Milwaukee's Industrial Land Base: An Analysis of Demand and A Strategy for Future Development

City of Milwaukee

Prepared for:

The Milwaukee Economic Development Corporation

May 2004

medc MILWAUKEE

S. B. Friedman & Company
Real Estate Advisors and Development Consultants

S. B. Friedman & Company
Real Estate Advisors and Development Consultants

221 N. LaSalle St., Suite 820 • Chicago, Illinois 60601-1302 • 312/424-4250 • Fax: 312/424-4262 • www.FriedmanCo.com

May 13, 2004

Ms. Carolynn Leaman
Land Development Officer
Milwaukee Economic Development Corporation
809 North Broadway, 3rd Floor
P.O. Box 324
Milwaukee, Wisconsin 53201

Subject: **Milwaukee's Industrial Land Base:**
An Analysis of Demand and a Strategy for Future Development

Dear Carolynn:

Pursuant to our agreement dated December 16, 2002 and revised November 10, 2003, *S. B. Friedman & Company* (*SBFCo*) is pleased to present this final report titled **Milwaukee's Industrial Land Base: An Analysis of Demand and a Strategy for Future Development.** The report presents an analysis of current and future industrial land demand in the Milwaukee region, as well as a strategy for the City to preserve key industrial areas in order to facilitate job retention and generate new jobs by capturing a greater share of projected demand for industry and compatible business uses, and by targeting growing sectors (such as call centers, claims processing centers and other business support services as recommended by the Initiative for a Competitive Milwaukee.)

We began our assessment with an analysis of industrial demand. Our analysis indicates that there is indeed demand for industrial land in Milwaukee, and that this demand is fairly elastic--varying significantly over time depending upon the availability of developable sites. Next, we evaluated the fiscal impact of industrial development within the City, as well as benefits resulting from new jobs and contributions to the regional economy. We conclude that Milwaukee will benefit by preserving key areas for industry and business development, but that selected sites which are no longer viable for industry or business services should be allowed to convert to retail, residential or other productive uses.

The report presents a series of guidelines to help MEDC and City staff, evaluate requests to rezone industrial sites and to identify those sites which should be preserved for industry or business development, as well as those sites which should be allowed to convert to other uses. The guidelines, developed with input from local industrial organizations and local industrial brokers, were applied to two test sites selected by MEDC, and then further refined to more accurately identify sites which should be retained for industry and business, as well as sites which should be rezoned.

The final section of the report summarizes our key conclusions and presents seven immediate and long term actions which are recommended to facilitate new job growth and to retain the tens of thousands of jobs currently located throughout Milwaukee's industrial areas.

The terms of this engagement are such that we have no obligation to revise the report or the prospective analysis to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends; governmental actions; additional competitive developments; interest rates; and other market factors. However, we would welcome a future opportunity to assist MEDC in establishing an inventory of industrial land and an economic development strategy for each Industry and Business Corridor as recommended in Section 7 of the report.

We have appreciated this opportunity to assist MEDC in establishing effective policy for the City's industrial land base, and we look forward to future opportunities to assist your efforts.

Sincerely,

Stephen B. Friedman, AICP, CRE
President

CONTENTS

Transmittal Letter

LIST OF TABLES AND FIGURES

1. *Executive Summary*

S. B. Friedman & Company was retained by the Milwaukee Economic Development Corporation (MEDC) to help answer key questions related to industrial land use policy in the City of Milwaukee. These include:

1. Will there be future demand for new industrial space in the City of Milwaukee?

2. Will Milwaukee benefit by preserving sites for future industrial development, or should these sites be allowed to convert to retail, residential, or other non-industrial uses?

3. What are the immediate and long term steps the City must take to ensure that sites are indeed preserved, protected, and prepared for industrial development?

Our analysis indicates that there is demand for new industrial space, that the City will benefit by preserving key areas for industry and business development, and that there are specific immediate and long term actions the City should take in order to position itself to absorb a greater share of projected industrial demand, to generate new jobs in the growing business services sector, and to retain existing businesses and the tens of thousands of jobs they provide.

FUTURE INDUSTRIAL DEMAND

We began by assessing recent trends of industrial demand in the City of Milwaukee and the surrounding metropolitan area utilizing the Polacheck annual industrial space survey, a compilation of real estate transactions published annually by the Milwaukee Journal, and a series of interviews with local industrial real estate brokers. This analysis, presented in Section 2 of the report, indicates that there is indeed demand for industrial land in Milwaukee, and that this demand is fairly elastic depending upon the availability of developable sites. Specifically:

- Industrial absorption in Milwaukee varied significantly between different time periods. From 1994-96 the City captured 8% of new industrial space in the metro area, while from 1997-99 the City's share was 22%. From 2000-2002 the City's capture slipped back to 6%.

- The most likely cause for this elasticity appears to be the City's availability of clean, developable, appropriately located industrial parcels of suitable size. Therefore, Milwaukee can still capture a share of demand in the metro industrial marketplace, but appropriate parcels must be available.

- The elasticity of absorption suggests that the City could potentially be poised for an increase in industrial activity as the overall economy slowly emerges from the recent downturn. While the City absorbed only about 16 acres from 2000 to 2002, our projections indicate that the City could absorb between 25 and 63 acres of new industrial land per year from 2005 to 2010, or between 127 and 314 new acres over the entire time period.

- Although the presence of existing vacant building space may dampen absorption of new industrial land in the near term (as some of the vacant space will probably be filled ahead of new construction), demand could increase significantly if the market "bounces back."

BENEFITS OF PRESERVING AND PROTECTING MILWAUKEE'S INDUSTRIAL LAND BASE

Independent of this study, civic leaders and business activists from the greater Milwaukee area commissioned *The Initiative for a Competitive Milwaukee (ICM)*, a broad-based civic effort resulting in a set of targeted strategies designed to ensure economic development in Milwaukee's inner city. In 2003, ICM released "A Call to Action" which identifies opportunities for strengthening the local economy through business retention and attraction in four targeted industry clusters including construction, manufacturing, and business process service centers. Our analysis supports and builds upon the recommendations of ICM, agreeing that manufacturing remains an important sector in Milwaukee in terms of the number of jobs provided, the quality of these jobs, and the sector's contribution to the regional economy. In addition, the City's industrial land base should be viewed as a resource for job retention and attraction not only in manufacturing, but also in construction, (one of the industries targeted by ICM), transportation, and public utilities. Taken together these sectors account for 30% of the jobs in Milwaukee County. In addition, many industrial buildings and sites are appropriate locations for office uses and a wide range of business which provide services or products to other commercial uses, including business process service centers--another industry targeted by ICM for its potential to generate new jobs. Preserving key areas of Milwaukee's industrial land base for these job-generating uses helps ensure these jobs will be accessible to Milwaukee's young and underemployed workforce. Locating these jobs in proximity of the City's large workforce helps reduce pollution caused by long commutes to jobs in outlying areas, and makes effective use of public transportation, rail, truck, and other infrastructure developed over many years to serve Milwaukee's industrial land base.

STRATEGIES FOR PRESERVING AND PROTECTING CORRIDORS FOR INDUSTRY AND BUSINESS

Milwaukee will not capture its potential share of demand for new industrial or business service space unless it takes immediate and long term steps to ensure that appropriate sites are preserved, protected, and made ready for redevelopment. Although not all existing industrial properties will be marketable for modern industrial uses, if the City is to achieve its absorption potential it is important to preserve those properties which reasonably satisfy the needs of the industrial market, as well as sites which are appropriate for business services. Immediate steps include:

1. **Designate and Protect Existing Corridors of Industry and Business**. The City has designated 15 areas for industry, business services, and other job-generating, compatible uses. These "Industry and Business Corridors" represent existing concentrations of industry and industrial land which is well served by public transportation, interstate access, truck access, and rail. The designated Corridors of Industry and Business should serve as the basis for evaluating requests to rezone industrial sites to non-industrial use, with sites located within these corridors given the highest priority for retention for

industry or other compatible, job-generating uses. The map is being further refined based upon an analysis of current zoning and input from local industrial organizations and brokers. This initial process of refinement should be completed within two or three months; a second more in-depth refinement of the maps will be based upon a detailed land inventory as indicated below.

2. **Establish Rezoning Guidelines to Evaluate all Requests to Rezone Industrial Sites.** The rezoning guidelines presented in Section 5 of this report should be applied immediately to all requests to rezone industrial land in order to help staff identify sites which should be preserved for job retention and creation, as well as obsolete sites which should be allowed to convert to retail, residential, or other uses.

Long term steps to ensure that appropriate sites are preserved, protected, and made ready for redevelopment includes:

3. **Prepare an Inventory of All Sites within the Designated Industry and Business Corridors.** A detailed inventory and assessment of all sites within the designated corridors is needed to better understand how the land is currently utilized, how much acreage should be retained for future industrial and business development, and which sites present the best opportunities for new development. Once a detailed inventory of sites is completed, the map of designated Industry and Business Corridors should be revised to reflect the findings.

4. **Assemble Land and Make Improvements to Create Development Opportunities**. By investing in targeted industrial parcels to make them available and ready for development, the City can expect to capture a greater share of projected industrial demand. For each of the fifteen Industry and Business Corridors, an economic development plan should be prepared to prioritize and target public investment in order to leverage private investment, retain existing jobs, and generate new jobs. The City should assemble and remediate key sites, make public improvements as necessary, and incrementally release sites into the market as the economy improves much like the City did in the past under the City's Industrial Land Bank Program.

5. **Establish and Maintain an Internet Accessible Database of Sites Available for Industry and Business Services.** Many cities are working with local industrial brokers to establish and maintain an inventory of available industrial sites. Milwaukee should consider establishing such a database which is internet accessible and can be searched based upon user-specified criteria (such as size of site, amount of parking, distance from airport, distance from highway, etc.)

6. **Target Business Support Services for Job Generation**. As recommended by the Initiative for a Competitive Milwaukee, the City should target the growing Business Support Services sector (including call centers, claims processing, etc.) and market appropriate sites to potential users.

Finally, business retention efforts should begin immediately and continue on an on-going basis:

7. **Initiate a Business Retention Strategy**. In addition to positioning Milwaukee to capture a greater share of projected industrial demand, the City should also make efforts to retain existing industry and business services which provide tens of thousands of jobs to Milwaukee residents. Efforts should build upon interviews of area businesses conducted in conjunction with the Initiative for a Competitive Milwaukee. These interviews indicate that the business community considers workforce availability and accessibility of sites to be key competitive advantages of Milwaukee's industrial land base. However, the interviews of local businesses, as well as interviews conducted by *S. B. Friedman & Company*, indicate that security is a key concern of businesses considering City locations. A combination of interviews and roundtables with existing businesses should be conducted to further identify the strengths and needs of each of the fifteen designated corridors, and to help prioritize public investment targeted at business retention and attraction.

2. *Current and Future Demand for Industrial Space*

The "Market Study, Engineering, and Land Use Plan for the Menomonee Valley" prepared by Lockwood Greene Consulting, Fluor Daniel Consulting, Trkla, Pettigrew, Allen & Payne, Inc., and Edwards & Associates, Inc. in October 1998 stated that Milwaukee was one of the leading manufacturing centers in the nation. Today, Milwaukee is still one of the leading manufacturing centers in the nation; however, Milwaukee's industrial market has seen a decline over the past few years, parallel to U.S. trends.

Global market changes in manufacturing such as advances in technology and the downturn in the economy have affected Milwaukee's manufacturing sector and, as a result, the industrial real estate market has struggled. Many Milwaukee real estate professionals attribute recent changes in the manufacturing sector to the September 11, 2001 terrorist attacks. In response to the slowing business environment and in order to remain profitable, manufacturers have had to reduce costs by trimming their labor forces and scaling back production. Another global issue affecting Milwaukee's manufacturing sector has been the movement of production using semi- and unskilled labor to more cost-effective overseas locations.

In addition, Milwaukee's manufacturing sector has experienced productivity gains without employment and space demand. According to the Wisconsin Policy Research Institute Report entitled "The Roaring Nineties: Wisconsin's Regional Employment Growth," written by Sammis B. White, Ph.D., which examined the largest metropolitan areas in the state, measuring job growth between 1991 and 1999, manufacturing in the nineties was growing in terms of value of products sold, but was shown to be increasing output with only modest increases in labor input. The result is a healthy manufacturing sector unaccompanied by large employment gains. This economic trend is evident on a nationwide scale today. According to a recent report compiled by the Bureau of Labor Statistics of the U.S. Department of Labor measuring output per hour of all persons for the second quarter of 2003, U.S. non-farm productivity increased 5.7%. This implies that companies are operating with a decreased number of employees and are becoming more efficient at raising output while keeping costs down.

Despite the downturn in the economy, the Milwaukee area's export business through the Port of Milwaukee has increased, indicating that Milwaukee may be increasing the number of export-based businesses, and capturing a bigger piece of the global economy. According to the *Milwaukee Journal-Sentinel*, Milwaukee's export business has increased, showing a 2% statewide surge in exports last year. Wisconsin has expanded its roster of export-oriented firms to 7,013, or 5% of its total non-farm businesses, and is ranked the No. 11 port in the Great Lakes, just behind Chicago. A 1999 study by the U.S. Department of Commerce indicated that the Milwaukee-Waukesha consolidated metro area accounted for more than a third of all state exports. Some export-oriented Milwaukee companies include Harley-Davidson Inc. and Johnson Controls, Inc. According to the *Journal-Sentinel*, Harley Davidson Inc. sells one of every four of its Harley motorcycles abroad, exporting to 50 nations.

