

# THE PARK EAST RUNAROUND

## WHY NOTHING IS HAPPENING THERE

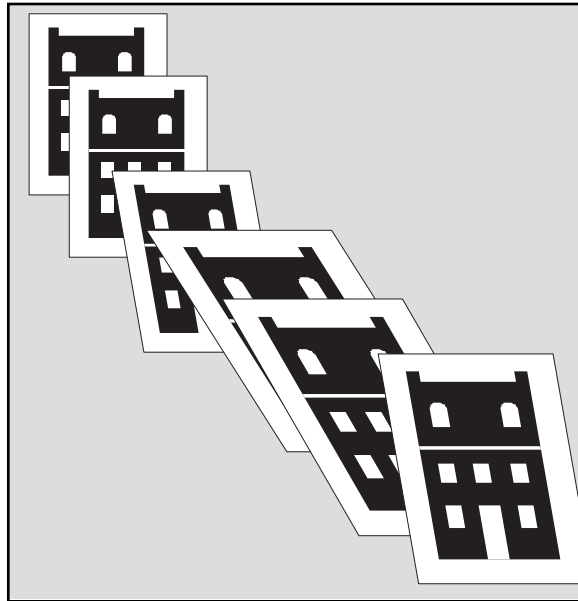
MARK KASS

**I**t has been more than two years since the Park East Freeway came tumbling down, spawning hope of up to \$300 million in new commercial and residential projects on the prime 64 acres on the north side of downtown Milwaukee.

But the high-profile project has hit governmental hurdle after governmental hurdle forcing real estate developers with projects on their drawing boards to sit idly by while watching the City of Milwaukee and Milwaukee County debate standards and land use plans for the 64-acre site.

Battle after battle has ensued in recent months. It's been the city vs. the county, labor and community groups vs. developers and county supervisors vs. the county executive. In the end, the only thing that has come out of the battles is further delays of any real estate projects starting in the closely-watched corridor.

"This is becoming a case study on how government screws things up," Jim Barry, president of James T. Barry Co./Colliers International, Milwaukee, said during one of the numerous delays. "The delay in getting the land back on the tax rolls will cost the city millions of dollars in tax revenue" that they will never be able to make up.



Barry owns land in the Park East corridor and wants to undertake an office project. But he has delayed doing anything until the politicians finally decide on exactly what they would like to do.

Added a real estate developer, "It's been one thing after another. Sometimes you just have to sit back and shake your head at the way this has been handled. It reinforces the belief

that if you want it to be slowed down or not to happen, have government do it."

### Tearing it down

Part of a planned freeway that was to run from the Hoan Bridge and then along Lake Michigan, across downtown and northwest to the existing Highway 145 freeway that runs from 68th and Hampton, the spur of the Park East freeway opened in 1972. The only segment that was completed ran from Fond du Lac Avenue at Walnut Street to Jefferson Street in East Town.

Backers of the plan to tear it down, led by former Milwaukee Mayor John Norquist, viewed the freeway as a physical barrier sepa-

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rating Milwaukee's downtown from adjacent neighborhoods such as Brewer's Hill.

"Property values near the structure are depressed. The elevated road blocks what would otherwise be beautiful views on both sides of the Milwaukee River," Norquist said at the time.

Norquist, well-known nationally for his disdain for freeways, used a proposed Harley Davidson museum for the Park East land to help his push to have it demolished. The cost of demolishing the freeway, constructing a new boulevard, and building a new bridge was estimated at \$25 million, the bulk of it paid for by the federal ISTEA transportation program.

It ended up costing \$45 million, with \$21.25 million in federal money, \$1.2 million in state money and \$22.55 million in city money through a tax incremental financing district.

The Harley museum will never happen at the Park East site, since the Milwaukee manufacturing firm dropped its plans shortly after the freeway was torn down. Instead, Harley selected a site in the Menomonee Valley near South Sixth and West Canal streets for its \$85 million project.

Some Norquist opponents claimed that the mayor had used the museum, when it was never really going to be built there, as a way to get support for tearing down the freeway.

"It was a shell game," said a Norquist critic. "This was all about the mayor getting his way and tearing down a freeway he didn't like."

