

June 9, 2005

Dear Common Council Member:

A recent briefing paper by UWM's Center for Economic Development (UWMCED) offered a critique of the MMAC's *Economic Impact of PabstCity* analysis (see attached document). Despite the UWMCED's points of criticism, the MMAC stands by our work product in its analysis. While the MMAC analysis is based on visitor estimates and standard multipliers used in the industry, and while it may be useful to question those assumptions, reasonable people may disagree on the final analysis. This certainly is the case with the visitor estimates. But as it turns out, the estimates used by the MMAC are actually more conservative than those used in the independent analysis done by C.H. Johnson. Strangely, the UWMCED offers no criticism of the Johnson estimates, but only uses selected negative conclusions from the Johnson report for which it concurs. The UWMCED does not address the project supporting conclusions of the Johnson study nor does it suggest any plausible alternatives. Moreover, the UWMCED completely discounts the potential costs of doing nothing.

While other items are mentioned in the UWMCED's analysis, the main bone of contention seems to be the reasonableness of the visitor estimates. While the visitor numbers used by the developer in support of the proposal (and used as assumptions in the MMAC analysis) are characterized by the Center for Economic Development as "wildly exaggerated", they appear to be reasonable if not conservative assumptions vs. visitor numbers used in the C. H. Johnson Consulting independent evaluation done for the City of Milwaukee's Comptroller office. The Johnson study suggests that under its most pessimistic scenario, the development could generate 3.2 million total visitors, 1.8 million from outside the region (vs. the 2 million and 600,000 respectively used by the developer and the MMAC).

The charge to the MMAC was to evaluate the project as proposed and give resulting job and wage impacts that would be supported by the development. The scope of this white paper was not to evaluate "opportunity costs", a theoretical concept that economists like to talk about but, as a practical matter, are difficult to estimate. To this point however, we would ask what is the opportunity cost of leaving a large portion of Milwaukee's downtown fallow for the next 10 or 20 years, which may be the likely scenario if this development is not approved. Who is expected to step forward to develop a large historic site in Milwaukee with enormous infrastructure deficiencies without any public leverage? The MMAC did not seek to analyze the best use of the site, but after 10 years of little or no activity, PabstCity is the only proposed private-sector solution.

To the criticism of using the Davidson-Peterson numbers as a means to estimate potential visitor impacts, the numbers used by the MMAC were not from Davidson-Peterson research and were not formula-based as suggested by the UWMCED. They were based on interviews of tourists on their travel and spending habits in a survey done by the Wisconsin Department of Tourism. Also, the UWMCED's frequent reference to declining numbers in the hotel and leisure industry (and in other places to the entertainment industry) may be true narrowly of Milwaukee County in some references but is not true in the leisure and hospitality industry for metro Milwaukee, the region of analysis for the MMAC impact estimates. Over the 1998 to 2004 period (comparable period referenced by the UWMCED), this industry added 4,400 jobs in the metro area according to Wisconsin Department of Workforce Development figures. Further, the leisure & hospitality industry's rate of growth is stronger than overall growth both in this period (when employment overall actually declined as leisure and hospitality jobs rose) and in the intermediate run

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(since 1990). Projected industry numbers at the national level forecast continued gains in leisure and hospitality through 2012 at rates of job growth faster than overall.

The interview results mentioned above were used in part to generate lodging industry employment estimates that the UWMCED viewed as “significantly overstated”. Determining visitor flows from outside the region into the region as a result of a development is an inexact science at best but let's assume for the moment that it is overstated by one-third. The net effect on the overall job impacts would be less than 250 jobs overall (direct and indirect), reducing the total job impact from 2,650 to 2,400. Does this change the essential nature of the overall impact? Not really as we see it. The point is that the impact is significant. Even if the lodging component was totally eliminated the development would still support nearly 2,000 jobs.

Moreover, as mentioned in the MMAC analysis itself, we chose not to estimate impacts generated by the office and residential components of the project because we felt that sufficient information was unavailable or unknowable at the time. To the extent that the development attracts office employment and residents to the region, the estimated impacts would be higher. How much higher might the impact be if PabstCity attracted or retained new jobs to Milwaukee that might otherwise go elsewhere?

Thank you for your time and attention. If you have any questions on the MMAC's analysis, please feel free to give us a call.

Sincerely,

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