

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE: February 21, 2017
TO: Supervisor Taylor, Chair, Economic and Community Development Committee
FROM: James Tarantino, Director, Economic Development
SUBJECT: Downtown Transit Center Update

REQUEST

This report is for informational purposes, there is no request at this time.

BACKGROUND

Previous Legislation

File 11-401 –approval of lakefront plan and beginning of redevelopment

File 12-633 –approval of Barrett Visionary Development and the Couture negotiations

File 13-152 –approval of legal representation and title work

File 14-827 –approval of Option to Purchase with Barrett Visionary Development

Since the legislation listed above, Milwaukee County has worked diligently to support the redevelopment and close the sale of the Downtown Transit Center. Federal Transit Administration (FTA) approval of the sale was sought and granted in April 2016. Following this, a Development Agreement, Community Benefits Compliance Plan, Public Use and Access Easement, and Lease for Transit use have been negotiated. The following report contains an updated on key project elements.

PROJECT

Schedule of development

Following the closing of the sale on August 26, 2016, the schedule of development is as follows

- Demolition of Downtown Transit Center structure – completed January 2017
- Demolition of pedestrian bridge connecting to O'Donnell Park over Michigan St. – completed February 2017
- Commence Construction – has to occur within 18 months of closing, February 2018 at the latest
- Complete construction – 42 months from commencement of construction at the latest though projections are that the project will be completed earlier than that
- Open for tenancy and transit operational – upon completion, nature of transit service dependent on Bus Rapid Transit project development

Cost to Milwaukee County

- The property was sold “as-is” to avoid any potential liabilities and costs of demolition of the structure and pedestrian bridge including grading, excavation, and the disposal and removal of waste. The estimate costs of demolition avoided by Milwaukee County are \$2.3 million.

- Outside legal counsel was retained during various stages of the project related to the historic lakebed legal challenge, development of a federal interest strategy, negotiating with the developer, and preparing for closing. Legal counsel has been contracted through Corp Counsel, the costs of which applied against the closing proceeds, estimated at roughly \$150,000.
- Very few other expenses have been accrued during the course of this project, other than staff time from DAS, MCDOT, Corporation Counsel, and others.
- The costs that were required to complete this transaction are nothing compared to the costs that the County is avoiding in operating and maintaining the structure. The total lifecycle costs of operating the building were estimated at \$4.3 million in deferred maintenance, and an escalating cost of \$150,000 per year to maintain the building and rooftop park.

County resources invested in the Couture

- Public parklike elements will be developed in the project in a parklike manner, but these parks will not be the responsibility of Milwaukee County.
- The most significant County commitment to the Couture project is in the Transit Concourse space. As a condition of approval from the Federal Transit Administration (FTA), Milwaukee County had to demonstrate a continuing control of the transit concourse in an equivalency to the former structure. The FTA specifically required that the County enter into a 40 year no cost lease of the roughly 20,000 sf transit concourse space to demonstrate this continuing control. The developer is building out at cost the transit concourse space based on specifications provided to the developer in 2016, the estimated expense of which is \$14 million.

County's continued involvement with the development

- County will be responsible for monitoring construction and the community benefits per the development agreement –
 - Community benefits – Payment of prevailing wage on construction
 - DBE participation – 25% on construction and 25% on A&E
 - Residential hiring – 40% of hours by County residents
 - Apprenticeship – 10% of project hours
 - Estimated construction jobs – 2,100
 - Rights owned within the public access and use easement –
- Permanent easement that runs with the land
 - Easement in favor of the County on behalf of the land owner ensuring public access and use of the transit concourse and all public park areas
 - Public parklike areas would be operated and maintained in a manner similar to Milwaukee County Park
- Radio tower for Office of Emergency Management (OEM)
 - Easement in favor of OEM's use of a mechanical space and rooftop access for a radio tower. This is a significant avoidance measure as the OEM radio tower is currently leasing space on the US Bank building for roughly \$75,000 per year.
- Continuing use and control of the transit space –
 - Lease – 40 year term at no cost to the County to provide transit service

- Landlord – tenant relationship including which costs and obligations are covered in common areas and which are in leased areas
- Terms resembling a commercial lease including the designation of maintenance responsibilities

Summary of Financial Elements outlined in this report

Direct Costs to County	
Outside Legal Counsel	\$150,000
MCTS Lease	\$0
Purchase Price	\$500,000
Total Net Costs	\$350,000
Savings (10 year period)	
Deferred maintenance	\$4,300,000
Staffing	\$1,500,000
Existing OEM radio tower easement	\$750,000
Structure and bridge demolition	\$2,300,000
Total Savings (10 year period)	\$8,850,000

Next steps for this project

- Plan and design approval from the City as a detailed planned development
- Approval for financing to enable the final federal waiver for MCTS lease
- Funding must be secured to continue planning and implementation of the BRT system
- Commencement of construction
- Project documents (MCTS lease, development agreement, etc.) to be recorded when available

RECOMMENDATION

This report is for informational purposes, there is no request at this time.



 James Tarantino
 Director, Economic Development

Attachments: Powerpoint, 1/23/17 ECD Update
 Development Agreement

cc: Chris Abele, County Executive
Sup. Theodore Lipscomb, Sr., County Board Chairman
Economic and Community Development Committee Members
Teig Whaley-Smith, Director, Department of Administrative Services
Brian Dranzik, Director, Department of Transportation
Christine Westrich, Director, Office of Emergency Management
Raisa Koltun, Chief of Staff, Office of the County Executive
Kelly Bablitch, Chief of Staff, County Board of Supervisors
Scott Manske, Comptroller
Steve Cady, Research & Policy Director
Shanin Brown, Committee Coordinator