But Norquist and Harley officials adamantly deny there was ever any intent to mislead people. The problem was the cost of the project at the Park East site got too high for Harley, they said.

### **Bumps in the road**

The museum was not the only early controversy. Even how to pay for tearing it down caused months of arguing and political fighting.

Norquist battled with former Governor Tommy Thompson and former Milwaukee

County Executive F. Thomas Ament to get the funds included in a \$241 million transportation grant to the state.

"There has been a lack of cooperation throughout this whole project," said Michael Hatch, a Milwaukee real estate attorney.

The city, county and state couldn't agree at first on the funding and it has just continued on from there. No one can ever agree on anything on this project.

It has really taken a lot longer than anyone hoped or expected. It seemed like every time it moved forward, something happen to set it back.

### **New focus**

Once the freeway was brought down, the focus moved to Milwaukee City Hall where city officials wanted to pass a land use plan. But with Norquist on his way out of office (after choosing not to run for reelection due to a sexual harassment scandal with one of his employees) the plan hit all kinds of bumps in the road.

Community and labor groups immediately slowed the process at City Hall by trying to attach a community benefits agreement that would have required developers on both public and privately-owned land to provide construction jobs at union-level wages and affordable housing.

Developers and Norquist opposed the benefits agreement, saying it would hamper development and force some developers to either scrap their projects or take them to less restrictive suburban sites.

"The worst decision the city (could) make in 50 years was putting mandates on the Park East plan for affordable housing and prevailing wages," said Barry Mandel, president of Mandel Group, a Milwaukee real estate development firm, which has proposed a \$150 million, 500-unit apartment and condominium project for the Park East site.

The genesis of the community benefits packages attached to development plans dates back to Los Angeles in the 1990s when the

Staples Center was constructed, said John Periard, executive director of the Commercial Association of Realtors-Wisconsin.

"In markets like Los Angeles, Boston, or San Francisco where commercial values are higher, the community benefits regulations are easier to accept," said Periard. "Milwaukee developers can't afford those kinds of restrictions."

John Goldstein, co-chair of Good Jobs & Livable Neighborhoods, which proposed the benefits agreement, said it was done to ensure that "Milwaukee residents get the best bang for their buck" in the Park East redevelopment effort. He said,

Extensive public subsidies on projects like the Grand Avenue mall returned very little in terms of creating good jobs in our community.

#### **Big changes**

At the same time the benefits agreement was being debated at City Hall, there was significant turnover at the Milwaukee Department of City Development (DCD) that slowed the project.

First, Dan McCarthy, who oversaw the Park East planning effort for DCD, left for a job at Wispark Corp., the development subsidiary of We Energies Corp., Milwaukee. His city position was never refilled.

Shortly after, a long line of DCD employees left as Norquist was heading out of office in December 2004, including Deputy Commissioner Michal Dawson, City Planner Peter Park and Assistant Director of the Redevelopment Authority Greg Shelko.

DCD commissioner Julie Penman was ousted from her job on December 31, 2004, as former Alderman Marvin Pratt took over as acting mayor until the April 2004 election.

Pratt appointed local designer Pat Algiers to run DCD, but Pratt and Algiers did nothing on the Park East plan during his three months in office not wanting to upset either side as Pratt tried to win a permanent seat in the mayor's office.

"There was no one in charge at DCD and not much got done on this issue," Hatch said. "A lot of institutional memory left with these people and it really set DCD back."

#### **New Mayor**

When Tom Barrett became mayor in April 2004, he vowed to move the redevelopment plan forward quickly, even though it took him

more than four months to appoint a new DCD commissioner. He was able to get Common Council approval, without the community benefits agreement, by June.

"The new administration is wrapping its arms around the Park East development," says Michael D. DeMichele, principal with Milwaukee-based WillowTree Development LLC, in a January 2005 article in Midwest Real Estate News.

Redeveloping it was a great idea, but the political football it has become is very bad for our community. Community groups and special interest groups are trying to attach social causes to it, and that's inhibiting economic development.