METHODOLOGY OVERVIEW

A methodology was developed to evaluate the potential demand for industrial land in the City of Milwaukee. We studied the total City and regional absorption of industrial space using the annual industrial space survey conducted by The Polacheck Company. Although the Polacheck survey is comprehensive in its estimate of total industrial space by geography, it does not include detailed information on individual transactions. Another limitation to the Polacheck Company data is that after 2000, Polacheck stopped publicizing total industrial space by geography in its annual reports and now only provides vacancy data by submarket.

We also studied transactions over the past eight years using *The Real Estate Journal*, a compilation of major real estate projects in the Milwaukee area, published annually by *The Milwaukee Business Journal*. *The Real Estate Journal* provides detailed information on each transaction, providing an overview of the trends of industrial users in the current market. We compiled a database of transactions to analyze trends that occurred between 1994 and 2000. We also conducted interviews with local real estate professionals including industrial brokers, developers, and executive directors of selected industrial councils to supplement the transactions data.

In addition to the statistical analysis, we also conducted interviews with local real estate professionals including industrial brokers, developers, and executive directors of selected industrial councils to supplement the transactions data and gain an understanding of current industrial demand characteristics in the local market. We studied area trends and developments in national trade publications to develop space need characteristics of industrial businesses in the current market, as well as criteria which can be used to identify "conversion-vulnerable" loft/warehouse properties in the City of Milwaukee.

RECENT GROWTH RATES AND ABSORPTION OF INDUSTRIAL SPACE

Table 1 shows the growth in industrial space by City and County within the Milwaukee MSA for the time periods 1990 to 1995 and 1995 to 2000 as published by The Polacheck Company.

It should be noted that adjustments were made to the published data. The Polacheck Company conducted a full recalculation of the industrial base for the 1999 edition of its market survey. This procedure had not been done for ten years. As a result of the recalculation, additions were made to the industrial base in 1999 that were not due to new development only over the previous year but rather at unspecified points over the entire ten-year period since the last recalculation. As a result, the growth rates would be distorted. Therefore, for analysis purposes, additions to the industrial base due to recalculation were distributed evenly over each year for the ten-year period.

Table 1: Growth in Total Industrial Building Space by Area, 1990-2000
Milwaukee Metropolitan Area

Geographic Area	Total Industrial Building Space			1990-1995		1995-2000	
	1990	1995	2000	% Change	CAGR	% Change	CAGR
City of Milwaukee	87,550,589	87,709,532	90,180,718	0.2%	0.04%	2.8%	0.6%
Milwaukee County (Excl. City)	44,023,534	45,227,943	54,833,758	2.7%	0.54%	21.2%	3.9%
Waukesha County	40,473,978	47,180,063	60,101,708	16.6%	3.11%	27.4%	5.0%
Ozaukee County	8,143,345	8,330,709	12,104,109	2.3%	0.46%	45.3%	7.8%
Washington County	9,405,104	13,064,056	17,649,750	38.9%	6.79%	35.1%	6.2%
Total Metro Area	**189,596,550**	**201,512,303**	**234,870,043**	**6.3%**	**1.23%**	**16.6%**	**3.1%**

[1] Milwaukee County excluding the City of Milwaukee
CAGR: Compound annual rate of growth or decline
Source: The Polacheck Company, *S. B. Friedman & Company*

As the table shows, industrial space increased by 16% between 1995 and 2000, or at a compound annual rate of 3%. This compares favorably to the 1990 to 1995 period, which showed a 1% increase on a compound annual basis. Ozaukee County had the largest growth in industrial space between 1995 and 2000, but started from the smallest base in 1990, almost one-fifth that of the base in Waukesha County. Waukesha County is notable because its growth rate is substantial when compared to the other outlying counties even though it started with five times the total space of Ozaukee and Washington Counties. Washington and Waukesha Counties also experienced growth in industrial space between 1995 and 2000, showing 35% and 27% increases, respectively.

Milwaukee County including the City of Milwaukee still has the largest base of industrial space compared to Waukesha, Ozaukee, and Washington Counties. However, the growth rate in Milwaukee County has not been as high as that in the other counties. Over the past twenty years, sub-areas of the Milwaukee MSA such as Waukesha, Brookfield, Pewaukee, and Oconomowoc have experienced growth in industrial development. During the 1970's and 80's, Waukesha County's industrial base continued to grow largely due to its close proximity to the City and the interstate, cheap, developable, and available clean land, and overall general growth occurring in the suburbs. Another possible contributing factor to the strong growth in manufacturing in Waukesha County noted by local and national real estate professionals is that business owners tend to own where they live. Today, many CEOs who own plants in Waukesha County also live in or near the area.

Many of the business parks located in the western suburbs are now sold out and more growth is occurring in the southern areas of Milwaukee County and the southwestern suburbs. According to the real estate professionals we interviewed, the recent trend shows City of Milwaukee businesses now moving to areas in Oak Creek, Cudahy, West Milwaukee, the Mitchell International Business Park, and Franklin, as well as New Berlin.

We analyzed additions to the industrial base between 1995 and 2000 to provide estimates of average annual absorption by geographic area within the Milwaukee MSA. Table 2 summarizes the total and average annual additions in industrial space over the past five years for the City and metropolitan area.

Table 2: Summary of New Industrial Space, 1995-2000

Geographic Area	Total Additional Industrial Space 1995-2000		Average Annual Additional Industrial Space	
	Bldg SQ FT	Land Acres*	Bldg. SQ FT	Land Acres*
City of Milwaukee	2,471,186	189	411,864	32
Milwaukee County (Excluding City)	9,605,815	735	1,600,969	123
Waukesha, Ozaukee, Washington Counties	21,280,739	1,628	3,546,790	271
Total Metro Area	**33,357,740**	**2,553**	**5,559,623**	**425**

* Assumed Floor Area Ratio (FAR): 0.30
Source: The Polacheck Company, *S. B. Friedman & Company*
Note: Totals may not add due to rounding

As the table shows, approximately 2,553 acres of industrial land were absorbed (including redevelopment of existing industrial sites) between 1995 and 2000 within the entire Milwaukee MSA, for an average of 425 acres per year. Of the total six-year acreage, 189 acres were absorbed within the City, for an average of 32 acres per year. The remainder of Milwaukee County absorbed approximately 123 acres per year and the remaining three-county area (Waukesha, Ozaukee and Washington Counties) absorbed approximately 271 acres per year on average.

DISTRIBUTION OF NEW INDUSTRIAL LAND WITHIN THE REGION

Next, we examined additions to the industrial base between 1990 and 2000 to understand the distribution of new industrial land throughout the Milwaukee MSA. Table 3 on the following page shows the distribution of new industrial land by geographic area from 1990 to 2000. As the table shows, the City of Milwaukee still accounted for almost half of the total industrial space in the Milwaukee MSA in 1990. Milwaukee County and Waukesha County held an almost equal share of 23% and 21%, respectively.

Table 3: Distribution of New Industrial Land, Milwaukee MSA

Area	1990 Base Acres*	% of MSA	New Acres 1990-1995	% of MSA	New Acres 1995-2000	% of MSA
City of Milwaukee	6,700	46%	12	1%	189	7%
Milwaukee County (Excl. City)	3,369	23%	92	10%	735	29%
Waukesha County	3,097	21%	513	56%	989	39%
Washington County	720	5%	280	31%	351	14%
Ozaukee County	623	4%	14	2%	289	11%
Total Milwaukee MSA	**14,508**	**100%**	**912**	**100%**	**2,553**	**100%**

*Assumed FAR: 0.30 Source: The Polacheck Company, *S. B. Friedman & Company*

According to the table, Waukesha County captured the largest amount of new industrial land in the Milwaukee MSA between 1990 and 2000. Between 1990 and 1995, Waukesha County captured 56% of all new industrial land in the Milwaukee MSA. At the same time, Washington County captured 31% of all new industrial land. Overall, most new industrial development occurred outside Milwaukee County and the City of Milwaukee, in the suburban business parks.

However, the share of capture decreases slightly over the next five years for both counties. Between 1995 and 2000, Waukesha County captured 39% of industrial land in the Milwaukee MSA, but a decrease in share from 1990 and 1995. Washington County's capture rate also decreased to 14%. At the same time, Milwaukee County's capture rate of new industrial land increased to almost 30% of the Milwaukee MSA, showing increased industrial activity in the County. This could largely be due to an increased interest in the suburban areas with available industrial land within Milwaukee County, such as in the newer Mitchell Business Park, as well as business parks in Franklin, Oak Creek, West Milwaukee, Glendale, and Cudahy.

We also examined additions to the industrial base by square foot over selected time periods for which data were available through the *Milwaukee Business Journal's Real Estate Journal.* Table 4 shows the distribution of new industrial space within the Milwaukee MSA by area from 1994 to 2002.

Table 4: Distribution of New Industrial Space during Selected Time Periods, Milwaukee MSA

	1994-1996		1997-1999		2000-2002		1997-2002	
Geographic Area	Total SF	% of MSA	Total SF	% of MSA	Total SF	% of MSA	Total SF	% of MSA
City of Milwaukee	381,800	8%	1,021,796	22%	210,246	6%	1,232,042	15%
Milwaukee County	972,039	20%	804,661	17%	1,435,523	39%	2,240,184	27%
Waukesha, Washington, Ozaukee Counties	3,545,201	72%	2,871,954	61%	2,009,343	55%	4,881,297	58%
Total Milwaukee MSA	4,899,040	100%	4,698,411	100%	3,655,112	100%	8,353,523	100%

Source: *The Real Estate Journal, S. B. Friedman & Company*

According to the results presented in Table 4, Waukesha, Washington, and Ozaukee Counties captured the majority of new industrial space from 1994 to 2002. Between 1994 and 1996, the western suburban areas captured 72% of all new industrial space in the Milwaukee MSA, showing that most new industrial development occurred outside Milwaukee County and the City of Milwaukee. However, capture decreased slightly over the years. Between 2000 and 2002, the western suburban areas captured 55% of the total, still over half the new industrial space in the Milwaukee MSA, but down from the trend in 1994 to 1999.

Milwaukee County captured 20% of the new industrial space in the Milwaukee MSA between 1994 and 1996, and captured slightly less, 17%, between 1997 and 1999. However, Milwaukee County more than doubled its share of the new industrial space in the Milwaukee MSA between 2000 and 2002. The decreasing capture rate in the western suburban areas coupled with the increased rate in Milwaukee County supports the theory noted by local real estate professionals regarding the recent trend of City of Milwaukee businesses relocating to areas within Milwaukee County as a result of the western suburban area business parks now reaching full capacity.

The City of Milwaukee's resurgent capture of new industrial space is most prominent between 1997 and 1999, at 22% of the Milwaukee MSA. Between 1997 and 1999, the City of Milwaukee captured more new industrial space than did the rest of Milwaukee County. However, the City's share decreased again to only 6% between 2000 and 2002.

Both sources show that the estimated share of new industrial space was the smallest for the City of Milwaukee, between 7% and 15%, in the most recent time period. Local real estate professionals we interviewed attributed the low share of the City to the lack of clean, developable parcels in the City compared to the suburban areas. Milwaukee businesses historically have relocated from the City to suburban business parks. Real estate professionals also noted that the perception of crime and blighted conditions can affect business owners decision to remain in the City of Milwaukee.

VACANCY RATES

Vacancies in industrial space have been rising incrementally over the past few years. Many real estate professionals believe this is largely due to the global changes in the manufacturing sector discussed above. Table 5 shows vacancy rates for the Milwaukee MSA in 1990, 1995, and 2000.

Table 5: Vacant Industrial Space

Community	1990	1995	2000	2002
City of Milwaukee	6.68%	4.89%	N/A[1]	N/A[1]
Milwaukee County (Including City)	7.08%	5.32%	4.87%	6.16%
Waukesha County	3.30%	3.95%	5.75%	4.86%
Ozaukee County	3.69%	7.47%	1.51%	7.85%
Washington County	2.62%	6.22%	2.35%	5.68%

Source: The Polacheck Company, *S. B. Friedman & Company*
[1] The Polacheck Company no longer records vacant industrial space by community

Between 1990 and 1995, the City of Milwaukee and Milwaukee County experienced a decrease in vacancy rates, while the suburban areas such as Waukesha, Ozaukee, and Washington Counties experienced an increase. Between 1995 and 2000, only Waukesha County experienced an increase in vacancy rates, from 3.95% to 5.75%. The industrial vacancy rate in Milwaukee County in 2002 was 6.16%, up from 4.87% in 2000. Although the vacancy rate in Waukesha County actually declined slightly over the same period, from 5.75% in 2000 to 4.86% in 2002, the two outlying counties of Ozaukee and Washington saw substantial increases in industrial vacancy. Between 2000 and 2002, vacancies increased in every county except for Waukesha County, which showed a decrease at the county level. This low vacancy rate in Waukesha County may indicate a tightening supply and increasing demand for industrial space in that particular sub-market of the Milwaukee MSA.

