

THE FUTURE OF THE NBA IN MILWAUKEE

RETHINKING THE BRADLEY CENTER

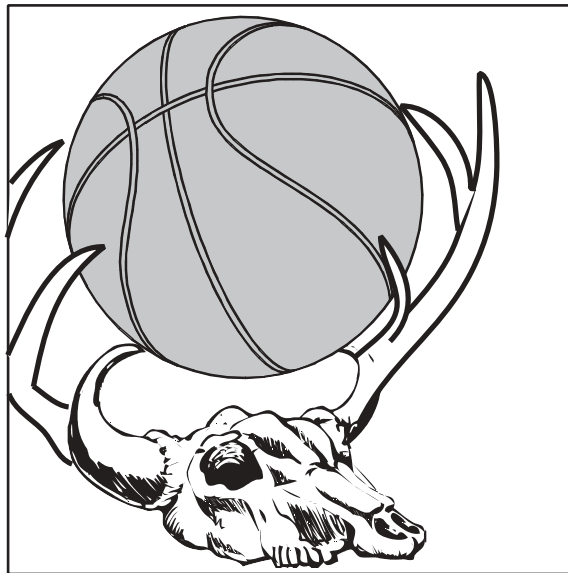
MARK L. KASS

Ask the average Milwaukee basketball fan their thoughts on the Bradley Center and you are likely to hear it's an average basketball arena, with plenty of useful life left, given the clean appearance and well-maintained state of the 18-year-old arena.

It has wide concourses, good seats, and luxury suites for the high-rollers and corporate executives, although some of the suites are not leased. The Bucks generally draw good crowds, but do not sell out most games.

But to the Milwaukee Bucks and Bradley Center officials, the downtown Milwaukee entertainment and sports facility is nearing the end of its useful life, given its lack of revenue-generated amenities such as club seats, along with restaurants and retail stores that could be open year round.

Bradley Center officials contend the Bucks need more revenue to compete against the larger cities in the National Basketball Association, such as Chicago, Philadelphia, and Boston. In the last seven years, they say, twelve NBA teams have moved into new arenas that provide more revenue streams than the Bradley Center offers.



They quickly point to the fact that the Bradley Center is tied for the third-oldest arena in the NBA, only trailing Madison Square Garden in New York City and Continental Airways Arena in New Jersey.

The Bradley Center opened in 1988 and its estimated \$70 million cost was paid by the late Jane Bradley Pettit. Arco Arena in Sacramento and The Palace at Auburn Hills, where the Detroit Pistons play, also opened in 1988.

But despite those facts, the Bradley Center and the Bucks have a lot of selling to do to convince Milwaukee-area residents that a new basketball arena is needed.

"There's not much more juice left in the orange," said Ulice Payne, chairman of the Bradley Center's board of directors, told the Milwaukee Press Club in November 2005.

You go to your house every day, and it's great. Then you go to someone else's house and you say, man, my closets are small. You look around the league and you see what you're missing.

Mark L. Kass is Editor of The Business Journal Serving Greater Milwaukee.

"The saving grace right now is that we have a homegrown U.S. Senator who loves his state," Payne said of Senator Herb Kohl (D-Wis.), the owner of the Bucks since 1985. "We can't rely on that. It's a bit risky. In the NBA, it's a dollar and cents game."

Payne said the new generation of arenas have been built as destinations where people come for more than a game. Every seat and every available space throughout the building is designed to produce as much revenue as possible. The Bradley Center is not set up that way.

None of the main tenants—the Bucks, Marquette University, or the Milwaukee Admirals—have permanent retail stores, and the concession stands in the building are only open during events.

"When you look at other buildings, like Conseco Fieldhouse in Indianapolis, they have amenities there that generate revenues when there is not an event in the building," he said. "A restaurant there might be open six days a week. At the Bradley Center, we've got some months when we're only open one or two days a month."

Indeed, building a new arena would follow a trend for the past decade in the National Basketball Association. New venues include the Toyota Center in Houston, the AT&T Center in San Antonio, and the American Airlines Center in Dallas.

The issue driving Payne's call for the community to consider a new basketball arena is the expected completion of a new five-year lease for the Bucks in the next several months that would keep them in the Bradley Center through the 2009-2010 season.

But after that time is what Payne is worried about.

"It may be the last long-term lease we sign with an NBA team," he said.

Few supporters

But supporters are hard to find on the need for a new arena. No one other than Payne

is leading the call for the community to begin debating the need for replacement for the Bradley Center.

