

They built the  
Downtown Transit Center,  
and nobody came

# The federal grant to nowhere

*By Dan Benson*

There's a little-known refuge from the hustle and bustle of Milwaukee's downtown, where a weary soul can escape the cacophony of traffic and pounding jackhammers.

The atmosphere inside the Downtown Transit Center, 909 E. Michigan St., is cathedral-like, with its soaring ceilings and light shafting through the high windows across the floor of the 140-seat waiting room. Other than the occasional bus driver or construction worker passing through to use the restrooms or vending machines, or a sleeping homeless person being roused by the on-site manager, a soul can read quietly or sit in general contemplation undisturbed.



Tom Lynn photo

It wasn't supposed to be that way — and won't be for much longer.

The Downtown Transit Center, which was financed mostly with a \$10 million federal grant and opened in October 1992 with a fair amount of hoopla, will be torn down in the coming months to make way for the Couture, a high-rise, lakefront luxury apartment complex.

The center was hailed at its birth as the centerpiece for a





Taxpayers have poured more than \$19 million into the little-used Downtown Transit Center, which is slated for demolition starting in August.

new era of Milwaukee mass transit that would draw “several hundred” riders each day and link downtown and inner city residents with employers on Milwaukee County’s fringe and, if light rail were developed, with commuters in adjacent counties.

Instead, the center has stood for nearly a quarter-century as a colossal white elephant on the lakefront, smack dab in the middle of perhaps the most expensive real estate in

Wisconsin — inhibiting development, generating no tax revenue and costing taxpayers up to an additional \$3 million to operate and maintain over its lifetime. It never fulfilled the purpose for which it was ostensibly built, all because local leaders were chasing “free” federal money to develop an even larger project that never happened.

### Transportation pipe dreams

It’s not the first time plans for the site have gone awry at taxpayer expense. Time and again over the decades, local officials have used federal money for transportation pipe dreams that never came to pass.

The site was once a rail yard next to the old Chicago & North Western train depot, according to John Gurda in a 2012 *Milwaukee Journal Sentinel* column. In the 1970s, it was a parking lot when it was bought with federal funds for a proposed interchange linking the Park East Freeway with the Hoan Bridge and the downtown segment of I-794.

The site wasn’t used for that purpose, however, and stood idle until officials hatched the plan in the late 1980s for the \$27.5 million Northwest Corridor project — to connect downtown-area workers and northwest side employers via express buses. The southern terminus of the project was to be the transit center, to be built for more than \$16 million, \$10 million of that being federal money.

The county share for the center was the \$6.5 million value of the 2.2-acre site. That was enough to leverage more federal money to develop the Northwest Corridor, for which the county anted up another \$1.42 million in cash and the state \$575,000, mostly to buy buses.

On the transit center’s opening day in October 1992, passengers were bused for free to the center, where they enjoyed cake and entertainment, won door prizes and heard speeches from U.S. Sen. Bob Kasten, County Executive Tom Ament and other officials.

“The new transit center not only is a great facility for our bus passengers; it provides a focal point for our downtown routes and makes it easier for everyone to use mass transit in Milwaukee County,” Ament said.

“Several hundred riders a day soon are expected to pass through the center,” Joe Caruso, Milwaukee County Transit

**“Everyone who was involved with it knew it would never work as a downtown transit center. It was a transit center in name only.”**

— Kenneth Yunker,  
executive director of the  
Southeastern Wisconsin  
Regional Planning Commission



# Transit Center



Tom Lynn photo

The Downtown Transit Center's primary traffic comes from county buses, which use the site as a place to turn around.

System marketing director, told *The Milwaukee Journal*.

Besides the waiting area, the center featured indoor parking for up to 30 buses, a 5,200-square-foot second floor that included the Harbor Lights Room and other meeting rooms and a kitchen that could be rented, a rooftop park with spectacular lake views and a six-story clock tower, the hands of which some years ago appeared to become stuck perpetually on one face at about 6:30.

## Overdesigned and underused

The center got off to a rocky start almost from the beginning, however, with bus ridership declining even before construction was completed due to funding cuts, a fare increase and some Milwaukee companies moving from downtown.