LEASE RATES AND LAND PRICES

According to local real estate professionals, lease rates for industrial space are down. The current building stock on the market can be divided into two sectors: 1) newly constructed high cube warehouse space built for a wide array of uses, and 2) preexisting second-generation buildings suitable for modern manufacturing distribution, but generally lacking versatility or the amenities of newer buildings (i.e., ceiling height, docks, and layout). New industrial product is currently leasing from $3.85 to $4.00 per square foot on a triple net basis. Second-generation product has a greater variance (i.e., $2.75 to $3.85 per square foot on a triple net basis). This rate

is dictated by both location and amenities offered. For instance, according to a 2002 report compiled by the Commercial Association of Realtors, Waukesha County consistently shows higher average lease rates than Milwaukee County.

We studied land prices in City of Milwaukee business parks, as well as competitive business parks within the Milwaukee MSA. Land prices ranged from $68,000 to $150,000 per acre with an overall average of approximately $78,000. The majority of the lower priced parcels were located in the Milwaukee business parks such as the Calumet Woods Business Park, the Granville Woods Business Park, the Northwest Commerce Center, and the Towne Corporate Park Granville. The highest priced parcels were found in the Westridge Park in New Berlin, at a range between $100,000 and $150,000.

We reviewed business parks in several distinct sub-markets within the Milwaukee MSA. We have compiled a list of approximately 91 parks that may compete with industrial properties in the City of Milwaukee and have obtained full or partial information on a subset of 33 of these 91 business parks, since it would not be feasible within our scope of services to visit all of the 91 active parks identified.

NATURE AND CHARACTER OF INDUSTRIAL DEMAND

For the purposes of providing a preliminary perspective on the nature and character of the industrial demand in the City of Milwaukee and the rest of the Metropolitan Area, we conducted interviews with real estate professionals in the Milwaukee area and analyzed trends in the types and sizes of recent industrial market transactions using data compiled from *The Real Estate Journal.*

Analysis of Facility Size and Capture by Geographic Area. Table 6 summarizes the range of facility sizes for recent market transactions listed in *The Real Estate Journal.* In the City of Milwaukee, building sizes ranged from a low of 1,200 square feet to a high of 116,000 square feet. The average building size was approximately 46,110 square feet. The spread between high and low facility sizes was larger in the metropolitan area (excluding the City of Milwaukee) with a low of 4,130 square feet and a high of 439,372 square feet. The average building size was slightly higher in the metropolitan area, at 55,350 square feet.

Table 6: Summary of New Building Size by Mean, Median, Low, and High, 1994-2002

	City of Milwaukee		Metro Area (Excl. Milwaukee)	
	Building Size SF	Assumed Land Acres*	Building Size SF	Assumed Land Acres*
Low	1,200	0.09	4,130	0.3
High	116,000	8.88	439,372	34
Mean	46,110	3.53	55,350	4
Median	35,000	2.68	34,328	3

* Assumed FAR: 0.3
Note: Some transactions did not include building size data
Source: *The Real Estate Journal, S. B. Friedman & Company*

Tables 7 and 8 present the distribution of new industrial transactions by size of facility for the City of Milwaukee and the Milwaukee MSA, respectively. Within the City, the majority of new transactions (60%) were for buildings 50,000 square feet and less. Forty percent of the new transactions were for buildings between 50,000 and 124,999 square feet. No structures larger than 125,000 square feet were reported in *The Real Estate Journal* for the City between 1994 and 2002, which most likely is reflective of the limited availability of large parcels of industrially zoned, developable land within the City.

Table 7: Distribution of New Industrial Transactions by Size of Facility, 1994-2002, City of Milwaukee

Building SQ FT Range	Total Bldg. SQ FT	Percent	Total Buildings		Assumed Parcel Size (Acres)*	
			Number	Percent	Low	High
Under 25,000	139,142	9%	11	31%	N/A	2
25,000 - 49,999	326,600	20%	10	29%	2	4
50,000 - 74,999	341,950	21%	6	17%	4	6
75,000 - 124,999	806,150	50%	8	23%	6	10
125,000 - 199,999	-	0%	0	0%	10	15
200,000 or more	-	0%	0	0%	15	N/A
Total	**1,613,842**	**100%**	**35**	**100%**		

* Assumes 0.3 FAR
Source: *The Real Estate Journal, S. B. Friedman & Company*

In the metropolitan area (excluding the City), approximately 66% of recent transactions consisted of facilities less than 50,000 square feet--slightly more than the City. Only 25% of transactions were for facilities between 50,000 and 124,999 square feet. However, the metropolitan area recorded several transactions for large industrial users, compared to none for City. Nine percent of transactions in the metro area were for facilities of 125,000 or more square feet.

Table 8: Distribution of New Industrial Transactions by Size of Facility, 1994-2002, Milwaukee MSA (Excluding the City of Milwaukee)

Building SQ FT Range	Total Bldg. SQ FT	Percent	Total Buildings		Assumed Parcel Size (Acres)	
			Number	Percent	Low	High
Under 25,000	1,258,121	11%	76	36%	N/A	2
25,000 - 49,999	2,231,240	19%	63	30%	2	4
50,000 - 74,999	1,319,543	11%	22	10%	4	6
75,000 - 124,999	3,054,408	26%	32	15%	6	10
125,000 - 199,999	2,294,634	20%	14	7%	10	15
200,000 or more	1,576,275	13%	5	2%	15	N/A
Total	**11,734,221**	**100%**	**212**	**100%**		

* Assumes 0.3 FAR

Source: *The Real Estate Journal, S. B. Friedman & Company*

The transactions data indicate that smaller industrial facilities (under 50,000 square feet) are the most common type in both the City of Milwaukee and the larger metropolitan area. However, these smaller facilities actually made up a slightly larger percentage of the metro area's activity than of the City's activity. This suggests that for the bulk of the market, it may be the number of properties available that is limiting the City's capture potential versus the suburbs, rather than a mismatch between size of parcels available and the size of facilities being sought. However, for larger facilities (greater than 125,000 square feet), the metro area dominates the market, capturing all of the transactions.

According to the "2000 Real Estate Market Review & Forecast" published by The Polacheck Company, one problem that negatively affects the overall absorption of space in the Milwaukee-area market is the type of facilities that are coming onto the market. Several facilities in excess of 200,000 square feet and a few in the 100,000 square foot range are available due to corporate downsizing, consolidations, or business closings. These large facilities are difficult to absorb in the current market, where demand for buildings of less than 50,000 square feet is typical.

We also analyzed the distribution of new industrial transactions per year between 1994 and 2002 by size of facility to assess the relative capture rates between the City of Milwaukee and the suburban area within specific square foot ranges. Table 9 presents the distribution of new industrial transactions by size of facility in 1995, 1999, and 2002 for the City of Milwaukee and the Milwaukee MSA excluding the City.

Table 9: Capture of New Industrial Transactions by Size of Facility in Selected Years, 1995-2002

Building SF Range	1995				1999				2002			
	City		MSA*		City		MSA*		City		MSA*	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 25,000	0	0%	10	100%	3	20%	12	80%	2	50%	2	50%
25,000 - 49,999	0	0%	11	100%	4	40%	6	60%	1	25%	3	75%
50,000 - 74,999	1	14%	6	86%	2	40%	3	60%	1	50%	1	50%
75,000 - 124,999	0	0%	4	100%	4	44%	5	56%	0	0%	1	100%
125,000 - 199,999	0	0%	0	0%	0	0%	4	100%	0	0%	0	0%
200,000 or more	0	0%	1	100%	0	0%	0	0%	0	0%	0	0%
Total (City +MSA=100%)	**1**	**3%**	**32**	**97%**	**13**	**30%**	**30**	**70%**	**4**	**36%**	**7**	**64%**

* Milwaukee MSA excluding the City of Milwaukee
Source: *The Real Estate Journal, S. B. Friedman & Company*

As would be expected given the data reported in Tables 7 and 8, the MSA captured the majority of new transactions within all size range categories, including all of the new transactions of facilities 125,000 square feet or larger. However, the City's capture rate has been increasing over time. In 1995, the City of Milwaukee captured only 3% of all new industrial transactions. In 2002, the City's capture rate versus the suburbs increased to 36%. This increasing capture rate has occurred in all size categories under 125,000 square feet; the MSA still dominates in larger transactions.

The City's higher capture rate of transactions in 1999 and 2002 suggests that despite the downturn in the economy, the City of Milwaukee has the capacity to absorb new industrial land and capture a greater share of the industrial land in the Milwaukee MSA.

Trends in Space Needs per Employee. We examined the effects of technological change and modernization on industrial space requirements. Modernization may reduce employment in certain sectors of the economy but may actually increase the demand for industrial space. We studied the historical growth in total non-farm employment compiled by Woods & Poole Economics for the Milwaukee MSA and the relationship of this growth to industrial space growth for the Milwaukee MSA between 1990 and 2000.

Table 10: Industrial Space Needs per Employee, Milwaukee MSA 1990-2000

Milwaukee MSA	1990	1995	2000
Total Non-Farm Employment	884,810	938,750	1,016,260
Total Industrial Space (SQ FT)	189,596,550	201,512,303	234,870,043
Space per Employee (SQ FT)	214	215	231

Source: Woods & Poole Economics, The Polacheck Company, and *S. B. Friedman & Co.*

As Table 10 shows, the amount of space per employee increased between 1990 and 2000, supporting that over time, employees required more space to perform their job. This supports the theory that with technological change, manufacturing employees are less likely to be working in an assembly line fashion, and more likely to require more space to perform the same tasks using

computerized equipment and other forms of advanced technology. It also suggests that while the output and productivity levels in manufacturing have increased, this growth may not be accompanied by a parallel amount of employment growth, even though it may drive demand for space.

Review of Space Need Characteristics of Industrial Businesses. We compiled a list of space need characteristics of industrial businesses based on interviews with local real estate professionals in the Metro Milwaukee area, research into existing published data, and observations in the current industrial market. The following is a list of space need characteristics for industrial businesses:

- 22-28 foot clear heights
- Attractive landscaping
- Access to major transportation corridors
- Well-lit streets with truck access
- More acreage for expansion
- Location near other manufacturing-related businesses
- Crime-free areas
- Safe environment for employees
- Environmentally clean land
- Plenty of parking
- 30 acre parcels
- Buildings that are between 40,000 and 100,000 square feet (if buying a building) or spaces that are between 2,500 and 15,000 square feet (if leasing space)

Local real estate professionals we interviewed currently list several parcels of industrial land available for development. One such available site is a 19-acre parcel on the City's northwest side, however, due to environmental contamination, the high perception of crime, and the area's surrounding blighted conditions, business owners are reluctant to move to this location. According to our research, business owners are looking for environmentally clean land in a safe, business park-like atmosphere with access to transportation, and amenities close by for their employees. Manufacturing businesses looking to lease space in existing buildings are seeking buildings that are 80 feet deep, with appropriate loading docks, and access to major transportation corridors. Many of the older manufacturing building stock in the City of Milwaukee is outdated or inefficient for today's industrial businesses.

Analysis of Business Types. The transactions data listed in *The Real Estate Journal* provide fairly detailed information for each transaction. Most listings include the type and name of business. Table 11 provides a summary of business types listed in recent market transactions.

Table 11: Types of Recent Market Transactions, 1994-2002

Type of Business	City of Milwaukee		Milwaukee MSA	
	#	%	#	%
New freight terminal	0	0.00%	1	0.46%
New industrial building/manufacturing facility	24	66.67%	61	27.98%
New manufacturing/distribution center	0	0.00%	4	1.83%
New multi-tenant industrial	1	2.78%	28	12.84%
New office building/facility	0	0.00%	7	3.21%
New office/distribution facility	1	2.78%	5	2.29%
New office/industrial facility	0	0.00%	9	4.13%
New office/manufacturing facility	7	19.44%	51	23.39%
New office/manufacturing/sales/research facility	0	0.00%	1	0.46%
New office/manufacturing/warehouse facility	0	0.00%	2	0.92%
New office/training facility	0	0.00%	1	0.46%
New office/warehouse building	0	0.00%	18	8.26%
New office/warehouse/manufacturing facility	1	2.78%	2	0.92%
New office/warehouse/showroom facility	1	2.78%	1	0.46%
New research/manufacturing facility	0	0.00%	1	0.46%
New warehouse building	0	0.00%	5	2.29%
New warehouse/distribution facility	1	2.78%	11	5.05%
Other or N/A	0	0.00%	10	4.59%
Total	**36**	**100%**	**218**	**100%**

Source: *The Real Estate Journal, S. B. Friedman & Company*

As the table shows, two-thirds (67%) of industrial market transactions within the City between 1994 and 2002 consisted of traditional industrial facilities, with a smaller number of combination office and manufacturing facilities (19%). The metropolitan area saw a much more diversified set of transactions including new industrial buildings (28%), combination office/manufacturing facilities (23%), multi-tenant industrial buildings (13%), and office/warehouse buildings (8%).