"It may be old by NBA standards, but to the average person, it looks like it is in pretty good shape," said Milwaukee County Executive Scott Walker "It is not falling apart or in need of any major repairs."

A recent poll by *The Business Journal* on its Web site, which generated nearly 1,000 responses, found that 50% want to renovate the 18-year-old Bradley Center, 25% wanted to see a new arena built, and another 25% want to see nothing done.

"The time has come for the pampered, overpaid athletes of this city and country to stop draining the pockets of the middle class who can ill afford to subsidize their lifestyles any more," wrote one reader.

Added another: "(Jane) Pettit is probably turning over in her grave at the suggestion that the center is inadequate. She might take back her donation if she were still alive."

The opposition grows when the topic of public financing is broached. Community and political leaders are wary of a likely battle over a new sports building.

They remember the bruising debate in the mid-1990s over the financing for the \$300 million Miller Park that cost at least one politician—state Senator George Petak of Racine—his job. Even the Green Bay Packers, easily the most popular sports team in the state, struggled to get approval for a \$295 million renovation of Lambeau Field in 2002.

"It is a process no one is looking forward to," said Patrick Curley, Milwaukee Mayor Tom Barrett's chief of staff. "There is no public appetite right now for financing a new sports stadium."

Walker, who was a member of the state Legislature during the Miller Park debate, was much more blunt in his assessment of a proposal that would include public financing.

"I don't know of any politician right now with an interest in being reelected who will champion this issue," he said. "It will be a very difficult process."

One possible financing mechanism that has been mentioned by Bradley Center officials would be to extend the stadium district authority that oversees Miller Park to a new arena. That would generate tax revenue from the .01% five-county sales tax that's paying off the Miller Park construction debt. State legislative action would be required and likely would be opposed by many of the counties involved in the controversial tax.

"Any elected official who supported such a move could immediately add former to his title," Walker said. "There is no public support for such a move."

The Bradley Center debate could even become an issue in the upcoming governor's race, given the out-state opposition to most things that are proposed for Milwaukee. Everyone remembers former Governor Tommy Thompson's "stick it to 'em" line to an out-state crowd during the Miller Park debate.

For the time being, neither Governor Jim Doyle nor his Republican opponent, Mark Green, would posture as to whether they would support public financing or any state assistance for a new basketball arena.

"Governor Doyle is a great basketball fan and believes it's very important to keep professional basketball in Milwaukee," said Dan Leistkow, a spokesman for Doyle. "It will be a long time before any decisions have to be made about what the facility needs will be in the future and what the financing options are."

Green and his staff declined to provide a comment on the issue, despite repeated

attempts to get a response from the Green Bay Congressman.

Big financial supporters

The Bradley Center is already providing a great deal of money to the Bucks. In fact, the Bradley Center provided the Bucks more than \$6 million in direct and indirect payments in fiscal year 2004. That number increased to \$6.5 million in fiscal year 2005.

Under the Bucks' past lease, the team pays no rent and receives 27.5% of total gross receipts from concessions other than programs and merchandise. The team also receives 13.75% of gross revenue from food and beverages sold in the building's 67 luxury suites.

But Payne said the Bradley Center cannot keep writing checks to the Bucks.

"The reality is we are not going to borrow money to give to the Bucks," Payne said.

On the court, Kohl has spent money in recent seasons. In 1994-1995, the Bucks' payroll was \$16.2 million. This season, according to the *Dallas*

Morning News, which obtained team payroll figures, the Bucks' payroll is \$62.28 million, the 12th highest in the 30-team league.

By comparison, the San Antonio Spurs, the defending NBA champions, have a payroll of \$62.7 million. The New York Knicks have the highest payroll at \$125.5 million.

Kohl factor

Walker said the other main reason residents will not support public financing for a new basketball arena is because the team is owned by wealthy Kohl, who has stated repeatedly that he will not move the team.

Kohl, who purchased the team in 1988 for \$18 million, has talked about selling the team,

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but backed off a couple years ago from a deal with former NBA star Michael Jordan.

The Milwaukee Brewers were barely successful in getting public financing for Miller Park even with a threat that the team would be moved without a new stadium, Walker said.

"The fact that goes unsaid is most people know Herb Kohl is not going to move the team," he said. "Residents in this area are pretty frugal and they have a hard time supporting paying for a new stadium for a wealthy owner and rich players, especially with no threat to move the team."

Renovation possible

One option being discussed in some circles in recent months is a renovation of the Bradley Center, something that would be less costly and easier to accomplish.