By May 1993, just seven months after the center's opening, *The Journal* wondered in an editorial where all the riders were:

"The cornerstone of a new Northwest Corridor project to link inner city job-seekers with outlying employers, the center was envisioned as a crucial way station to get people

in and out of downtown. Several hundred riders a day were expected to pass through it," the newspaper opined.

"(E)xperience so far has been far less rosy. Apparently only a handful of riders come through the station daily and few make use of the 140-seat waiting area.

"(T)he absence of regular commuters reinforces misgivings expressed at the time the center was conceived that it may have been overdesigned or ill-placed for the needs it was supposed to serve."

Kenneth Yunker, executive director of the Southeastern Wisconsin Regional Planning Commission, said building the center was mostly the feds' idea.

What the county needed, said Yunker, who was assistant director of SEWRPC at the time, was a bus-marshalling garage, where buses could be parked so they'd be ready to take commuters home. Federal Transit Administration officials said they could fund the center but insisted that it include a waiting room for commuters.

"Everyone who was involved with it knew it would never

work as a downtown transit center,” Yunker said in a recent interview. “It was a transit center in name only. It was a bus-marshalling center the FTA was willing to fund but only if it included a waiting room.”

Almost from the beginning, supporters defended the construction with talk of what the center one day could become. With “build it and they will come” faith, officials held out hope that yet another transportation dream — a \$781 million light rail system — would save the day and justify the transit center.

“Light rail could one day figure into the formula. It’s better to have the facility that you can work creatively with than to have nothing at all,” Caruso told a *Journal* reporter.

But light rail never happened, either, and by 2002 even the Northwest Corridor project died with the retirement of the MetroLink Northwest Express line. Life for the transit center settled in as little more than an extravagant break room for bus drivers, costing the county about \$300,000 a year to maintain and operate, county Transportation Director Brian Dranzik said in a recent interview.

Some of that cost, up to \$200,000 a year, was offset by rentals of the Harbor Lights Room, which was shuttered last year, he said. But there were other expenditures over time to replace worn-out systems and equipment, he said. All told, the county probably spent close to \$3 million in maintenance on the building over the past 23 years.

So far, then, taxpayers have poured more than \$19 million into the transit center.

“The operations are significantly scaled back compared to what it was designed for,” Dranzik said. “It’s really under-utilized because it’s a few blocks off Wisconsin (Avenue), and you have more ridership generated from the US Bank

building and going west. So riders would have to backtrack” if they went all the way to the transit center.

According to a development agreement for the Couture project presented in 2014, “Although called the Downtown Transit Center, currently there are no connections to transit. The DTC site is used only as a terminal point for buses,” basically a \$19 million spot for them to turn around.

## Make way for the Couture

Any hope of recouping tax dollars is gone now that the county is selling the site to developer Rick Barrett and his Barrett Visionary Development for \$500,000.

On April 4, the FTA approved the transit center sale, which means the county will not have to repay the federal government millions of dollars — the difference between the property’s current appraised value of \$8.9 million and the discounted selling price of \$500,000. In 2012, the FTA said the county could apply proceeds from the sale to “another (transportation) capital project.”

In other words, once again, local officials are using the transit center land’s value to secure more federal funding for another transportation project — this time one that some argue is even more foolhardy: the downtown streetcar.

The inclusion of a streetcar station and bus concourse in the Couture development and the county stake in the property make it possible to secure about \$69 million in federal grants to help pay for the \$128 million, 2.5-mile streetcar project.

After the federal grants are applied to the streetcar’s construction costs, the remaining \$59 million will be borrowed and repaid from property tax revenue of three tax incremental financing districts.