Summary. Milwaukee County, including the City of Milwaukee, has the largest base of industrial space in the region. However, over the past two decades, the suburban counties of Washington, Ozaukee, and Waukesha in the Milwaukee MSA have experienced robust growth in industrial development, while the growth in Milwaukee County and the City of Milwaukee has been slow. Most of the new development occurred in the suburban areas, where clean, developable industrial land in a business park atmosphere is widely available. The City of Milwaukee appears to have the capacity to capture a greater share of new industrial transactions. Its share of both new industrial transactions and square feet increased in the 1999-2002 period compared to earlier periods. The availability of industrial parcels may be limiting the City's capture potential. According to discussions with local real estate professionals, the City of Milwaukee should be able to offer industrial parcels that have the following characteristics:

- Thirty-acre sites. Mid- to large-sized manufacturing businesses are looking for larger sites to expand.
- Environmentally clean parcels in areas that are predominantly industrial, located in a park-like atmosphere.

- Parcels located in close proximity to major transportation corridors and amenities for employees.

In 2002, the City of Milwaukee captured approximately 36% of new industrial space in the Milwaukee MSA, an increase over 3% of new industrial space captured in 1995. This is further evidence of an elasticity in the City's share of the industrial market in the Milwaukee MSA. Assuming the availability of clean, developable parcels of land, the City of Milwaukee could potentially increase its share of total industrial space in the Milwaukee MSA.

FUTURE INDUSTRIAL DEMAND

Future growth of industrial space is driven by a combination of overall economic growth and changing technology/modernization; the latter factor may result in an increase in demand for industrial space despite slowing employment growth. We used two approaches to estimate future industrial demand: a straight-line projection method and a ratio-based projection using personal income projections from Woods & Poole Economics. Personal income was used as a proxy for overall economic growth in the Milwaukee MSA. We attempted to obtain data on economic output at the metro level, but they were not available.

First, we studied additions to the industrial base over the past five years as presented previously in Table 2, and projected the data to 2010 using a straight-line projection method. As shown in Table 2, approximately 425 acres of industrial land were absorbed annually between 1995 and 2000 within the entire Milwaukee MSA. As shown in Tables 3 and 4, the City of Milwaukee captured between 7% and 15% of new industrial development in recent years. We applied these two capture percentages to the projected annual absorption of 425 acres to project the future absorption of industrial land in the City of Milwaukee, assuming current trends will continue.

Table 12: Straight-line Projection of Industrial Land Demand, 2000-2010

Geographic Area	% of New Industrial Land 1995-2000	Projected Annual Absorption (Acres)*	New Industrial Land Demand (Acres)*	
			2000-2005	2005-2010
Low Capture Scenario				
City of Milwaukee	7%	32	158	158
Milwaukee County (Excluding City)	29%	123	613	613
Waukesha, Ozaukee, Washington Counties	64%	271	1,357	1,357
Total Milwaukee MSA	100%	425	2,127	2,127
High Capture Scenario				
City of Milwaukee	15%	63	314	314
Milwaukee County (Excluding City)	27%	114	570	570
Waukesha, Ozaukee, Washington Counties	58%	249	1,243	1,243
Total Milwaukee MSA	100%	425	2,127	2,127

* Assumed FAR: 0.30

Source: Woods & Poole Economics, The Polacheck Company, *The Real Estate Journal,* and *S. B. Friedman & Co.*

Using the straight-line projection method as presented in Table 12 above, under the Low City Capture Scenario the Milwaukee MSA is projected to gain approximately 2,127 acres of industrial land between the 2000 and 2005 period as well as between the 2005 and 2010 period. The City of Milwaukee is projected to absorb approximately 158 acres of industrial land between the 2000 and 2005 period and the 2005 and 2010 period, or approximately 32 acres per year. Under the High City Capture Scenario, the City of Milwaukee is projected to absorb approximately 314 acres of industrial land between the 2000 and 2005 period and the 2005-2010, or approximately 63 acres per year.

The straight-line projection method assumes that industrial land will increase at the same level per year during the next decade. However, the straight-line projection method does not take technology change and its effect on productivity and space usage into consideration, nor does it explicitly consider economic growth.

Second, we analyzed the ratio between personal income growth and growth in industrial land to project the demand for new industrial land in the Milwaukee MSA. We calculated the ratio of growth in industrial space from 1995 to 2000 versus personal income growth over the same period reported by Woods & Poole Economics for the Milwaukee MSA, and assumed the ratio would remain constant in future periods. The growth rates for personal income and industrial space and the ratio of growth rates can be found in Table 13 below.

Table 13: Ratio-Based Projected Annual Growth of Total Industrial Space

	1995-2000	2000-2005	2005-2010
Industrial Land CAGR	3.11%	1.59%	1.71%
Personal Income CAGR	3.27%	1.67%	1.80%
Ratio of Growth Rates	0.95		

Source: Woods & Poole Economics, The Polacheck Company, and *S. B. Friedman & Company*

The future industrial growth rates presented in Table 13 were then used to estimate the growth in industrial land demand in 2000-2005 and 2005-2010. We used the distribution of new industrial space presented in Tables 3 and 4 to estimate the demand in the City of Milwaukee and other sub-areas over the two time periods.

Table 14: Ratio-Based Projection of Industrial Land Demand, 2000-2010

Community	% of New Industrial Land	Projected Annual Absorption (Acres*)		New Industrial Land Demand (Acres*)	
		2000-2005	2005-2010	2000-2005	2005-2010
Low Capture Scenario					
City of Milwaukee	7%	22	25	109	127
Milwaukee County (Excl. City)	29%	85	99	424	495
Waukesha, Ozaukee, Washington Counties	64%	188	219	939	1,097
Total Metro Area	100%	294	344	1,471	1,720
High Capture Scenario					
City of Milwaukee	15%	43	51	217	254
Milwaukee County (Excl. City)	27%	79	92	395	461
Waukesha, Ozaukee, Washington Counties	58%	172	201	860	1,005
Total Metro Area	100%	294	344	1,471	1,720

* Assumed FAR: 0.30

Source: Woods & Poole Economics, The Polacheck Company, *The Real Estate Journal,* and *S. B. Friedman & Company*

Using this method produces much different results than the straight-line method since it is based on the relationship between industrial space growth and the growth in personal income projected by Woods & Poole Economics. As shown in Table 14, under the Low City Capture Scenario, the Milwaukee MSA is projected to absorb approximately 1,471 acres of industrial land between 2000 and 2005, and 1,720 acres between 2005 and 2010. The City of Milwaukee is projected to absorb approximately 109 acres of industrial land between 2000 and 2005, or approximately 22 acres per year. Between 2005 and 2010, the City of Milwaukee is projected to absorb approximately 127 acres of industrial land, or approximately 25 acres per year. Under the High City Capture Scenario, the City of Milwaukee is projected to absorb approximately 217 acres of industrial land between 2000 and 2005, or approximately 43 acres per year, and 254 acres of industrial land between 2005 and 2010, or approximately 51 acres per year.

It is not possible to calculate a precise mathematical relationship based on the level of research covered by this scope. Over a short period of five to ten years, however, it is reasonable to project growth based on recent absorption rates and projected economic conditions. Tables 15 and 16 below summarize the preceding demand projections by the two capture scenarios for the City of Milwaukee. Within each scenario, the two demand methodologies provide a range of potential absorption for the City and the remainder of the Milwaukee MSA.

Table 15: Projected Demand for Industrial Land: Low City Capture Scenario

	Share of New Industrial Land	2000-2005		2005-2010	
		Straight-Line Method	Ratio-Based Method	Straight-Line Method	Ratio-Based Method
City of Milwaukee	7%	158	109	158	127
Milwaukee MSA (Excluding City)	93%	1,970	1,362	1,970	1,593
Total Milwaukee MSA	**100%**	**2,127**	**1,471**	**2,127**	**1,720**

* Assumed FAR: 0.30

Source: Woods & Poole Economics, The Polacheck Company, *The Real Estate Journal*, and *S. B. Friedman & Company*

Under the Low City Capture Scenario, we assumed the City of Milwaukee would capture 7% of all new transactions in the Milwaukee MSA as previously presented in Table 3. As shown in Table 15 above, the City of Milwaukee would absorb between 109 and 158 acres of new industrial land between 2000 and 2005 under this scenario. During the same period, the remainder of the Milwaukee MSA is projected to absorb between 1,362 and 1,970 acres of industrial land. We prorated the City's projected share of new industrial land to estimate the absorption rate over the next two years. Between 2003 and 2005, under this scenario the City of Milwaukee is projected to absorb between 44 and 63 acres of new industrial land, or 22 to 32 acres per year. Since the City has already absorbed approximately 16 acres between 2000 and 2002, the annual absorption could be higher than the projected 22 to 32 acres per year if absorption in the City "catches up" to absorb the 44 to 63 acres of new industrial land projected by the end of 2005.

Table 16: Projected Demand for Industrial Land: High City Capture Scenario

	Share of New Industrial Land	2000-2005		2005-2010	
		Straight-Line Method	Ratio-Based Method	Straight-Line Method	Ratio-Based Method
City of Milwaukee	15%	314	217	314	254
Milwaukee MSA (Excluding City)	85%	1,813	1,254	1,813	1,466
Total Milwaukee MSA	**100%**	**2,127**	**1,471**	**2,127**	**1,720**

* Assumed FAR: 0.30

Source: Woods & Poole Economics, The Polacheck Company, *The Real Estate Journal*, and *S. B. Friedman & Company*

Under the High City Capture Scenario, we assumed the City of Milwaukee would capture 15% of all new industrial transactions in the Milwaukee MSA based on the distribution of new industrial space previously presented in Table 4. As the data show, based upon recent absorption history and projected future growth rates, the City would absorb between 217 and 314 acres of industrial land over the period between 2000 and 2005 under this scenario. We prorated the City's projected share of new industrial land to estimate the absorption rate over the next two years. Between 2003 and 2005, under this scenario the City of Milwaukee would absorb between 87 and 125 acres of new industrial land, or 43 to 63 acres per year.

Based on the two projection methods presented above, using the Low City Capture and High City Capture Scenarios, the City of Milwaukee is projected to absorb between 22 and 63 acres of new industrial land per year over the next two years.

INDUSTRIAL DEMAND CONCLUSIONS

Based on the preceding analysis, we offer the following conclusions regarding the demand for industrial land in the City of Milwaukee:

- Industrial absorption in Milwaukee appears to be elastic, with demand varying significantly between different time periods. From 1994-96 the City captured 8% of new industrial space in the metro area, while from 1997-99 the City's share increased to 22%. From 2000-2002 the City's capture slipped back to 6% (see Table 4). The most likely cause for this elasticity appears to be the City's availability of clean, developable, appropriately located industrial parcels of suitable size. Milwaukee can still capture a share of demand in the metro industrial marketplace, but appropriate parcels must be available.

- The elasticity of absorption suggests that the City could be poised for an increase in industrial activity as the overall economy slowly emerges from the recent downturn. While the City absorbed only about 16 acres from 2000 to 2002, our projections indicate that the City could absorb between 25 and 63 acres of new industrial land per year from 2005 to 2010, or between 127 and 314 new acres over the entire time period. Although the presence of existing vacant building space may dampen absorption of new industrial land in the near term (as some of the vacant space will probably be filled ahead of new construction), demand could increase significantly if the market "bounces back."

3. *Fiscal Impact Analysis*

As part of our analysis of industrial land demand in the City of Milwaukee, we also evaluated the net economic benefits of industrial land and business facilities as compared to other land uses. We examined the net fiscal benefits to the City, after service costs, of eight possible uses: established industrial use, new industrial use, a conversion of the current building to a mixed-use commercial building, the conversion of the current building to a mixed-use residential condominium building, the redevelopment of the site to new office space, the redevelopment of the site to a big-box retail use, the redevelopment of the site to new-construction condominiums, and the redevelopment of the site into a single-family residential development. For purposes of comparison we assumed a single prototype test site (the same lot size, and in cases of conversion or existing industrial use, the same building size) for all eight uses. We used the land area and building size of the Telsmith industrial property at 532 East Capitol Drive as the parameters for this prototype test site. For study purposes, we assumed the prototype site to be located in an area of the City where any of the eight land uses would be feasible for the site from a market, economic, structural, and land use perspective.

Revenues

ASSESSED VALUES

To calculate the revenues that would result from real and personal property taxes on the seven possible land uses for the prototype test site we first calculated an assessed value for each of these prototype uses based on 2003 assessment data for comparable properties in Milwaukee. In estimating assessed value we assumed the following:

- **Established Industrial Use.** We assumed an industrial assessed value per building square foot of about $9.40, based on an average assessed value per building square foot for several established industrial properties in the City of Milwaukee. We assumed a building size of about 132,000 square feet (based on the building size of the Telsmith industrial property).

- **New Industrial Use (Demolition of Existing Building).** We assumed an assessed value per building square foot of about $38.60 for new industrial use, based on an average assessed value per building square foot for several newer industrial properties in the City. We assumed approximately 71,200 square feet of office space as appropriate for the site based on a lot size of about 290,000 square feet (using the Telesmith property dimensions) and an average FAR for the comparable new industrial properties examined of 0.24.

- **Mixed-Use Commercial Conversion (Rehabilitation of Existing Building).** We assumed an assessed value per building square foot of about $41.70 for a mixed-use commercial conversion building, based on an average assessed value per building square foot for several commercial conversion properties in the City. We assumed a building size of about 132,000 square feet and lot size of about 291,000 square feet (based on the

dimensions of the Telsmith industrial property). The FAR using these parameters is approximately 0.45, which might be slightly high for this use, but does allow for parking.

