
Economic Impact of PabstCity

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PabstCity Economic Impacts

Juneau Avenue Partners has advanced a proposal for a \$317 million redevelopment of the historic Pabst Brewery complex. This urban renewal project would be mixed use with office, residential and destination retail/entertainment components. The construction costs of PabstCity are estimated at \$238 million and the project once completed is expected to create 1,100 new jobs. The purpose of this white paper is to estimate the potential economic impacts that the PabstCity project would have on the metro Milwaukee area. These impacts include the one-time construction impacts and the on-going impacts driven by spending activity at PabstCity.

Summary of One-Time Construction Impacts

Construction costs for PabstCity are estimated at \$238 million. For Wisconsin, payroll costs are approximately 23% of the value of construction, placing total worker earnings for construction of the project at \$54.7 million. The average annual pay for workers in the construction industry in metro Milwaukee was \$44,938 in 2003, thus 1,218 construction jobs would be supported directly by the initial development of PabstCity.

Using metro area multipliers supplied by the U.S. Bureau of Economic Analysis (BEA), construction of PabstCity – accounting for both direct and indirect impacts – would support 2,946 jobs and generate \$111.6 million in worker earnings (see Summary Table, page 2).

On-Going Impacts

Two aspects of on-going impacts are estimated. One, impacts related to on-site spending (spending at the development itself), and two, visitor spending in the metro area directly related to PabstCity.

On-site retail and food service spending in PabstCity is estimated to directly support 1,100 jobs. Of this total, 60% (or 660 jobs) were assumed to be in retail trade with 40% (440 jobs) in food service (eating and drinking places). Average annual pay figures for each industry (\$21,270 and \$10,860 respectively), lead to direct worker earnings totals of \$14,038,200 in retail and \$4,778,400 in food service.

Applying BEA multipliers to these corresponding estimates generate total impacts (direct and indirect) of 988 retail jobs with \$24,382,950 in earnings and 584 food service jobs with \$8,724,881 in earnings. **Thus on-site spending would support a total of 1,572 jobs (retail and food service combined) and generate \$33,107,831 in worker earnings annually (see Summary Table, page 2).**

As to the impact of visitor spending, PabstCity is estimated to generate 2 million visitations annually. Of these, 30%, or 600,000 visitations are expected to be from outside the metro Milwaukee area. Based on Wisconsin Department of Tourism research, 58% of these visits (348,000) are assumed to be overnight stay visits, while 42% (252,000) are day-trips in nature. Each overnight visitor spends \$87 per visit for lodging (MMAC estimate based on federal hotel per diem amounts and Wisconsin Department of Tourism research) and \$75 for retail and food service, while day-trippers spend \$45 per visit for retail and food service.

Summary Table: PabstCity Economic Impacts

	Direct impacts		Multipliers		Impact totals	
	Employment estimate	Earnings estimate	Employment	Earnings	Employment	Earnings
One-time impacts						
Construction	1,218	54,740,000	2.419	2.0395	2,946	111,642,230
On-going impacts						
Site spending impacts						
Retail trade	660	14,038,200	1.4976	1.7369	988	24,382,950
Food service	440	4,778,400	1.3265	1.8259	584	8,724,881
Total site spending impacts	1,100	18,816,600			1,572	33,107,831
Visitor spending impacts off-site						
Lodging	511	8,598,384	1.4621	1.8488	747	15,896,692
Retail trade	51	1,089,504	1.4976	1.7369	76	1,892,359
Food service	192	2,089,152	1.3265	1.8259	255	3,814,583
Total visitor spending impacts	754	11,777,040			1,078	21,603,634
Total on-going impacts	1,854	30,593,640			2,650	54,711,465

Source: MMAC estimates from U.S. Bureau of Economic Analysis multipliers.

Thus direct lodging related revenues by visitors would total \$30,276,000 per year, with resulting worker earnings of \$8,598,384 (28.4% of revenue in lodging), which would support 511 jobs (at average annual pay levels of \$16,838).

Estimating relevant retail and food service spending by visitors is a bit more complex. Overnight stay visitors would spend an estimated \$26,100,000 (348,000 visits * \$75) annually, and day-trip visitors \$11,340,000 (252,000 visits * \$45), for a total of \$37,440,000 in direct retail and food service spending. Again using an assumed 60% – 40% split in retail vs. food service spending would lead to direct visitor revenue of \$22,464,000 for retail and \$14,976,000 for food service spending.

But visitors to the metro area would not reasonably be expected to spend all such money in PabstCity alone. For purposes of these estimates it was assumed that 50% of this spending was at PabstCity, while 50% was off-site. On-site expenditures were already captured in the earlier on-site impacts. Thus an additional spending level of \$11,232,000 annually for retail and \$7,488,000 for food service is also estimated off-site.