## Downtown Transit Center BY THE NUMBERS

**\$16 million**  
Cost to build it

**\$10 million**  
Federal grant to build it

**\$6.5 million**  
Milwaukee County’s cost, which was the value of the 2.2-acre site

**\$8.9 million**  
The property’s current appraised value

**\$500,000**  
Selling price to developer Rick Barrett

**\$3 million**  
The county’s cost to maintain and operate the center over 23 years

**\$19 million**  
The center’s total cost to taxpayers

the milwaukee  
**STREETCAR**

FOLLOW OUR MOMENTUM!



themilwaukeestreetcar.com



To cover operating costs, estimated to be \$2.4 million a year, already-acquired federal Congestion Mitigation and Air Quality Improvement, or CMAQ, grants are expected to cover 80% of those costs for the first 18 months, “with the possibility of an extension for another 18 months,” according to the city’s streetcar website. The other 20% of operating costs will be covered for those three years by streetcar fares, advertising and sponsorships, the site says.

After the first three years, operations will be covered by fares, advertising, sponsorships, corporate agreements and as-yet-unnamed “federal funding opportunities,” according to the website.

Down the road, meanwhile, it could cost another \$29 million to build the Lakefront Line, or second phase, of the streetcar route to bring it the half-mile from Broadway to the Couture station.

Proponents say the Couture will be Wisconsin’s first

**“Although called the Downtown Transit Center, currently there are no connections to transit. The DTC site is used only as a terminal point for buses.”**

— Development agreement for the Couture project

connection between county buses, the city streetcar and pedestrian access to the lakefront — sounding much like promises made when the transit center was built.

Milwaukee Mayor Tom Barrett says the streetcar project will spur economic development downtown along the route. Others disagree vehemently. But all agree it would not be built if “free” federal money was not driving the policy and construction decisions.

## Putting property on tax rolls

The \$122 million, 44-story Couture project will include 302 high-end apartments above restaurant and retail space, a parking structure, the streetcar station and bus concourse, and a public plaza.

For the first time in more than 50 years, the development will put the property on the tax rolls, where it is expected to generate about \$2.25 million annually in property tax revenue once completed, according to the development agreement presented in 2014. It’s also expected to generate

## Federal money fuels nation’s streetcar trend

*Dozens of American cities, including Milwaukee, either have built or are looking to build streetcar systems, hoping to replicate the economic development that Portland, Ore., and other cities have seen grow around their streetcar routes.*

*But as one detractor wrote, streetcars are “like moustache wax and pretentious coffee,” little more than a popular, and extremely expensive, mode of transportation for the hipster crowd. To proponents, streetcars — given their short routes, slow speeds and high price tags — aren’t so much an answer to urban mass transit issues as a means to jump-start economic development.*

*“Streetcars can, with their retro look and measured pace, promote businesses as much as they get people from Point A to Point B,” acting Federal Transit Administration chief Therese McMillan blogged last year. “They offer potential to spur new development, often in areas that had been economically flat-lining, adding to the character of downtown neighborhoods.”*

*Whichever side of the tracks one stands on*

*the issue, however, everyone agrees that few, if any, streetcar systems would be built if not for the federal government’s bankrolling of many of the projects over the past decade. Since 2009, a dozen streetcar systems have come online, including four last year, helped by \$1.2 billion in grants from President Barack Obama’s stimulus package.*

*The American Public Transportation Association, an industry advocacy group, lists 29 streetcar systems in the United States and Canada. Among 89 cities with systems in the planning stages is Milwaukee, which looks to build a \$128 million, 2.5-mile system with the help of \$69 million in federal grants.*

*Most recently, New York City Mayor Bill de Blasio in February proposed building a 16-mile streetcar through Brooklyn and Queens at an estimated cost of \$2.5 billion.*

*Ironically, Portland’s system, considered the first of the modern streetcars and a model for other cities, began with no federal money in 2001 at a cost of \$103.1 million.*

*No federal funds were used until 2009, when \$79 million was awarded to help pay*

*for an extension.*

*Today, the Portland line consists of 7.35 miles of track, built at a total cost of \$251.5 million. It costs about \$5.7 million a year to operate, with only about \$1.2 million covered by fares, advertising and other sources of revenue.*

*Enthusiasm for streetcars in some cities has cooled in recent months, however, due to design issues, cost overruns, the need for local financing and the realization that economic development along routes often requires stiff incentives from the cities.*

*These include Anaheim, Calif.; Arlington, Va.; Providence, R.I.; San Antonio; and Washington, D.C.*

*Operating costs also worry some cities. In Milwaukee, for instance, operating funds are in place only for the system’s first 18 months. Cincinnati has budgeted about \$3.5 million per year for operation, but deficits are looming and leaders may have to tap the general fund for an additional \$1.5 million to \$2.5 million a year.*

— Dan Benson

thousands of temporary construction jobs and hundreds of permanent jobs, improve access to the lakefront and boost the downtown economy.