- **Mixed-Use Residential Conversion (Rehab).** We assumed an assessed value per building square foot of about $163.30 for a mixed-use residential conversion building, based on an average assessed value per building square foot for several residential conversion properties in the City. Using the dimensions of the Telsmith industrial property, we assumed a building size of about 132,000 square feet and a lot size of about 291,000 square feet. The FAR for this use, about 0.45, is slightly high, but does allow for parking.

- **New Office Use (Demolition of Existing Building).** We assumed an assessed value per building square foot of about $95.00 for new office use, based on an average assessed value per building square foot for several newer, non-downtown office developments in the City. We assumed approximately 94,300 square feet of office space as appropriate for the site based on a lot size of about 290,000 square feet (using the Telesmith property dimensions) and an average FAR for the comparable office properties examined of 0.32.

- **Retail Use (Demolition).** We assumed an assessed value per building square foot of about $70.10 for a new big-box retail use, based on an average assessed value per building square foot for several big-box retail properties in the City. We assumed approximately 69,500 square feet of retail space as appropriate for the site based on a lot size of about 290,000 square feet and an average FAR for the comparable big-box properties examined of 0.24.

- **New Condominium Use (Demolition).** We assumed an assessed value per building square foot of about $152.90 for new-construction condominiums, based on an average assessed value per building square foot for several new condominium developments in the City. We assumed a development of 121 units totaling approximately 171,000 square feet. This is based on a lot size of about 290,000 square feet, a minimum lot area per dwelling unit of 2,400 square feet (RM3 zoning), and an average dwelling unit size for the comparable condominium developments examined of about 1,400 square feet.

- **Single-Family Residential Use (Demolition).** We assumed an assessed value per square foot of about $98.60 for new single-family residential development, based on an average assessed value per square foot for several new single-family residential properties in the City. We assumed a total of approximately 54,000 square feet of single-family residential development based on a lot size of about 290,000 square feet and an average FAR for the comparable residential properties examined of 0.19. Using an approximately 2,200 square feet average single-family detached unit size on a 11,600 square foot lot based on comparable properties in Milwaukee, we estimated the site could support 25 detached single-family units.

Table 17 shows estimated assessed values for each of the seven prototype uses.

Table 17: Estimated 2003 Assessed Values for Test Site

Land Use	Estimated Assessed Value PSF	Building Square Footage	Total Estimated Assessed Value
Industrial	$9.40	131,600	$1,240,000
New Industrial	$38.60	71,200	$2,750,000
Mixed-Use Commercial Conversion	$41.70	131,600	$5,490,000
Mixed-Use Residential Conversion	$163.30	131,600	$21,500,000
New Office	$95.00	94,300	$8,960,000
Retail (Big Box)	$70.10	69,500	$4,870,000
New Condominium	$152.90	171,400	$26,200,000
Single-Family Residential	$98.50	54,000	$5,300,000

Source: City of Milwaukee and *S. B. Friedman & Company*

PROPERTY TAX REVENUES

We estimated total property tax revenue for each of the eight possible uses based on the 2003 net property tax rate (after the state school credit) for the City of Milwaukee of 27.25 per $1000. Table 18 shows the breakdown of the Milwaukee tax rate by taxing district and the percentage of the total gross tax rate captured by each taxing district.

Table 18: 2003 Property Tax Rates for the City of Milwaukee by Taxing District

Taxing District	Rate (per $1,000)	% of Gross Tax
City of Milwaukee	10.15	35.39%
District Nine Adult Ed	2.05	7.15%
Milwaukee School Board	9.34	32.57%
Metro Sewerage Dist	1.74	6.07%
State Forestry	0.23	0.80%
Milwaukee County	5.17	18.03%
Gross Tax Rate	28.68	100.00%
State School Credit	-1.43	N/A
Net Tax Rate	27.25	N/A

Source: City of Milwaukee

Personal property tax revenues were estimated as approximately 4.7% of the real estate property taxes generated by each prototype based on the average rate of personal property tax to real estate property tax in 2003 for the City of Milwaukee. Table 19 shows the estimated real estate property tax and personal property tax revenues generated by each of the seven prototype uses and the City's share of these revenues.

Table 19: 2003 Estimated Real Estate and Personal Property Tax Revenues for Prototype Test Site

Use	Total Assessed Value	Tax Rate (per $1,000)	Real Estate Tax Revenue	Ratio Personal to Real Estate Property Tax	Personal Property Tax	Total Tax Revenue	% to City	Total Tax Revenue to City
Industrial	$ 1,235,200	27.25	$ 33,700	4.73%	$ 1,600	$ 35,300	35.39%	$ 12,500
New Industrial	$ 2,744,300	27.25	$ 74,800	4.73%	$ 3,500	$ 78,300	35.39%	$ 27,700
Mixed-Use Commercial Conversion	$ 5,488,700	27.25	$149,600	4.73%	$ 7,100	$156,700	35.39%	$ 55,500
Mixed-Use Residential Conversion	$21,502,700	27.25	$585,900	4.73%	$ 27,700	$613,600	35.39%	$217,200
New Office	$ 8,958,500	27.25	$244,100	4.73%	$ 11,500	$255,600	35.39%	$ 90,500
Retail (Big Box)	$ 4,867,700	27.25	$132,600	4.73%	$ 6,300	$138,900	35.39%	$ 49,200
New Condominium	$26,201,100	27.25	$714,000	4.73%	$ 33,800	$747,800	35.39%	$264,700
Single-Family Residential	$ 5,319,900	27.25	$145,000	4.73%	$ 6,900	$151,900	35.39%	$ 53,800

Source: City of Milwaukee and *S. B. Friedman & Company*

Operating Costs

We evaluated the appropriate allocation of costs of City operations to the possible land uses through a proportional allocation method. In this method, we identify operating expenses, recurring annual capital expenditures not funded by bonds or grants, and debt service (removing enterprise funds and segregated funds) to arrive at those expenses supported by property tax levy funding. Then these expenses are allocated to land use based on the proportion that land use's assessed value is to the total assessed value. For industrial and commercial uses, the land use share of expenses is divided by the total number of employees in the City in that sector to arrive at a "cost per employee." The cost per employee is multiplied by an estimated employee count for each use to arrive at an estimate of costs. For residential uses, the residential land use share of City expenses is divided by the total number of residents in the City to arrive at a cost per capita. This cost is then multiplied by an estimated resident count, based on a projected population for each prototype residential use. Table 20 summarizes the cost per employee and cost per capita values used in our analysis.

Table 20: 2003 Expenses Supported by Property Tax Levy Funding

Use	Costs Supported by Property Tax Levy Funding [1]	Land Use Proportion of Total Assessed Value [2]	Land Use Share of Expenses	Total Employees [3]/ Residents [4]	Estimated/ Supported Cost per Employee/ Cost per capita
Industrial/ Manufacturing	$ 197,021,749	3.53%	$ 6,945,000	81,174	$ 85.56
Commercial	$ 197,021,749	32.93%	$ 64,888,000	287,560	$ 225.65
Residential	$ 197,021,749	63.54%	$ 125,188,000	569,974	$ 219.64

[1] From the City of Milwaukee's 2003 Approved Budget
[2] According to 2003 Equalized Values by Class as reported by the Wisconsin Department of Revenue
[3] Total Employees by Sector based on 2002 Claritas data
[4] Total Residents according to 2000 Census

The following details our assumptions for each of the prototype uses.

Established Industrial Use. Data from the Urban Land Institute (ULI) suggest an average of 500 square feet per employee for industrial space. However, employee counts for two nearby industrial businesses show an average of about 2,300 square feet per employee. We assumed a value between these two averages of about 1,000 square feet per employee. Using the prototype building size of 132,000 square feet, we estimated an employee count of 132 employees.

New Industrial Use (Demolition of Existing Building). As in the case of Established Industrial Use, we assumed about 1,000 square feet per employee, based on ULI data and data for other industrial sites in the City. Using an assumed building size of 71,200 square feet (based on an average FAR for comparable newer industrial properties of 0.24), we estimated an employee count of 71 employees.

Mixed-Use Commercial Conversion (Rehabilitation of Existing Building). Because data on the average proportion of retail square footage in a mixed-use commercial conversion building was not readily available, we assumed about 12% of total building square footage as retail, based on data from mixed-use residential conversion buildings,. For the prototype building size of 132,000 square feet, this is about 16,000 square feet of retail space. Based on ULI standards of 400 square feet of retail space per employee we estimated that the retail portion of this prototype use will employ approximately 40 employees. Using ULI standards of 333 square feet of office space per employee, we estimated that the remaining 116,000 square feet of office space would generate 347 employees.

Mixed-Use Residential Conversion (Rehabilitation). Based on data from comparable mixed-use residential conversion buildings, we assumed about 12% of total building square footage as retail. For the prototype building size of 132,000 square feet, this is about 16,000 square feet of retail space. Based on Urban Land Institute (ULI) standards of 400 square feet of retail space per employee we estimated that the retail portion of this prototype use will employ approximately 40 employees. The remaining 116,000 square feet of space was divided by 1,020 square feet average gross unit size for units in comparable properties, for an estimated 113 condominium units. We estimated the population of this prototype use based on 1996 data (the most recent year

available) from the Illinois School Consulting Service (ISCS) --- now Ehlers & Associates, Inc. We were unable to find a comparable source for Wisconsin. The Illinois School Consulting Service develops population generation tables by age for attached- and detached-single-family homes and for apartments. This study includes units at all price levels. Based on an even mix of one- and two-bedroom units, ISCS data estimate approximately 1.58 persons per unit for a total of about 179 residents. ISCS also projects this use to generate an estimated 10 school-aged children.

New Office Use (Demolition of Existing Building). Data from the Urban Land Institute (ULI) suggest an average of 333 square feet per employee for office space. Using an assumed building size of 94,300 square feet (based on an average FAR for comparable newer, non-downtown office properties of 0.32), we estimated an employee count of 283 employees.

Retail Use (Demolition). Using Urban Land Institute (ULI) standards of 400 square feet of retail space per employee and a retail building size of about 69,000 square feet (based on an average FAR for comparable big-box properties of 0.24) we estimated that the retail prototype would employ 174 employees.

New Condominium Use (Demolition). We assumed a development of 121 units totaling approximately 171,000 square feet. This is based on the site's lot size of about 290,000 square feet, a minimum lot area per dwelling unit of 2,400 square feet (RM3 zoning), and an average dwelling unit size for the comparable condominium developments examined of about 1,400 square feet. We estimated population using ISCS data. Based on an even mix of one- and two-bedroom units, ISCS data estimate approximately 1.59 persons per unit for a total of about 192 residents. ISCS also projects this use to generate an estimated 10 school-aged children.

Single-Family Residential Use (Demolition). Based on an approximately 2,200 square feet average single-family detached unit size for comparable properties in Milwaukee and total residential development of approximately 54,000 square feet (based on an average FAR for comparable residential properties of 0.19), we estimated the site could support 25 detached single-family units. We estimated population using ISCS data. Based on an even mix of three- and four-bedroom units, ISCS data estimate approximately 2.44 persons per unit for a total of about 61 residents. ISCS also projects this use to generate an estimated 11 school-aged children.

Table 21 shows the estimated operating costs to the City generated by each of the eight possible land uses.

Table 21: Estimated Costs for Test Site

Land Use	Total Building Square Feet	Square Feet per Employee/Average Unit Size	Total Employees/ Total Units	Average Population per Unit	Total Resident Population	Cost per employee/ Cost per capita	Total Cost
Industrial	132,000	1,000	132	N/A	N/A	$ 85.56	**$ 11,300**
New Industrial	71,000	1,000	71	N/A	N/A	$ 85.56	**$ 6,100**
Mixed-Use Commercial Conversion - Retail	16,000	400	40	N/A	N/A	$ 225.65	$ 9,000
Mixed-Use Commercial Conversion - Office	116,000	333	347	N/A	N/A	$ 225.65	$ 78,300
Total Mixed-Use Commercial							**$ 87,300**
Mixed-Use Residential Conversion - Retail	16,000	400	40	N/A	N/A	$ 225.65	$ 9,000
Mixed-Use Residential Conversion - Residential	116,000	1,020	113	1.58	179	$ 219.64	$ 39,300
Total Mixed-Use Residential							**$ 48,300**
New Office	94,000	333	283	N/A	N/A	$ 225.65	**$ 63,900**
Retail (Big Box)	69,000	400	174	N/A	N/A	$ 225.65	**$ 39,300**
New Condominium	171,000	1,417	121	1.59	192	$ 219.64	**$ 42,200**
Single-Family Residential	54,000	2,179	25	2.44	61	$ 219.64	**$ 13,400**

Source: Urban Land Institute, City of Milwaukee, *S. B. Friedman & Company*

Net Impact Analysis

Table 22 shows the estimated net fiscal impact (estimated real estate and personal property tax revenue less estimated operating costs) for each of the eight possible uses. The table shows the established industrial use to have a slightly positive fiscal impact on the City, while the positive fiscal impact of newer industrial use is significantly higher. With the exception of Mixed-Use Commercial Conversion and Retail (Big Box), the positive fiscal impact of other uses was higher, particularly with new and conversion condominiums. Mixed-Use Commercial Conversion actually had a negative fiscal impact due to the large number of employees projected for this use based on ULI's estimate of approximately one employee per 333 square feet of office building space and the relatively low value placed on commercial conversion space by the assessor (about ½ the assessed value of new office space). While the positive fiscal impacts of industrial use do not seem to be as great as other possible uses for currently industrial land, industrial use often has other benefits that should be considered, as discussed in another section of our report.

