

Bradley Center's future raises big issues for Milwaukee

By: Don Walker – April 6, 2013

Milwaukee is talking about a new arena to replace the aging BMO Harris Bradley Center, which turns 25 this fall.

Beyond that, there are plenty of questions, but little substance.

Should there even be a new arena? How much will it cost? How will it be financed? Where should it go? And don't other cultural and arts institutions in town - the Milwaukee County Zoo, the Milwaukee Public Museum and the Milwaukee Art Museum, to name just three - deserve a hearing at the negotiating table just as much as a new arena does?

"I look out my window at the museum and I see a downtown that needs a lot of infrastructure work," says Jay Williams, the president and CEO of the Milwaukee Public Museum and former chairman of the Miller Park stadium district board. "You can go through a lot of things we should be going through as a community to be a viable city. And a viable city attracts professionals and companies that pay taxes. Whether it's an addition to the convention center, or \$30 million of deferred maintenance for the museum, a new Bradley Center, a new symphony hall, I think we as a community need to figure out ways to fund that stuff. There's a lot that needs to be done."

On Monday, the Marquette University Law School, in conjunction with the Journal Sentinel, will host a conference on the need for a new arena. Called "A New Milwaukee Sports Arena? Divining the Benefits and Dividing the Costs," the gathering of business leaders, elected officials, sports economists and journalists from cities that have built new arenas will explore the issues that inevitably surround such a controversial topic. The conference will be held at Marquette.

The consensus seems to be that the BMO Harris Bradley Center has outlived its usefulness. It is one of the oldest and smallest arenas in the National Basketball Association and its ability to generate new sources of revenue is severely hampered.

Plan needed for Bucks

Timothy Sheehy, president of the Metropolitan Milwaukee Association of Commerce, said Friday that the lease extension the Bucks signed through 2017 could be the last lease

the NBA will approve for the arena. At some point before 2017, Sheehy said, the community needs to have a plan in place to replace or remodel the Bradley Center.

"If we haven't done anything by 2017, I can hear the toast popping - we're done," Sheehy said.

One of the thorniest issues is how to pay for a new building that is expected to cost in the hundreds of millions of dollars. Former Sen. Herb Kohl, who has owned the Bucks since 1985, says he will commit a significant amount of money from his personal fortune to help pay for the new arena to ensure the franchise stays in town for years to come.

That's the easy part. But where will the rest of the money come from, especially in a "no new tax" era? Moreover, there is no shortage of needs that go well beyond bricks-and-mortar projects, including rebuilding a damaged economy, education and public safety.

On Friday, Milwaukee Ald. Michael Murphy released a report by the city's Legislative Reference Bureau on the economic impact of civic projects in Oklahoma City and sports venues in other American cities. Citing research by two sports economists as well as the Cato Institute, the report said publicly financed sports arenas do not provide a positive economic impact to communities, but can provide a "public good."

Miller Park, hotel taxes

One suggestion locally has been extension of a tax that has been around since 1996: the 0.1% Miller Park sales tax that is collected in Ozaukee, Washington, Waukesha, Milwaukee and Racine counties.

To date, the tax has generated \$392.5 million. According to Mike Duckett, the Miller Park district's executive director, about \$213 million is what remains of the original debt service obligation of \$523 million.

The district's consultants say the sales tax could possibly end as soon as 2016 or as late as 2020. It all depends on the district's own investments and, most important, the region's economy.

Could the tax simply be continued and directed to a new arena or other cultural and arts institutions?

That would be very difficult but not impossible. Williams says citizens should think of Miller Park as a big house with a mortgage. Just because the debt or mortgage is paid off doesn't mean there won't be new needs in the future.

Duckett agrees. "The sales tax can be retired when the current value of the district's funds equals the 'present value' of all the anticipated future revenues and expenditures of the district," he said.

And there are plenty of future needs: In addition to the debt service, there are the district's annual maintenance and repair contributions; the district's portion of the reserve fund to pay for ongoing needs; property insurance premiums; and the district's own expenses.

Even if there is public support for diverting the Miller Park sales tax to other needs, it would require a change in state law, an iffy premise in an anti-tax atmosphere.