The objectives identified in the plan for Park East included promoting residential, office, and mixed-use development, extending RiverWalk in front of the new mixed-use buildings, enhancing pedestrian connections across the Milwaukee River, enhancing the success of the Water Street area with new entertainment venues, and providing urban open space.

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"You will not find an opportunity like this in any other city of our size in the country," Barrett said.

Where you now see vacant lots, in our new Milwaukee we will see jobs. . . we will see new shops. . . we will see new places for businesses. . . and we will see additional entertainment. We see exciting possibilities in this corridor and we will be an active, aggressive partner in developing it.

But Barrett's excitement was quickly tempered as the county, which owns sixteen acres in the corridor, got involved in the debate.

First, Milwaukee County Executive Scott Walker proposed leasing the land to developers, rather than selling it so the county could get a continuous revenue stream rather than a one-time cash payment.

But after developers complained it could limit interest in the parcels, Walker quickly dropped the proposal.

County supervisors then followed with a tactic of their own. At the urging of the community and labor groups, supervisors resuscitated the community benefits agreement, much to the horror of city officials and developers who thought the argument had ended at Milwaukee City Hall.

The benefits agreement proposed at Milwaukee County required affordable housing units equal to 20% of new housing in the corridor to be built either at the Park East or elsewhere in the city. The ordinance also required developments that receive government subsidies on the county's sixteen acres to hire minority contractors, demonstrate a preference for hiring city residents, and pay prevailing union wages for construction jobs.

Many supervisors, led by Elizabeth Coggs-Jones, rejected the notion that developers would be scared away by the compact.

"This area is going to be the Gold Coast, no matter what developers say," Coggs-Jones said.

Supervisor Joseph Rice was one of only four supervisors against the benefits, calling

the hiring and wage standards a "hollow promise" that would backfire by driving down land-sale prices, reducing competition for the parcels, and slowing the process.

"Capital will flow to where profit is maximized," Rice said.

In the end the County Board approved the pact and then overrode a Walker veto to enact the benefits agreement.

### **Wrong seller**

Many developers and real estate observers wish the county would have sold its land to the city, rather than trying to sell the land itself. At one point, the city attempted to buy the county's land, but could not reach an agreement.

Developers now fear having to go through both the city and the county to get approval for their projects.

"The county doesn't sell land, they are not in that business," Hatch said. "They are going to be much more difficult to deal with and I'm not sure how much interest they are going to get."

Several real estate sources said the county is only likely to get proposals from developers with much riskier projects that need extensive public help.

"Why would you want to put yourself through the hassle of getting county approval," a local developer said. "It's just a circus at the courthouse. It will slow your project down and give you headaches that you don't need."

Milwaukee County and the city issued requests for proposals for the land each owns in the Park East this spring. It is hoped by this summer that some projects will finally start coming out of the ground.

Milwaukee County received two proposals from developers for the first parcel of county-owned land to be developed in the Park East redevelopment corridor. The proposals came from Midtown Center developer Boulder Venture, working with HGA Architects &

Engineers, Milwaukee; and from a partnership of developers RSC & Associates of Chicago and Morgan Group Inc. of Houston, working with Legat & Barrientos.

The two proposals will be evaluated by a review panel and recommendations will be presented to the County Board's Committee to Develop the Park East.

The City of Milwaukee received proposals from six developers for the purchase and development of its parcel of land within the Park East corridor. The 10,201-square-foot parcel is located on the corner of Pleasant, Jefferson, and Water streets.

The city's Redevelopment Authority received proposals from Legacy Real Estate Partners, Pleasant Prairie; Stack Development Inc., Milwaukee; Iveist Design Group and Katz Project Development, Milwaukee; Central

Investment, Milwaukee; RSC & Associates, Chicago; and Milestone Development Group, Mequon.

The city-owned parcel is subject to the Park East Redevelopment plan and is zoned for residential, commercial-retail/office, entertainment, and structured parking. Zoning prohibits industrial, surface parking as primary use, dormitory, rooming house, check-cashing, social service, community organization, and all tax-exempt uses.

"It has been a bureaucratic nightmare," said a second real estate developer, who is working on a project for the land. "You go back and forth between the two and get different answers. It is making it very difficult to do a project.