

Kenosha developer secures option to buy Johnson Controls block in downtown Milwaukee

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The Brengel Technology Center at 507 E. Michigan St. in downtown Milwaukee is on the block that could be sold to Bear Real Estate. - NICK WILLIAMS

By Sean Ryan
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Bear Real Estate Group has a contract to buy the downtown Milwaukee block that Johnson Controls could leave in 2023, opening the opportunity for a redevelopment with possible apartments, hotels, retail or offices, the Milwaukee Business Journal has learned.

Whatever the end plan, it will be a large-scale repurposing of a block of East Michigan Street that has seven buildings with about 440,000 square feet of space. They currently house nearly 1,300 employees that Johnson Controls plans to move to Glendale within two years of selling the block to Kenosha developer Bear Real Estate.

That sale could occur in early fall, said Bear Real Estate CEO S.R. Mills.

“We’re optimistic,” Mills said. “We think Milwaukee is a great spot to invest and we think it is going to be a great spot to invest for decades to come, and our best days continue to be in front of us.”

Johnson Controls confirmed the pending sale, but did not identify Bear as the buyer, in a written statement Wednesday. Johnson Controls also confirmed the agreement includes a two-year period after the sale to lease the property for its operations. The earliest employees would begin moving is mid-2022 or early 2023 “as we prepare to host additional employees at our showcase headquarters facility in Glendale.”

Bear Real Estate will be watching the downtown Milwaukee market over the next two years while deciding what exactly to do with the Johnson Controls block. Mills said it could mean finding a new company that would lease the entire block for its office operations. The other end of the spectrum is a building-by-building reuse plan that includes preserving some of the historic Johnson Controls buildings, potentially demolishing others, and converting interior space from offices to other uses.

“It’s going to be a combination of different parts in the event we don’t have the next Milwaukee Tool come to take it over,” Mills said, referring to the tool manufacturer’s recent purchase of another downtown office building for its operations.



Future uses could include multi-tenant offices leased to several businesses. Buildings could be converted into hotel rooms, with retail or restaurants. There could be new mixed-income apartments, ranging from affordable housing for low-income renters up to higher-end, market-rate units.

“We think some of the strongest communities are mixed income where we serve a variety and have that stratification,” Mills said. “Because of the amount of space we have here, we think we can achieve that goal on this site as well as achieving other goals, including office or hospitality, just because of the sheer size of the buildings.”

The range of possibility means a redevelopment could represent tens of millions of dollars in reinvestment, or hundreds of millions, Mills said.

“There’s a host of opportunities there,” he said. “It’s a beautiful complex comprised of seven different buildings that have been linked together over a 120-year period. There’s a lot of historical significance to the various buildings.”

Milwaukee engineering firm Graef is working with Bear Real Estate in the early planning, Mills said.

A redevelopment could use public historic restoration tax credits, a tool Bear Real Estate has used on several other projects in Milwaukee and elsewhere. The company used historic credits to convert the 1892 Button Block building on East Clybourn Street into a Hilton Homewood Suites, and would use them to build about 300 apartments in the former Filer & Stowell complex of industrial buildings at 147 E. Becher St.

The Becher Street redevelopment also could use public affordable housing tax credits, a financing tool that could help pay for housing on the Johnson Controls block.

Johnson Controls in January announced its plans to move out of its downtown Milwaukee property, and it hired real estate brokerage CBRE to market it to buyers.

Mills declined to disclose the purchase price in its option.

The block purchase potentially comes with parking. Johnson Controls currently leases the 520-stall parking ramp at 535 N. Milwaukee St. from the city of Milwaukee. That lease, with city approval, could be transferred to Bear Real Estate.

Mills said the parking could be an important asset for the redevelopment.

“That’s something we think is very important to the overall project and to the campus,” Mills said. “Whichever way we go, we know it’s going to have a significant parking need, whether it’s redevelop or attract significant corporate users.”