About \$6 million in renovations are currently underway at the Bradley Center, including new concession stands, new retail areas and an expansion of a club seat area in the location of several former luxury suites.

In 2004, Bradley Center officials proposed a \$75 million renovation plan that included adding a retail store and club seats. Tapping into tax revenue that the adjoining Wisconsin Center District collects was considered as part of the funding plan. The plan was tabled during merger discussions with the Wisconsin Center District and never pursued.

Several teams have renovated existing arenas in recent years. For example, a \$70 million renovation of the U.S. Airways Center in Phoenix is receiving rave reviews. The Suns were able to add additional club seats, restaurants, team store, and other amenities that have increased the revenue generated in the 14-year-old U.S. Airways Center. The \$70 million project included a \$50 million contribution by the Suns.

"I don't think we can afford not to look at a renovation," Walker said.

Rocky Marcoux, commissioner of the Milwaukee Department of City Development,

said city officials would not support any public financing for a new basketball arena.

"A renovation may be able to bring more people downtown from the region and generate more income from the existing building," he said.

Several political observers said a restaurant, coffee shop, retail store and other new attractions could be added to the building on the public plaza at North Sixth and West State streets or on land the Bradley Center owns to the north. Naming rights to these could also be sold, as has been done in other cities. This would result in additional revenue for the Bucks and a reason for fans to come to the arena even when there is not a game going on.

But Payne said completing a renovation would be difficult without major disruptions to the building's three main tenants. He said the concrete bowl that's the foundation for seats would need to be demolished and rebuilt to support any additions to the arena, which would be very time-consuming.

"From a logistical standpoint, it would be very difficult to do," he said. "It would put the Bucks at risk for a season and right now, we are not willing to do that."

Payne agrees that public financing would be difficult to win. Instead, he would prefer that the private sector seek development of a new building as part of mixed-use commercial development around the Bradley Center site. Public financing would be necessary to pay for the infrastructure through a tax incremental financing district or other city or county funds.

Development sites could include the parking lot the Bradley Center owns at North Sixth Street and West Highland Avenue, the Milwaukee Area Technical College parking structure and the Bradley Center's public plaza at North Sixth and West State streets, and land to the north of the arena that the Bradley Center controls, Payne said. The board has retained The Polachek Co., Milwaukee, and Milwaukee Economic Development Corp. to determine the best use of the property.

At one point in 2005, Payne had discussions with the Forest County Potawatomi about the possibility of developing a casino near the Bradley Center.

Payne held "preliminary discussions" with the Potawatomi, which already operate a casino in the Menomonee Valley, about locating a downtown casino on a parking lot adjacent to the Bradley Center. He said the tribe could lease the 3-acre lot on the northeast corner of North Sixth Street and West Highland Boulevard or consider combining the parking lot with other parcels that are also owned by the Bradley Center to assemble a site.

However, an opening of a downtown casino would need the approval of the city of Milwaukee, the state and the U.S. Bureau of Indian Affairs. Most political observers call it a long shot at best, with the Potawatomi likely to instead expand their current casino in the Menomonee Valley.

Wider development

Julia Taylor, president of the Greater Milwaukee Committee, said any redevelopment of the Bradley Center needs to include the adjoining land and the nearby Park East corridor.

Taylor said financing for remodeling and reconfiguring an existing arena "is a difficult equation to make work." Discussion on the Bradley Center's future should not focus only the controversial approach of public funding, she said.

"We need to think strategically as a community about how we leverage a great downtown anchor facility with our economic devel-

opment potential in the Park East and the growth of our downtown corridor," Taylor said.

Franklyn Gimbel, a Milwaukee attorney and chairman of the Wisconsin Center Board, which runs the adjacent Midwest Airlines Center, said time and circumstances might change public sentiment for a new basketball arena.

"I think that after the 2006 gubernatorial election, there may be a different view of whether or not having an NBA franchise is of such significance that it's worth a public investment in the property," he said.

"If you view our properties as being economic drivers for having quality-of-life attractiveness to people to come to Milwaukee and live in Milwaukee and develop your employment-generating businesses, there are many, many economic benefits that spill out to the public," Gimbel said. "That makes it reasonable to consider some level of public support for that in the form of user taxes that we're now collecting. But we will have to collect them at a higher rate."

For his sake, Payne said he is just trying to get the conversation on a new basketball arena started so a decision can be made in a timely matter. He admits he does not have a lot of company in his efforts right now.

"I'm an eternal optimist and know that most major changes do not come easy," he said. "As a community we have to have the discussions on what we want to do."