

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: June 1, 2015

TO: Marina Dimitrijevic, Chairwoman, Milwaukee County Board of Supervisors

FROM: James Tarantino, Economic Development Director, Department of Administrative Services

SUBJECT: Requesting authorization for the County to execute an Option to Purchase from and enter into a Development Agreement with Head of the Herd LLC for Blocks 1, 2, 4 and 7 of the Park East, and take other necessary actions to ensure the development moves forward.

Summary

When the Park East Rolling RFP and marketing effort were launched in June 2014, the message portrayed was one with an emphasis on opportunity. Namely, the opportunity to transform and redefine a highly visible neighborhood. Head of the Herd LLC, whose managing members include the majority owners of the Milwaukee Bucks, submitted a proposal pursuant to the Park East Rolling RFP which a review panel of five economic development professionals (including representatives from County, City and the Wisconsin Department of Transportation) determined would do just that.

Their proposal envisions a \$400 million dollar mixed use development ancillary to the new, state of the art NBA arena. Spanning four city blocks, this ancillary development would contain over 1.5 million square feet of residential, office, parking and other uses, including an NBA practice facility and public plazas. On its own, the proposal would be a tremendous investment in Milwaukee County. Paired with the public-private arena partnership and the Bradley Center redevelopment, the opportunity becomes one of unprecedented proportions.

In recognition of the site preparation costs associated with the Park East, and in an effort to realize benefits for the community in the form of new jobs, workforce training and an expanded tax base, the County would provide the land to the developer for one dollar. The project would be owned and developed by Head of the Herd LLC, though the group anticipates partnering with local developers in joint ventures on smaller portions of the overarching plan.

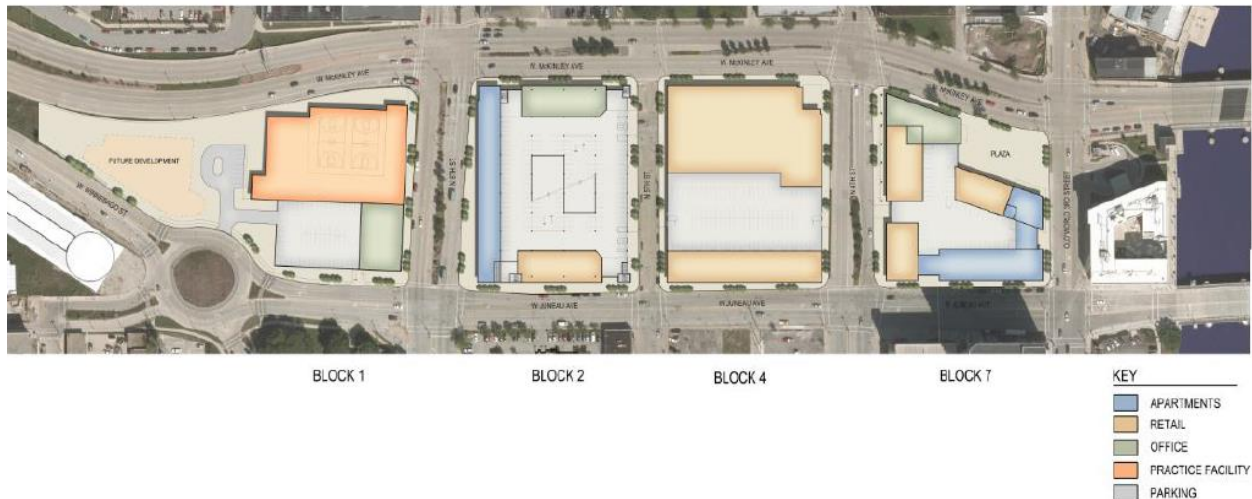
Accompanying this report is a resolution and option to purchase for which the Economic Development Division is requesting approval.

Project Phasing

The development of these 9.8 acres in the Park East will be part of the larger redevelopment spanning over 24 acres, including the area where the new arena will be located and the site of the current BMO Harris Bradley Center. As



such, to ensure there is enough time for the market to absorb this large amount of growth there will be three planned phases throughout the next 10-15 years. Redevelopment of the Park East lands will be a part of Phase I and Phase III.