Table 22: Estimated Annual Fiscal Impact for Test Site

Use	Total Tax Revenue to City	Total Cost to City	Estimated Net Impact to City
Industrial	$ 12,500	$ (11,300)	***$ 1,200***
New Industrial	$ 27,700	$ (6,100)	***$ 21,600***
Mixed-Use Commercial Conversion	$ 55,500	$ (87,300)	***$ (31,800)***
Mixed-Use Residential Conversion	$ 217,200	$ (48,300)	***$ 168,900***
New Office	$ 90,500	$ (63,900)	***$ 26,600***
Retail (Big Box)	$ 49,200	$ (39,300)	***$ 9,900***
New Condominium	$ 264,700	$ (42,200)	***$ 222,500***
Single-Family Residential	$ 53,800	$ (13,400)	***$ 40,400***

Source: City of Milwaukee, *S. B. Friedman & Co.*

School District

Development within the City of Milwaukee can have several effects on the school district. First, increases in property value due to rehabilitation or new development will increase the overall amount of equalized value within school districts without adding to their costs. This increase in equalized value does have an impact in terms of the share of school costs borne by the state and by local property taxes. According to information provided by the Wisconsin Department of Public Instruction (WDPI), increases in equalized value within a school district reduce the overall state aid provided to the district. This is determined by a complex three-tiered formula with a different cost ceiling within each tier. As equalized value increases, the state's share of costs within each of the tiers decreases and a greater share of costs is shifted to property tax. We estimated the reduction in state aid that would occur with each of the prototype uses and found this reduction to be negligible at the individual project level, but the aggregate effect of several of these projects could have a measurable effect on state aid to school districts.

Development can also affect revenue to the school district and the district property tax rate. The State of Wisconsin places a revenue limit on the amount of revenue a district may collect through state general aid and property tax. This limit is based on enrollment changes, the Consumer Price Index, and each district's prior year revenue. Therefore, in some cases increases in property value due to development may not directly increase property tax revenue to the school district; however, it can decrease the tax burden to individual tax payers due to the fact that the total levy required to cover costs is spread over a larger overall tax base. While at a project level this reduction in tax rate may be negligible, the aggregate effect of several projects could also have a measurable effect on school district property tax rates. Based on information from the WDPI website, it appears that the Milwaukee school district is currently under its revenue limit.

Table 23 shows the estimated net benefit to the school district (to be used for additional spending or tax rate reduction) for each of the possible uses. To estimate the costs to the school district from the residential uses, we projected the population of each residential prototype use using ISCS data. We multiplied this estimated student population by the "Shared Cost per Member" (Cost per Student) value for the 2001-2002 school year (the most recent available), as reported by the WDPI.

Table 23: Estimated Cost & Revenue to School District for PrototypeTest Site - 2001-2002 School Year

Use	Total Assessed Value	Total Tax Revenue	% to School District	Total Tax Revenue to School District	Reduction in State Aid	Estimated # of Students [1]	Cost per Student 01-02 School Year	State Equalization Aid per Student 01-02 School Year	Net School District Cost per Student 01-02 School Year	Total Cost to School District	Net Benefit to School District [2]
Industrial	$ 1,240,000	$ 35,300	32.57%	$ 11,500	Negligible	N/A	N/A	N/A	N/A	N/A	**$ 11,500**
New Industrial	$ 2,750,000	$ 78,300	32.57%	$ 25,500	Negligible	N/A	N/A	N/A	N/A	N/A	**$ 25,500**
Commercial Loft/Warehouse Conversion	$ 5,490,000	$ 156,600	32.57%	$ 51,000	Negligible	N/A	N/A	N/A	N/A	N/A	**$ 51,000**
Residential Loft/Warehouse Conversion	$ 21,500,000	$ 613,700	32.57%	$ 199,800	Negligible	10	$ 7,100	$ 5,700	$ 1,400	$ (14,000)	**$ 213,800**
Newer, non-downtown office	$ 8,960,000	$ 255,700	32.57%	$ 83,300	Negligible	N/A	N/A	N/A	N/A	N/A	**$ 83,300**
Retail (Big Box)	$ 4,870,000	$ 138,900	32.57%	$ 45,200	Negligible	N/A	N/A	N/A	N/A	N/A	**$ 45,200**
Mult-Family Residential (Condos)	$ 26,200,000	$ 747,800	32.57%	$ 243,500	Negligible	10	$ 7,100	$ 5,700	$ 1,400	$ (14,000)	**$ 257,500**
Single-Family Residential	$ 5,300,000	$ 151,800	32.57%	$ 49,400	Negligible	11	$ 7,100	$ 5,700	$ 1,400	$ (15,400)	**$ 64,800**

Source: City of Milwaukee, ISCS, WDPI, *S. B. Friedman & Company*

[1] Based on ISCS Data

[2] If the school district has not reached its revenue limit, then the net benefit could be additional revenue, if it has reached its revenue limit then the net benefit would be tax rate reduction.

4. *Preserving Sites for Industry and Business*

Section 2 of this report demonstrates that there will be future demand for new industrial development in the region, and that Milwaukee can capture a greater share of demand if sites are available and ready for development. Given this elastic demand and the fiscal impact of new development presented in Section 3, we next examined if and how Milwaukee benefits by preserving sites for future industrial and compatible business development (including office use and business support services which provide services or products to other commercial uses.)

While new industrial/business development does have a positive fiscal impact on the City, it will not generate the levels of revenue that a new retail or residential development generates (though it also does not generate the same demands for schools and other public services.) Should sites then be allowed to convert to retail, residential, or other non-industrial uses which, as indicated in Section 3, generate higher levels of revenue to the City? Or are there other benefits to preserving these sites for industry and business uses?

Fiscal impact is only one of several factors to consider in formulating future policy for Milwaukee's industrial land base. As demonstrated in this section, there are in fact significant benefits to preserving appropriate sites for industry and business development. These benefits include the substantial number of jobs which Milwaukee's manufacturing sector still provides, the quality of these jobs in terms of wages and benefits, the contributions of the manufacturing sector to the region's economy, and the opportunity to attract new job-generating uses to sites which are already well-served by public and private infrastructure and which are located in proximity to a large workforce. For this reason, it is important for the City of Milwaukee to strategically preserve and protect key areas for industry and other job-generating uses.

Independent of this study, civic leaders and business activists from the greater Milwaukee area commissioned *The Initiative for a Competitive Milwaukee (ICM)*--a broad-based civic effort resulting in a set of targeted strategies designed to ensure economic development in Milwaukee's inner city. In 2003, ICM released "A Call to Action" which identifies opportunities for strengthening the local economy through business retention and attraction in four targeted industry clusters including manufacturing and business process service centers. The ICM report also demonstrates why manufacturing is a critical sector of Milwaukee's economy in terms of the number and quality of jobs it provides to area residents. This study supports the conclusions of ICM and further details the benefits of preserving key areas for industry and business development.

JOBS & WAGES

Manufacturing played an important role in the history of Milwaukee, as generations of City residents found work in the breweries, printing shops, metal shops, industrial machinery shops, and other factories of Milwaukee. These jobs provided wages and benefits which, over the years, lifted hundreds of thousands of Milwaukee's families into America's middle class.

Today Milwaukee's economy has diversified to include a large and growing service sector. As indicated in Table 24, although the region's manufacturing sector is smaller than it was in past

decades, manufacturing remains a significant employer providing 69,700 jobs in Milwaukee County, or 13% of employment county-wide. In addition, because of higher average wages in the manufacturing sector, these manufacturing jobs accounted for 17% of the County's total wages in 2002.[1]

Table 24: Changes in Manufacturing Employment (1975 to 2003)

	1975		1985		1995		2003	
	Manufacturing Employment	% of Total Employment	Manufacturing Employment	% of Total Employment	Manufacturing Employment	% of Total Employment	Manufacturing Employment	% of Total Employment
Milwaukee County	154,937	34%	115,623	25%	100,307	19%	66,700	13%
Wisconsin	509,010	32%	512,833	27%	601,610	24%	510,153	19%
U.S.	18,300,830	27%	19,261,930	20%	18,473,820	16%	14,600,560	11%

SOURCE: Wisconsin DWD from U.S. Bureau of Labor Statistics, CEW/ES-202, 1975-2000, 2003.

CONTRIBUTIONS TO THE REGIONAL ECONOMY

Because manufacturers purchase goods and services for the production process, manufacturing generates substantial economic activity in a region. According to the Manufacturing Institute, "Every $1 of manufacturing product sold to a final user generates an additional $1.43 of intermediate economic output, more than half in sectors outside manufacturing. Manufacturing's multiplier effect is greater than any other sector and more than double that of the service sector, which generates only 71 cents of intermediate activity for $1 of final sales."[2] As a result, Milwaukee's manufacturing sector stimulates employment in other sectors of the economy at a greater pace than retail, services, or other industries.

All over the world, technology advances have led to productivity growth in the manufacturing sector. While the painful downside of these technological advances is fewer jobs, the sector remains enormously important to the national and regional economy. As indicated in Table 25, in 2000 manufacturing contributed $43 billion to Wisconsin's economy—more than any other sector in the State.

Table 25: Wisconsin Gross State Product in 2000
(millions of current dollars)

		% of GSP
Total Gross State Product	**$173,016**	**100%**
Private industries	$153,785	89%
Agriculture, forestry, and fishing	$3,029	2%
Mining	$289	0%
Construction	$8,424	5%
Manufacturing	**$43,255**	**25%**
Transportation and public utilities	$12,091	7%
Wholesale trade	$11,453	7%
Retail trade	$15,939	9%
Finance, insurance, and real estate	$28,047	16%
Services	$31,256	18%
Government	$19,231	11%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

RETAINING AND ATTRACTING OTHER JOB GENERATING BUSINESSES

The City's industrial land base provides sites for a range of job-generating businesses that extend far beyond manufacturing, including construction (a potential growth industry identified by ICM,) transportation, public utilities, and wholesale trade. When taken together with manufacturing, these sectors represent nearly 30% of total employment in the county. While not every job within these sectors will be located on an industrial site, the industrial land base is critical to the day-to-day functions of each of these sectors. (For example, the construction industry requires sites to store heavy machinery and equipment, building supplies, etc.) In addition, many of the older industrial buildings and/or sites are also appropriate for a wide variety of business services such as call centers, claims processing, customer support, payroll, and collections. ICM also identifies these types of Business Process Service Centers, which depend upon a large pool of labor, as a growing industry with significant potential to bring jobs to Milwaukee's inner city. Preserving the City's industrial land base, then, facilitates job retention and provides opportunities for new job growth far beyond the manufacturing sector.

EFFICIENCY OF PUBLIC INVESTMENT

Over the years, hundreds of millions of public and private dollars have been invested in infrastructure (including truck, rail, and airport facilities) serving Milwaukee's industrial land base. In terms of public funding, it is far more efficient to maintain and strengthen this existing infrastructure, rather than to extend new infrastructure to undeveloped areas. Interviews of area businesses conducted in conjunction with the ICM report confirm that Milwaukee's existing infrastructure and the access which it provides is attractive to companies seeking sites for new facilities.

BENEFITS OF LOCATING JOBS NEAR THE AVAILABLE WORKFORCE

As indicated in the 2003 ICM report, "Milwaukee's workforce is younger and underemployed compared to that of the region." Preserving key sites for industry and business development provides jobs which are accessible to this workforce. In addition, locating jobs in proximity of a large workforce helps reduce pollution caused by long commutes to jobs in outlying areas. Interviews conducted by ICM confirm that workforce availability, (along with access to transportation,) are important competitive advantages for businesses locating in the City of Milwaukee.

CONCLUSION

Manufacturing remains an important sector in Milwaukee in terms of the number of jobs provided, the quality of these jobs, and the contribution to the regional economy. But this sector is not and will not be as large as it was in past decades, nor will it utilize every acre of existing industrial land. However, the City's industrial land base should be viewed as a resource for job retention and attraction not only in manufacturing, but also in construction, transportation and public utilities. Taken together, these sectors represent 30% of the existing job base in Milwaukee County. In addition, many industrial buildings and sites are appropriate locations for business process service centers--another industry targeted by ICM for its potential to generate new jobs. Preserving key areas of Milwaukee's industrial land base for these job-generating uses helps ensure these jobs will be accessible to Milwaukee's young and underemployed workforce.

Sources:

1. Wisconsin Department of Workforce Development, Office of Economic Advisors, January 2004.
2. "The Facts About Modern Manufacturing," 6th Edition, The Manufacturing Institute.

5. *Guidelines for Evaluating Requests to Rezone Industrial Land*

In order for Milwaukee to capture a greater share of projected demand for new industrial development, as well as demand for new business services and other job-generating uses, appropriate sites must be identified and preserved for future industry and business development.