Another possibility is the taxes controlled by the Wisconsin Center District, which owns and operates the U.S. Cellular Arena, the Delta Center and the Milwaukee Theatre. It collects special sales taxes on hotel rooms, on prepared food and drinks sold in restaurants and taverns, and car rentals to repay a \$185 million bond issue that funded an expansion of the convention center.

Last year, those combined taxes netted \$26.5 million. District officials say the repayment of bonds will last until 2032.

Franklyn Gimbel, chairman of the Wisconsin Center District, says the amount of money raised from those taxes each year is not enough "to augment anyone's lifelines." Any extra money left over for the district's bond payments has been dedicated to Visit Milwaukee, the region's tourism and convention group, and to pay for some deferred maintenance, he said.

Like other business leaders in Milwaukee, Gimbel has been impressed with the way Oklahoma City has remade itself. Voters there in 1993 backed a five-year, 1-cent sales tax that was used to build a sports arena and other civic projects. The sales tax has since been devoted to school projects.

Gimbel said such a plan could work in Milwaukee.

"We ought to imitate the Oklahoma City plan, form an alliance of public assets and make a direct pitch to the public for a new general sales tax," Gimbel said. And at a minimum, he said, the tax should be collected in Milwaukee and Waukesha counties, he said.

Relatively few sports arenas are funded by a general sales tax, says Dennis Howard, a professor emeritus of marketing at the University of Oregon who studies sports financing.

"When team owners and local politicians realized 'soft' taxes (hotel-motel, car rental, ticket surcharge) were much more politically palatable, general sales taxes become much less attractive," Howard said.

General sales taxes also are considered regressive, and affect lower- to middle-income people more than wealthier taxpayers, Howard said. That's why some sales tax funding plans exempt food and pharmaceuticals.

Public-private partnership

Mark Rosentraub, a professor of sports management at the University of Michigan who has studied different financing models, says sales tax increases have the advantage of raising a great deal of revenue in a short amount of time. But he warns that raising a sales tax to finance and build an arena of public amenity "has to be balanced by the anticipated fulfillment of local government goals and objectives."

"Any financing instruments have to be tied to outcomes that benefit the public sector and its goals. In the case of a city like Milwaukee that is trying to redevelop its downtown

area, (if) the facility and related real estate development advance the city's development goals, then an investment is worthwhile," he said.

At the same time, there also has to be an appropriate level of private investment, Rosentraub said. That's something Gov. Scott Walker has consistently said has to be part of the equation.

"That is the sort of partnership that is needed," Rosentraub said.

The Public Museum's Williams takes it a step further. Even if a way is found to extend the Miller Park sales tax to other uses, or existing sales taxes controlled by the Wisconsin Center District are increased or expanded, some form of tax relief has to be built in, Williams said.

"If you increase the sales tax, you can't do that without eliminating some of the property tax burden on taxpayers," Williams said. "Half to property tax relief, half to new infrastructure. You can't just keep adding more taxes."

Sales taxes also are a finite resource, Williams argues. "The challenge is, 'how do you prioritize that finite resource?'" Williams said.

It is those kind of challenging questions that are expected to be explored at Monday's conference.

Study on impact of arenas

Publicly financed sports arenas do not provide a positive economic impact to communities, according to a report released Friday by the city's Legislative Reference Bureau.

The report was done at the request of Murphy, who said the community deserved an "open and honest assessment of the fiscal implications" of a publicly financed arena.

"Before we go too far down the road of how to pay for such an arena, it warrants analyzing other, similar cases to determine the realistic economic impact the City of Milwaukee could expect as a return on its significant investment," Murphy said in a statement.

The reference bureau report cites studies showing publicly financed sports venues have not paid off economically for the city, county or state governments financing them. The report cites the work of Andrew Zimbalist, a sports economist at Smith College, who has questioned the economic impact of new sports arenas.

"One should not anticipate that a team or a facility by itself will either increase employment or raise per capita income in a metropolitan area," Zimbalist said in 2009.

Milwaukee venues

A sampling of the annual attendance of some of Milwaukee's sports, arts and cultural institutions:

Milwaukee Public Museum: Approximately 700,000

Milwaukee County Zoo: 1,332,395

Milwaukee Brewers: 2,831,385

Milwaukee Bucks (2011 attendance): 631,910

Discovery World: Approximately 350,000

Milwaukee Art Museum: 395,404

Wisconsin State Fair: 920,962

Summerfest: 805,437