- **PHASE I** (2015-2017) contemplates the development of Blocks 1 and 2 and the creation of temporary surface parking lots on Blocks 4 and 7 (to be used as a construction staging area during arena construction and supplemental parking when the BMO Harris Bradley Center and its adjacent parking structure are torn down in phase II.

- **PARK EAST BLOCK ONE:**

- NBA Practice Facility
- 30,000 square feet of office space
- 40 parking spaces
- Street-facing public art plaza along McKinley Avenue

- **PARK EAST BLOCK TWO:**

- 1,243 space activated parking structure
- 10,000 square feet of retail
- 30,000 square feet of office space
- 98 market rate apartments



- **PHASE II** (2018-2022) contemplates the deconstruction of the BMO Harris Bradley Center and adjacent parking deck. During this phase, Blocks 4 and 7 will be used as surface parking lots to supplement the loss of the parking deck. The end use development will include a new parking deck, retail and office space, market rate and student housing and a 300-key hotel.

- **PHASE III** (2023-2027) contemplates completion of the Arena District development.
 - **PARK EAST BLOCK FOUR:**
 - 70,000 square feet of retail space (urban grocer)
 - 183 market rate apartments
 - 183 space activated parking structure
 - **PARK EAST BLOCK SEVEN:**
 - 215 market rate apartments (potentially some luxury condominiums)
 - 100,000 square feet of office space
 - 16,000 square feet of retail
 - 237 space activated parking structure
 - 37,000 square foot outdoor plaza



Street Activation and Public Space

The main focus of the proposal from Head of the Herd LLC was a desire to create a vibrant, walkable neighborhood. To the proposers, the four-lane boulevard and high daily traffic count on McKinley Avenue, paired with the narrow sidewalks and extra-long blocks in the Park East made it feel unwelcoming to pedestrians. Noting that changing this perspective will be critical to creating a successful “Arena District” neighborhood, the entire proposal focuses on ways to activate the street, increase pedestrian access and consciously engage visitors, regardless of the time of day. Such a plan requires a great deal of thought and deliberate preparation, not simply from an architectural perspective, but from the standpoint of tenant mix.

Illustrative Concepts to Create a Friendly, Walkable Neighborhood:



- Reconstruct North 5th Street to break up the current “mega block” which serves as both a physical and mental barrier between the Haymarket neighborhood and Westtown;
- Widen sidewalks and create outdoor patio areas outside the retail spaces to activate the street;
- Install aesthetically pleasing lighting, bike racks and natural features to create pleasant sidewalk areas;
- Build out the retail storefronts to disguise parking decks behind;
- Develop to the scale appropriate to the neighborhood, as set forth in the Park East Redevelopment Plan;
- Ensure an appropriate mix of residential, office, retail and parking to generate activity at all times of the day and night;



- Create plazas and other green spaces for the public to rest and relax;
- Work with brokers and developers to attract tenants that are unique to and consistent with the local market that is prevalent in the downtown Milwaukee.

As the development moves forward, design precedents similar to these will be incorporated into the design to ensure the success of the project.

Meets the Objectives of the PERC (Resolution 04-492)

- *“Each parcel of Park East land will be sold through a competitive Request for Proposals (RFP) which shall be reviewed and approved by the County Board.”*
 - Concept of a Rolling RFP for the Park East was presented as an information report to the County Board’s Economic and Community Development Committee on December 9, 2013 (File No. 13-914)
 - Park East Rolling RFP (2014-ED01) was issued on June 10, 2014
- *“Milwaukee County should not just sell the land for the highest price offered but rather should seek development proposals which will provide the greatest future benefit in jobs, tax base and image for the community, as well as, a fair price”*
 - It is anticipated the proposed development could create approximately \$5 million in property taxes annually (NOTE: It is possible that the Parking Structure in Phase I would be publicly-owned and therefore tax exempt, which is not illustrated in the estimate)
 - It is anticipated the proposed development could create over 3,700 jobs.
- *“Milwaukee County will include their current DBE policies, as they apply to county construction contracts, in all RFP’s and development contracts.”*
 - The Developer has committed in the option to purchase to the DBE goals as they currently exist in Chapter 42 of the Milwaukee County Code of General Ordinances (25% participation for construction including architecture and engineering; 17% participation for professional services excluding architecture and engineering). In addition the Developer intends to engage one or more firms to assist with promoting the attainment of these goals and track the progression throughout the life of the project. Because this is a development that is multi-jurisdictional in nature, the developer may use