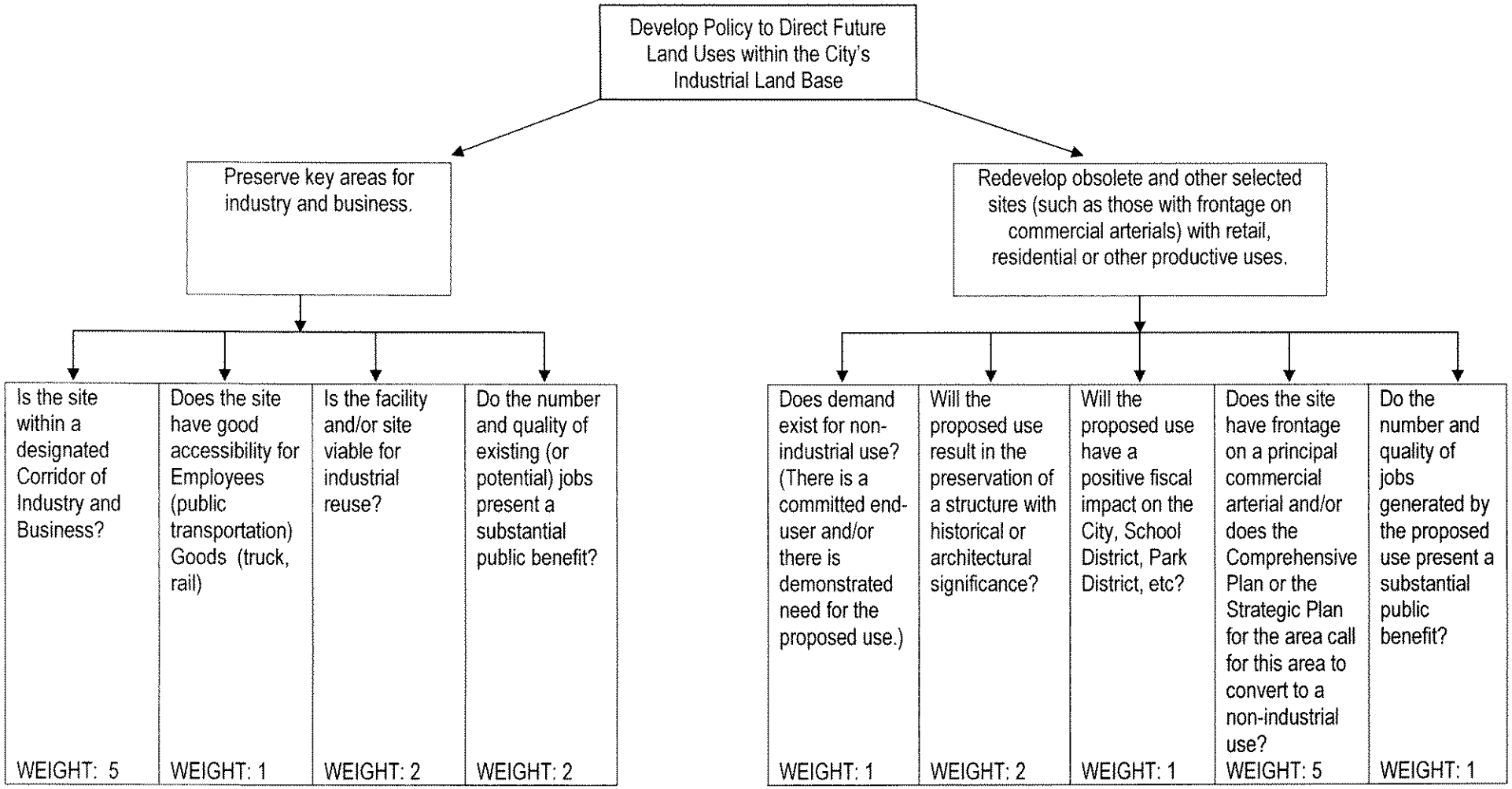
The City has designated 15 areas for industry, business services, and other job-generating, compatible uses. These "Industry and Business Corridors" represent existing concentrations of industry and industrial land which is well served by public transportation, interstate access, truck access, and rail. Former industrial areas where substantial non-industrial development now exists (such as the largely converted Historic Third Ward,) are not included and it is assumed that conversion of former industrial sites to non-industrial uses will continue within these areas. The designated Industry and Business Corridors will serve as the basis for evaluating requests to rezone industrial sites to non-industrial use. The map is being refined now based upon an analysis of existing zoning and input from local industrial organizations and industrial brokers. (A detailed inventory and assessment of the industrial land within these corridors is recommended in Section 7 to complete a more fine-tuned delineation of the corridors.)

Future requests to rezone industrial sites will be evaluated based upon a series of guidelines presented in this section. The guidelines are designed to preserve the highest priority industrial sites for future industrial or business service uses, while allowing lower priority sites to convert to other uses, especially in communities where there is unmet demand for retail or other non-industrial uses. As indicated in Figure 1, the criteria are weighted to indicate the importance of each factor being considered in evaluating requests to rezone industrial land, and the weights of the various criteria are reflected in the evaluation worksheets which follow. The objective is to preserve key areas which are well-suited for industry (because they are surrounded by a critical mass of industry, have good access, contain sites which are viable for industry and business development, and provide opportunities for the retention or generation of quality jobs,) and to redevelop obsolete sites with other uses, (especially in areas where there is a demonstrated need for other uses, where a rezoning facilitates the preservation of a historically significant structure, or where other public benefit is demonstrated.)

Two worksheets are presented to help staff evaluate requests for rezoning industrial sites. The first worksheet, to be completed by the rezoning applicant, provides basic information about the site, any existing structures on the site, and sites in the immediate vicinity. The second worksheet, to be completed by staff, includes the weighted rezoning criteria.

The rezoning criteria were established with input from the Milwaukee Economic Development Corporation, the City of Milwaukee Department of City Development, local industrial brokers, and several local industrial organizations. The criteria were then applied to test sites to ensure application of the criteria result in appropriate recommendations. While a specific "threshold" score has not been established to determine if a site should or should not be rezoned, the higher the score in the left column, the stronger the case is for retaining industrial zoning. Alternatively, the higher the score in the right column, the stronger the case is for changing to a non-industrial zoning classification.

Figure 1: Weighted Decision Tree for Industrial Land Use Policy



Application to Rezone an Industrial Site

(To Be Completed by Applicant)

The following worksheet must be completed by applicants requesting to rezone a site which is currently located in an industrial zoning district. The information will be used by City/MEDC staff to evaluate the request for rezoning. ***If you have questions regarding this worksheet, please contact MEDC at 414-286-5840.***

1. Background Information

Address: _____

Aldermanic District: _____

Tax Key Code: _____

Total Area of Site: _____

Current Zoning: _____

Current Owner: _____

Current (or most recent) Use: _____

Current Full-time Equivalent Jobs, Average Wages/Benefits: _____

2. Proposed Use

What is the proposed use?

How many full-time equivalent jobs will be provided?

What is the average salary of these jobs?

What are the benefits (insurance, pension, etc.)? *Not applicable.*

Is there a demonstrated demand for the proposed use? Does the proposed use provide a community service or other public benefit? (Please provide a brief explanation here and attach market studies or any other additional evidence of demand for and/or public benefit of proposed use.)

3. **Description of Each Existing Principal Structure on the Site**
(Information must be provided for all existing structures with more than 1000 SF of total floor area. Attach additional sheets if needed.)

Building 1 Total Floor Area: _____ SF

No. Stories: _____

Building Depth: _____ ft.

Building Width: _____ ft.

Column Spacing: _____

Minimum Clear Ceiling Height: _____ ft.

No. Loading Docks: _____

Is the building a designated landmark? _____ Yes _____ No

Will this building be demolished or redeveloped?

Building 2 Total Floor Area: _____ SF

No. Stories: _____

Building Depth: _____ ft.

Building Width: _____ ft.

Column Spacing: _____

Minimum Clear Ceiling Height: _____ ft.

No. Loading Docks: _____

Is the building a designated landmark? _____ Yes _____ No

Will this building be demolished or redeveloped?

4. **Parking** No. of parking spaces currently available on site: _____

5. **Access** Does the site have rail access? _____ Yes _____ No

What is the truck access to the site?

What is the public transportation access to the site?

6. Environmental Remediation, Other Site Conditions

Is the site contaminated or is any environmental remediation required? If remediation is required, what is the estimated cost to clean the site? (Please explain briefly.)

Is there a Phase 1 completed?

_____Yes (If "yes", please attach.)

_____ No (If "No", please note that funding assistance is available to conduct a Phase1 analysis. Please contact MEDC for more information.)

Is there a Phase 2 completed? _____ Yes _____ No

Are there geotechnical conditions or additional site conditions which must be addressed in order to redevelop this site? (If yes, please explain.)

7. Use & Ownership of Surrounding Parcels:

Please list below the current use and ownership of each parcel within 300' of the perimeter of the subject site and attach an aerial or map which identifies the subject site and each of the surrounding parcels as indicated by the numbers below. Attach additional sheets if needed. **Information can be obtained at www.milwaukee.gov/RequestServices?PropertyData.html and www.milwaukee.gov/gis/map_milwaukee.htm .**

Site	Address	Use	Ownership
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

8. What actions have you taken to proceed with development?

Have you developed a site plan, land use plan, or concept plan? (If yes, please attach plan to this application.)

Have you met with the Alderman?

What other steps have you taken?

Evaluation of Proposed Rezoning

(To be completed by City/MEDC Staff.)

Address: _____

Current (or most recent) Use: _____

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
1. Is the site located in one of the following designated Industrial/Business Corridors? (See City of Milwaukee Map of Industrial/Business Corridors for boundaries of designated areas.) ▪ 30th Street ICC Corridor ▪ Airport Industrial Corridor ▪ Havenwoods ▪ Haymarket ▪ Inner Harbor/Port ▪ Kinnickinnic River Parkway ▪ Menomonee Valley ▪ North Milwaukee ▪ Northwest/Land Bank ▪ Oklahoma Avenue ▪ Riverworks ▪ State Street ▪ Timmerman Airport ▪ Walker's Point ▪ Zoo Industrial **Are existing uses adjacent to the site predominantly industrial or compatible businesses?** **Does the Comprehensive Plan and Relevant Strategic Plan call for this area to remain industrial/business?**	☐ Yes = up to 5	
2. Does the site have good accessibility? ▪ Is the area well served by public transportation making it easily accessible to the local labor market? ▪ The site is within 5 miles of interstate access & is well served by major transportation corridors. ▪ Is the site served by rail or can rail services be reasonably extended to the site?	☐ Yes = 1	
3. Is the facility (or site) viable for industrial use or business support services? **Existing structures on the site are suitable for modern industrial use:** ▪ 5,000 SF or more in a single story facility ▪ 18' or higher ceiling clearance ▪ 100' or more in depth; 40' or greater column spacing ▪ loading docks	☐ Yes = up to 2	

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
3. (Continued) ▪ parking is available on-site **OR** **Existing structures on the site are suitable for compatible business uses.** ▪ The building has limited re-use potential for a modern industrial user, but could be converted to a compatible, non-industrial use such as business services, health services, general office use, or high tech use. **OR** **The size and configuration of the site make it suitable for industrial or business service use.** ▪ The site is at least 2 acres in area and represents a significant development opportunity for new industrial (or compatible, job-generating) development, or ▪ The site is vacant or under-utilized and can be consolidated with adjacent vacant or under-utilized sites to create a developable parcel of at least 2 acres in area.		
4. If the site is preserved for industrial or business services uses, do the number and quality of existing (or potential) jobs provide a substantial public benefit?	☐ Yes = up to 2	
5. Does demand exist for Retail, Residential, or Other Non-industrial Uses? ▪ An end-user has been identified or demand for the proposed non-industrial use has been demonstrated. ▪ The proposed non-industrial use provides a service to the community.		☐ Yes = 1
6. Will the proposed use result in the preservation and restoration of a structure with historical or architectural significance?		☐ Yes = up to 2
7. Will the proposed use have a positive fiscal impact on the City, School District, etc?		☐ Yes = 1
8. Does the site have frontage on a principal commercial arterial? **And/or** **does the Comprehensive Plan or area Strategic Plan call for this area to convert to a non-industrial use?**		☐ Yes = up to 5
9. If the site is rezoned, does the new use provide a substantial public benefit in terms of the number and quality of proposed jobs?		☐ Yes = 1

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
OTHER SITE SPECIFIC FACTORS TO BE CONSIDERED:		
10. Is the proposed use incompatible with adjacent industrial uses with little or no opportunity to provide buffering to protect adjacent industrial uses? (For example, a proposed residential development would be incompatible if it abuts loading docks, staging areas, or other active industrial uses with no opportunity for buffering.)	☐ Yes = 1	
11. Environmental, Geotechnical, and Other Site Conditions ▪ If the site is contaminated, is remediation more viable with an industrial/business service use, or with a retail or residential use? (For example, if clean-up costs exceed fair market value for industrial property, the site is likely to remain vacant and/or under-utilized without public assistance for clean-up or rezoning to a use with higher land value.) ▪ Are there geotechnical or other site conditions which make industrial re-use more viable? Residential use more viable? Retail use more viable? If such factors exist, distribute up to 5 points as appropriate.	☐ More viable for industrial/ busn. svc. use = 1	☐ More viable for retail or residential use = 1
TOTAL		

These criteria are intended to guide the evaluation of a request for rezoning an industrial site. While a specific "threshold" score has not been established to determine if a site should or should not be rezoned, the higher the score in the left column above, the stronger the case is for retaining industrial zoning. Alternatively, the higher the score in the right column above, the stronger the case is for changing to a non-industrial zoning classification.