Retail spending of \$11,232,000 would be expected to directly generate \$1,089,504 in worker earnings (9.7% of spending in retail) and 51 jobs (at \$21,270 per job), while food service

spending would lead to \$2,089,152 in earnings (27.9% of spending in food service) and 192 jobs (at \$10,860 per job).

Using the appropriate BEA multipliers, lodging expenditures would result in a total impact (direct and indirect) of 747 jobs and \$15,896,692 of worker earnings, retail spending would generate 76 jobs and \$1,892,359 in earnings and food service spending would result in 255 jobs and \$3,814,583 in worker earnings. **Thus in total, off-site spending by visitors to PabstCity would support an estimated 1,078 jobs and \$21,603,634 in annual earnings, both directly and indirectly (see Summary Table, page 2).**

Summary of On-Going Impacts

The on-going economic impacts of the PabstCity development would be sizable. Taken as a whole, the development (retail and food service only) would directly support 1,854 jobs and generate \$30.6 million annually in worker earnings. **As these dollars are spent and re-spent the total impact (direct and indirect) multiplies to 2,650 jobs supported with worker earnings totaling \$54.7 million per year (see Summary Table, page 2).**

One note of explanation – dividing the earnings total given above by the jobs total leads to a modest earnings per job figure (\$20,646). This is partly the result of the part-time nature of many of the jobs initially created by PabstCity (retail, food service and lodging). The earnings per job figure given previously reflect annual earnings for the average job, not annual earnings for the average full-time job. Adjusting for the part-time nature of these job sectors for a more full-time equivalent situation would suggest average annual earnings in the \$25,000 to \$30,000 range.

Also, the part-time nature of these jobs does have beneficial community attributes. The flexible nature of part-time jobs affords younger workers the opportunity to continue schooling (post-secondary) and in many cases offers entry-level jobs for young workers with clear promotional paths of advancement.

Tax Impacts

Figures from the U.S. Census Bureau indicate that state and local tax revenue, as a percentage of personal income, equals 11.7% in Wisconsin. **Applying this figure to the total estimated worker earnings figure (\$54.7 million), suggest that state and local tax revenue generated, both directly and indirectly, would total \$6.4 million per year.** Please note that this estimate includes state and local taxes generated as a consequence of labor related activity (jobs and earnings) generated by the project. It would not include local property taxes generated by the developed physical property at PabstCity itself which would have to be considered separately.

For more information

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Notes

Considerations

Two aspects of the PabstCity project were not fully considered in these impact estimates; the office component, and the residential component. The one-time construction costs and their resultant impacts for such structures are included, but on-going impacts are not. The reason for this exclusion is in large part due to a lack of prior information as to how much of this space would be occupied by tenants (either commercial or residential) new to the region vs. those moving from one location within the region to another. To the extent that tenants occupying this space are new to the area, additional positive economic benefits would be incurred. In addition, while movement of tenants within the region in aggregate may have a minimal net impact overall, the addition of new residents into Milwaukee's downtown would certainly be expected to produce positive economic benefits to the downtown region and the City of Milwaukee itself.

Methodology

Direct employment and worker earnings estimates largely drive these impact estimates and were estimated from the best information available or through the application of relevant ratios from various sources. Multipliers for the metro Milwaukee area (Milwaukee, Ozaukee, Washington and Waukesha counties), generated by the U.S. Bureau of Economic Analysis for the MMAC, were applied to these estimates to reach total impact estimates.

Multipliers are used to try to account for the full impact of new economic activity. The initial impact (direct) is the payroll dollars and/or jobs created by the new economic activity (factory, store, office, retail, etc.). To the extent that these new dollars are re-spent and re-circulated through the local economy, they end up having a multiple effect.

If you account for subsequent rounds of spending, you would reach the total multiplied effect of an initial burst of new economic activity. Multipliers aggregate multiple rounds of spending into one number which can be applied to an initial level of activity to account for the total impact.

Data Sources

U.S. Bureau of Economic Analysis, Regional Input-Output Modeling System (RIMS II), internet site, www.bea.gov/bea/regional/rims/.

U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QSEW), internet site, www.bls.gov/cew/home.htm.

U.S. Census Bureau, 2002 and 1997 Business Census statistics, various publications.

U.S. Census Bureau, 2002 Census of Government, internet site, www.census.gov/govs/www/cog2002.htm.

Wisconsin Department of Tourism, *2002-2003 Four Season In-Market Leisure Traveler Survey*, January, 2004.