue contribution to the City to reflect the historic arrangement under which the City had received approximately one-third of the City of Milwaukee hotel tax prior to the creation of the WCD and to reflect the significant contributions the City makes to the operation and success of the WCD in terms of public services and public infrastructure; and

Whereas, These negotiations resulted in a Payment In Lieu Of Taxes (PILOT) agreement between the City and the WCD approved in principal by the Common Council on a 15-0 vote on April 14, 2020 and memorialized in a written agreement executed on August 1, 2020, a copy of which is attached to this file; and

Whereas, The PILOT agreement provides, beginning in 2025, that WCD will make an annual payment to the City of \$1,000,000 for the first \$30,000,000 of net income, and an additional \$1,000,000 for every additional \$10,000,000 of net income above \$30,000,000; and

Whereas, Under the terms of the agreement, "net income" is defined as net revenue, less expenses and deducting capital expenditures, grants, bond premiums, amortization and before deducting depreciation; and

Whereas, Under the terms of the agreement, the WCD shall make no PILOT Payment to the City any year the District's audited financial statement demonstrates that the District did not generate a net income of at least \$1,000,000 in the prior fiscal year; and

Whereas, Subject to the same net income criteria, the WCD agreed to remit to the City of Milwaukee a fixed payment of \$250,000 in May, 2022, \$500,000 in May, 2023, and \$750,000 in May, 2024; and

Whereas, The WCD receives significant tax revenue from 4 dedicated taxes: the City of Milwaukee hotel tax, the Milwaukee County hotel tax, the Milwaukee County food and beverage tax and the Milwaukee County vehicle rental tax for rentals originating at General Mitchell International Airport; and

Whereas, The combined revenue generated by these taxes was \$40,662,572 in 2022, is forecast to be \$43,162,973 in 2023, and is budgeted at \$46,875,639 in the proposed 2024 WCD budget; and

Whereas, The WCD generated a "net income before depreciation expense and expansion debt" of \$25,476,486 in 2022, is forecast to generate \$28,280,036 in 2023, and is budgeted for \$26,803,130 in 2024; and

Whereas, Despite these income totals and projections, based on the definition of "net income" and "net revenue" contained within the PILOT agreement, the WCD has notified the City that it is unlikely it will be making the payment of \$750,000, due and payable in 2024, nor the \$1,000,000 payment due in 2025, based on the District's anticipated 2023 and 2024 financial results; and

Whereas, The anticipated \$750,000 payment was relied upon by the City in formulating its 2024 Proposed Budget, and the expected \$1,000,000 payment in 2025 would represent a significant source of revenue for the City; and

Whereas, The current method of calculating the District's PILOT is not in keeping with the spirit of the PILOT program, which is to compensate the City for the costs associated with providing significant public services and infrastructure essential to the operation of the WCD; and

Whereas, The City desires a productive partnership with the WCD where both entities work collaboratively to encourage Milwaukee's growth and development; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that the Council directs the City Comptroller, Director of the Department of Administration, a member of the Common Council to be appointed by the Common Council President and any other appropriate City officials to seek to reopen PILOT contract negotiations with the Wisconsin Center District; and, be it

Further Resolved, That Council further directs the appropriate City officials to work with the Wisconsin Center District to develop an amended PILOT agreement that provides the City with a more equitable and more reliable annual payment; and, be it

Further Resolved, That any new PILOT agreement shall at least conform to the parameters of PILOTS as they are generally understood: reliable, annual payments, designed to compensate the City for the essential services it provides that are not contingent on other factors; and, be it

Further Resolved, That any new PILOT agreement shall be presented to the Common Council in full for final review and approval.

LRB 179483
Christopher Hillard
10/31/2023