Estimated Tax Creation			
Type	Est. Size	Methodology Est.	Est. Tax/Year (mm)
Office	160K SF	\$5.00/SF	\$0.8
Urban Grocer	70K SF	\$5.00/SF	\$0.4
Retail	30K SF	\$5.00/SF	\$0.2
Practice Facility	60K SF	\$3.00/SF	\$0.2
Residential	495 units	\$5,500/unit	\$2.7
Parking	1,670 spaces	\$300/space	\$0.5
TOTAL TAXES			~\$5 mm

Estimated Job Creation			
Type	Approx. Size	Methodology	# of Jobs
Construction	\$400 MM	68 Jobs / \$10 Million Investment	2,720
Office	140 Usable SF	200 SF / Job	700
Urban Grocer	70K SF	700 SF / Job	100
Retail	30K SF	400 SF / Job	75
Practice Facility	60K SF	Projection Based on Experience	55
Residential	3 Buildings	20 Jobs / Building	60
Parking	4 Lots	5 Jobs Per Lot	20
TOTAL JOBS			+3,700

any of the disadvantaged business definitions of the City, MMSD and the State of Wisconsin to comply with this provision.

- *“All RFP’s and development contracts shall contain additional apprenticeship and training requirements, using existing agencies whenever possible.”*
 - The Developer has initiated discussions with and plans to partner with the Milwaukee Area Workforce Investment Board (MAWIB) to meet its participation goal for workforce training and apprenticeship hours.
- *“Local Employment”*
 - The Developer has pledged a goal of 20-25% participation for Milwaukee County residents in terms of total construction hours.
- *“All RFP’s and development agreements will require the payment of prevailing wages for construction employees as is now required for most public works projects.”*
 - The Developer acknowledges this will be a prevailing wage project and is expecting such provisions to be included in the development agreement.
- *“Milwaukee County will require that green space and green design be specifically included in all proposals submitted in response to an RFP. The County will consider this information when evaluating and selecting a final developer for each parcel.”*
 - Section 3.4.7 of the Park East Rolling RFP relates specifically to what green design elements are to be included in a proposed project. In this case, Head of the Herd LLC provided assurances that at least the following green design elements will be included in the master development of the Park East:
 - Public art plaza along McKinley Avenue on Block 1, to make the block more pedestrian friendly, tie it to the Brewery Development and to create a welcoming atmosphere for traffic entering downtown Milwaukee.
 - Install a Bublr Bikes station.
 - Create a public plaza at the northeast corner of Block 7 (MMSD infrastructure easement prohibits building any significant structures).
 - Have green courtyards atop the parking deck on Block 4 to provide extra green space for residents to use and enjoy.
 - Moreover, the developer’s architect, Eppstein Uhen has a great deal of experience completing LEED-certified projects and plans to utilize many green techniques when planning the development, such as designing buildings to optimize natural lighting, using renewably sourced building finish materials, installing energy efficient HVAC equipment and low-flow consumption plumbing fixtures, and providing bicycle storage for commuters and charging stations for electric vehicles.



Recommendation

It is recommended that the County sell Blocks 1, 2, 4 and 7 of the Park East to Head of the Herd LLC for \$1 pursuant to the terms outlined in the Option to Purchase attached to the Resolution. The Economic Development Division respectfully requests that this item be placed on the agenda for closed session under the negotiations provision.

Fiscal Note

There is no fiscal impact for 2015, other than a de minimis reduction in the carrying costs associated with maintaining the property.

James Tarantino
Economic Development Director, DAS

cc: Chris Abele, County Executive
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