In the meantime, the transit center sits quietly awaiting its demolition, expected to begin in August. Outside on Michigan Street, construction crews are working. Buses periodically pull into the center's underground garage. Its waiting room sits empty. The stairway and escalators to the second floor are cordoned off.

Remaining upstairs are the Milwaukee County Historical Society's interesting wall displays featuring photos, maps and other artifacts of Milwaukee's transportation history.

Those items are expected to be returned to the historical society and some of the owners who lent them to the exhibit, said Mame Croze McCully, the society's executive director.

When the center is razed, those artifacts will be all that remains of what some called "the mistake by the lake."

In August 1993, former Milwaukee County Executive David Schulz, who oversaw the transit center's development until his term ended in late 1992, defended the project and pointed with pride to it in a column he penned for the

*Milwaukee Sentinel*.

The center, he wrote, "represents a creative use of federal resources ... using the value of land which the federal government had paid for and then given to the county to match additional federal transit funds. ... The result: a valuable transportation facility and terrace park, replacing acres of asphalt surface parking at little cost to county property taxpayers."

In February 2015, however, his sister, Peggy Schulz, wrote in the *Journal Sentinel* that David "admitted at the time that the center was built because the money was there to do so." (David Schulz died in 2007.)

In her column, in which she advocated against Milwaukee's streetcar project, she apologized to David for telling on him, suggesting that the true motive for building the transit center was a secret and it would not have been built where it was — or at all, possibly — if not for the lure of "free" federal money.

"Sound familiar?" she asked. **WI**

*Dan Benson is WPRI's 21st Century Federalism Project editor.*

*Here's a look at other streetcar systems:*

## Atlanta

**Length:** 2.7 miles

**Cost:** More than \$90 million, with \$47 million coming from federal grants

**Opened:** December 2014, almost a year behind schedule

**What's next:** The city council recently approved pursuing a 50-mile system that would cost about \$5 billion, which officials say would be paid for by federal grants, private investment and a 1-cent sales tax.

## Charlotte, N.C.

**Length:** 1.5 miles

**Cost:** \$37 million, paid for by a \$25 million federal grant and \$12 million from local taxpayers

**Opened:** July 2015

**What's next:** A 2-mile extension is planned, at a cost of about \$50 million, with half coming from the feds. City officials say



no property taxes will be used.

## Cincinnati

**Length:** 3.5 miles

**Cost:** \$102 million, with \$10 million from state grants and the rest from tax incremental financing, bond issues and private investment

**Opening:** Set for September 2016

**What's next:** Future extensions will be funded mostly by

federal grants and \$15 million in proposed local funding.

## Dallas

**Length:** 1.6 miles

**Cost:** \$78 million, with \$26 million from federal grants, \$30 million from the state and \$22 million in local funds

**Opened:** April 2015

**What's next:** Last year, the city approved an extension, funded by a \$27.5 million federal grant.

## Kansas City, Mo.

**Length:** 2.2 miles

**Cost:** Projected at \$102 million, with \$37.1 million coming from federal grants and the rest from special assessments on downtown property owners and a 1-cent sales tax increase within the streetcar district

**Opening:** Set for May 2016

## Seattle

**Length:** 3.8 miles

**Cost:** \$56.4 million, including \$14.9 million in federal grants, for phase 1; \$132 million, paid for through a regional transit authority, for phase 2

**Opened:** Phase 1 in 2007; phase 2 in January 2016

**What's next:** Construction on phase 3, costing \$135 million, could begin this fall with the help of a \$75 million federal grant. A fourth phase is planned.