

## BUSINESS

# Chicago developer buys downtown Milwaukee post office building

Prime site along river could be developed for mixed uses



The downtown Milwaukee post office has been sold for \$13 million, potentially setting the stage for a huge redevelopment project that would include retail stores, a high-end grocery, offices and restaurants along the building's riverfront.

The 1.1 million-square-foot building at 341 W. St. Paul Ave. — one of the city's largest buildings — was sold Friday to R2 Companies and Polsky Holdings, both of Chicago. “We’re really excited about the potential for this site,” Matt Garrison, managing principal at R2, said in an interview Monday.

Since 1968, the building has been home to the U.S. Postal Service, which has a lease that runs five more years but had been considering venues in metropolitan Milwaukee for a more efficient site. The downtown site, which includes a four-story building on 9.3 acres of riverfront, long has been considered by city officials as a top site for redevelopment, in part because of its connections to transportation. “It has tremendous potential because it’s on the streetcar line, it is on the Hiawatha (Amtrak) line to Chicago, it’s on the Menomonee River and it is on St. Paul,” said Rocky Marcoux, commissioner of the Milwaukee Department of Development. The postal site drew multiple offers and the sale price topped the asking price of \$12.8 million, according to The Barry Co., which was the principal broker in the transaction.

“It’s another extraordinary validation of the value of investing in the city of Milwaukee,” Marcoux said. Garrison said in a statement that his firm wants to “build on the traction and civic pride from projects like the Riverwalk, the new (Milwaukee) Bucks Arena, Calatrava’s Milwaukee Art Museum, as well as the new Class A Northwestern Mutual and Johnson Control buildings downtown.”

Garrison added, “We think Milwaukee is steadily becoming one of the region’s most livable and energetic urban areas. It’s the Portland of the Midwest.” Garrison said R2 is bringing in the San Francisco-based architectural firm Gensler, which worked on Facebook’s headquarters and many other prominent projects, for the Milwaukee project.

Garrison said there are no plans to raze the mammoth structure. He called it a “classic adaptive reuse” opportunity.

“We want to save the building. I know a lot of people have looked at it as maybe a teardown,” Garrison said. “A lot of these kind of civic concrete buildings, people think are a little harsh. But they also can be really beautiful if they’re redeveloped properly and opened up with glass and light and green elements and retail elements.”

Garrison said he envisions the first two floors being retail space, possibly including a high-end grocery store to accommodate the wave of people moving downtown, and even a “big box” retailer that — even though it already is a big box — easily would fit into the enormous amount of space. He said the third floor would be for parking, and the top floor would be for office space, perhaps for a relocated corporate headquarters. The 1,500 feet of river frontage offers the potential for restaurants and entertainment. The postal site also includes another 900,000 square feet of land that could be developed, perhaps vertically, Garrison noted.

“You’ve got so much traction with the Third Ward and the Harley Museum, the Iron Horse (hotel) and all the cool stuff that’s happened over there,” Garrison said. “With it being a transportation hub and a potential streetcar going in, I think this is really an opportunity to tie it all together.”

Marcoux echoed that sentiment.

“It’s an incredibly well-situated site,” Marcoux said. “It has the potential to give off a significant amount of new tax base, and it already has most of the complement of things you would need for success in terms of location and transportation assets.” With the Postal Service holding a lease that runs almost five more years and renewal options that would give it control of the space for years after that, commencement on major redevelopment hinges on the Postal Service moving its central sorting facility and retail post office.

“The Postal Service — at least from information that they’ve been very public about — has indicated that this particular layout doesn’t really meet their needs, and they have been looking,” Marcoux said. The Postal Service at one time had identified a site in Oak Creek that could replace the downtown facility, but budget concerns at the agency nationally put it on hold, Marcoux said. “The post office is using the whole building right now,” Garrison said. “They put a lot of money into the building to keep it up to date so they can use it, and they definitely are using the vast majority of it.” He added, “We’re going to open up a dialogue with them and figure out how we can accommodate them and keep them happy and hopefully get something going here and do what’s right for the city.”

A spokesman for the U.S. Postal Service was not immediately available for comment Monday. The postal building is thought to be the second-largest building in Milwaukee, trailing only the U.S. Bank Center, by square footage.

“This is one of the largest investment-development transactions in southeast Wisconsin in 2015 and indicates the continued interest in the downtown Milwaukee market,” Jim Young of The Barry Co. said in a statement.

R2 Companies describes itself as a privately held, “fully integrated real estate investment firm” that invests its own capital alongside a select group of institutional partners. R2 said it owns and operates more than 2.5 million square feet of commercial real estate in Chicago, Minneapolis and Milwaukee.