6. *Test Sites*

To test and refine the rezoning criteria, MEDC was asked to identify industrial sites and complete a worksheet for each site. The completed worksheets for two test sites are included in this section.

Test Site 1: **607 E. Polk Street, Charter Wire.** (A site which should probably be allowed to convert to non-industrial use.)

This site is generally surrounded by new residential development and residential conversions. Charter Wire is the last major industrial employer within the Historic Third Ward. The company may require a new facility within a few years. The vacant site immediately to the north of Charter Wire is redeveloping w/non-industrial use.

As indicated in the completed evaluation worksheets, application of the rezoning guidelines results in a score of "5" for preserving the site for industry or business services and a score of "7" for allowing the site to convert to residential. Although the site itself is viable for industrial reuse, it is not located within a designated Industry and Business Corridor, but rather within the largely converted Historic Third Ward, and is therefore not considered a key site to preserve.

Test Site 2: **532 E. Capitol Drive, Telsmith.** (A site which *might* be appropriate for retail conversion.)

This site has frontage on Capitol Drive which has become a major commercial corridor. WTMJ TV is located just east of the site, but is expected to leave. The WTMJ facility may be reused as an office facility.

Application of the rezoning guidelines to this test site result in a high score of "10" for preserving the site for industry and business services, and also a high (but lower) score of "8" for allowing the site to convert to retail use because of the frontage on a major commercial arterial, Capitol Drive.

TEST SITE 1: Charter Wire

Application to Rezone an Industrial Site

(To Be Completed by Applicant)

The following worksheet must be completed by applicants requesting to rezone a site which is currently located in an industrial zoning district. The information will be used by City/MEDC staff to evaluate the request for rezoning. ***If you have questions regarding this worksheet, please contact MEDC at 414-286-5840.***

1. Background Information

Address: *607 E. Polk Street (Charter Wire)*

Aldermanic District: *4*

Tax Key Code: *392 2185 113*

Total Area of Site: *185,740 SF*

Current Zoning: *IM (Industrial Mixed)*

Current Owner: *Garland Bros.*

Current (or most recent) Use: *The site is currently used for manufacturing wire.*

Current Full-time Equivalent Jobs, Average Wages/Benefits: *Benefits include health and dental insurance; profit-sharing.*

2. Proposed Use

What is the proposed use?

Multi-family residential is a likely reuse.

How many full-time equivalent jobs will be provided? *No permanent jobs will be created.*

What is the average salary of these jobs? *Not applicable.*

What are the benefits (insurance, pension, etc.)? *Not applicable.*

Is there a demonstrated demand for the proposed use? Does the proposed use provide a community service or other public benefit? (Please provide a brief explanation here and attach market studies or any other additional evidence of demand for and/or public benefit of proposed use.) *Parcels throughout the area have been redeveloped and sold for residential use.*

3. Description of Each Existing Principal Structure on the Site
(Information must be provided for all existing structures with more than 1000 SF of total floor area. Attach additional sheets if needed.)

Building 1 Total Floor Area: 140,182 SF

No. Stories: _____

Building Depth: _____ ft.

Building Width: _____ ft.

Column Spacing: _____

Minimum Clear Ceiling Height: _____ ft.

No. Loading Docks: _____

Is the building a designated landmark? _____ Yes _____ No

Will this building be demolished or redeveloped?

Demolished.

4. Parking

No. of parking spaces currently available on site: _____

5. Access

Does the site have rail access? __X__ Yes _____ No

A rail line extends just north of site; it does not appear to service the site currently.

What is the truck access to the site?

The site is accessible by truck.

What is the public transportation access to the site?

The site is accessible by public transportation.

6. Environmental Remediation, Other Site Conditions

Is the site contaminated or is any environmental remediation required? If remediation is required, what is the estimated cost to clean the site? (Please explain briefly.)

Not known.

Is there a Phase 1 completed?

_____Yes (If "yes", please attach.)

_____ No (If "No", please note that funding assistance is available to conduct a Phase1 analysis. Please contact MEDC for more information.)

Is there a Phase 2 completed? _____ Yes _____ No

Are there geotechnical conditions or additional site conditions which must be addressed in order to redevelop this site? (If yes, please explain.)

7. Use & Ownership of Surrounding Parcels:

Please list below the current use and ownership of each parcel within 300' of the perimeter of the subject site and attach an aerial or map which identifies the subject site and each of the surrounding parcels as indicated by the numbers below. Attach additional sheets if needed. **Information can be obtained at www.milwaukee.gov/RequestServices?PropertyData.html and www.milwaukee.gov/gis/map_milwaukee.htm .**

Site	Address	Use	Ownership
1	*518 E. Erie*	*Manufacturing*	*Alan Hott*
2	*538 E. Erie*	*Local Comm.*	*Hansen Storage Co.*
3	*560 E. Erie*	*Local Comm.*	*Sandra Fooden*
4	*541 E. Erie*	*Local Comm.*	*Hansen Storage Co.*
5	*639 E. Polk*		*Milwaukee World Fest.*
6	*110 N. Marshall St.*		*Milwaukee World Fest.*
7	*100 N. Marshall St.*	*Manufacturing*	*Barbara B. Glass*
8	*642 E. Erie*		*City of Milwaukee*
9	*639 E. Polk*		*City of Milwaukee*
10	*200 N. Harbor*		*City of Milwaukee*
11	*640 E. Polk*		*Italian Community Center*
12	*132 N. Jackson St.*		*Italian Community Center*
13	*521 E. Corcoran*	*Local Comm.*	*Joseph T. Glorioso*
14	*120 N. Jefferson*	*Local Comm.*	*Corcoran Place LLC.*
15	*625 E. Chicago*		*Italian Community Center*
16	*550 N. Harbor*		*City of Milwaukee*

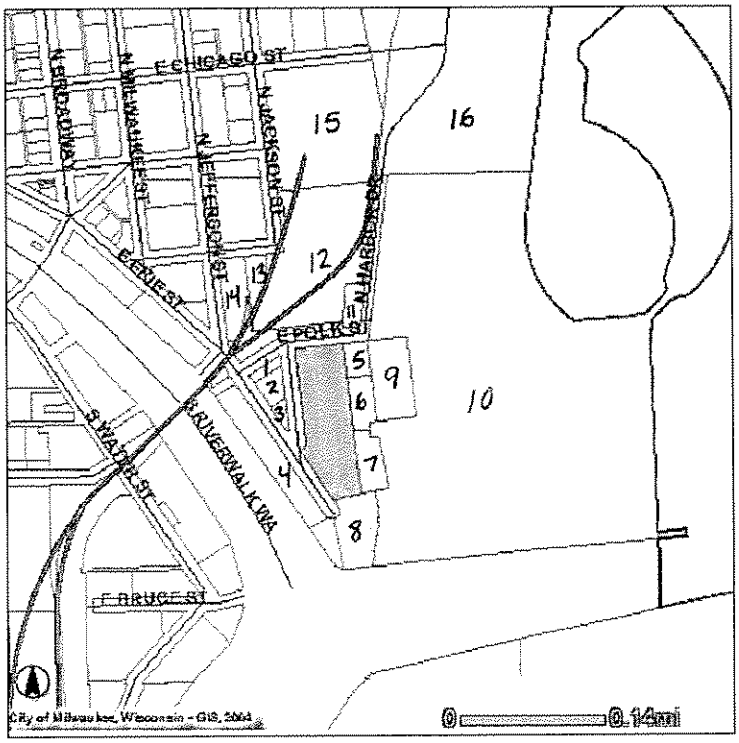
8. What actions have you taken to proceed with development?

Have you developed a site plan, land use plan, or concept plan? (If yes, please attach plan to this application.)
Not applicable to test case.

Have you met with the Alderman?
Not applicable to test case.

What other steps have you taken?
Not applicable to test case.

Figure 2
CHARTER WIRE: USE AND OWNERSHIP OF SURROUNDING PARCELS



Evaluation of Proposed Rezoning

(To be completed by City/MEDC Staff.)

Address: *607 E. Polk (Charter Wire)*

Current (or most recent) Use: *Wire Manufacturer*

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
1. Is the site located in one of the following designated Industrial/Business Corridors? (See City of Milwaukee Map of Industrial/Business Corridors for boundaries of designated areas.) ▪ 30th Street ICC Corridor ▪ Airport Industrial Corridor ▪ Havenwoods ▪ Haymarket ▪ Inner Harbor/Port ▪ Kinnickinnic River Parkway ▪ Menomonee Valley ▪ North Milwaukee ▪ Northwest/Land Bank ▪ Oklahoma Avenue ▪ Riverworks ▪ State Street ▪ Timmerman Airport ▪ Walker's Point ▪ Zoo Industrial **Are existing uses adjacent to the site predominantly industrial or compatible businesses?** *No. Many industrial sites in the area have already converted to residential use; few industrial users remain.* **Does the Comprehensive Plan and Relevant Strategic Plan call for this area to remain industrial/business?**	☐ Yes = up to 5	
2. Does the site have good accessibility? ▪ Is the area well served by public transportation making it easily accessible to the local labor market? *Yes* ▪ The site is within 5 miles of interstate access & is well served by major transportation corridors. *Yes* ▪ Is the site served by rail or can rail services be reasonably extended to the site? *Yes*	☑ Yes = 1 ***1***	
3. Is the facility (or site) viable for industrial use or business support services? *The facility itself is viable, but the site is surrounded by residential uses which are incompatible with industrial truck traffic.* **Existing structures on the site are suitable for modern industrial use:** ▪ 5,000 SF or more in a single story facility ▪ 18' or higher ceiling clearance ▪ 100' or more in depth; 40' or greater column spacing ▪ loading docks ▪ parking is available on-site	☑ Yes = up to 2 ***2***	

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
3. (Continued) **OR** **Existing structures on the site are suitable for compatible business uses.** ▪ The building has limited re-use potential for a modern industrial user, but could be converted to a compatible, non-industrial use such as business services, health services, general office use, or high tech use. *Yes* **OR** **The size and configuration of the site make it suitable for industrial or business service use.** ▪ The site is at least 2 acres in area and represents a significant development opportunity for new industrial (or compatible, job-generating) development, or ▪ The site is vacant or under-utilized and can be consolidated with adjacent vacant or under-utilized sites to create a developable parcel of at least 2 acres in area. *Yes*		
4. If the site is preserved for industrial or business services uses, do the number and quality of existing (or potential) jobs provide a substantial public benefit? *Yes*	☑ Yes = up to 2 ***2***	
5. Does demand exist for Retail, Residential, or Other Non-industrial Uses? ▪ An end-user has been identified or demand for the proposed non-industrial use has been demonstrated. ▪ The proposed non-industrial use provides a service to the community. ▪ The proposed use will generate fiscal benefit to the City, school district, etc.		☑ Yes = 1 ***1***
6. Will the proposed use result in the preservation and restoration of a structure with historical or architectural significance? *No; the site is not historically or architecturally significant.*		☐ Yes = up to 2
7. Will the proposed use have a positive fiscal impact on the City, School District, etc? *Yes; the fiscal impact analysis indicates that new condominium construction on the site will have a positive fiscal impact on the City.*		☑ Yes = 1 ***1***
8. Does the site have frontage on a principal commercial arterial? *No.* **And/or** **does the Comprehensive Plan or area Strategic Plan call for this area to convert to a non-industrial use?**		☑ Yes = up to 5 ***5***
9. If the site is rezoned, does the new use provide a substantial public benefit in terms of the number and quality of proposed jobs? *If the site is redeveloped with residential use, no permanent jobs will be created at the site.*		☐ Yes = 1

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
OTHER SITE SPECIFIC FACTORS TO BE CONSIDERED:		
10. Is the proposed use incompatible with adjacent industrial uses with little or no opportunity to provide buffering to protect adjacent industrial uses? (For example, a proposed residential development would be incompatible if it abuts loading docks, staging areas, or other active industrial uses with no opportunity for buffering.) *There are few remaining industrial users in the area.*	☐ Yes = 1	
11. Environmental, Geotechnical, and Other Site Conditions ▪ If the site is contaminated, is remediation more viable with an industrial/business service use, or with a retail or residential use? (For example, if clean-up costs exceed fair market value for industrial property, the site is likely to remain vacant and/or under-utilized without public assistance for clean-up or rezoning to a use with higher land value.) ▪ Are there geotechnical or other site conditions which make industrial re-use more viable? Residential use more viable? Retail use more viable? If such factors exist, distribute up to 5 points as appropriate.	☐ More viable for industrial/ busn. svc. use = 1	☐ More viable for retail or residential use = 1
TOTAL	*5*	*7*

These criteria are intended to guide the evaluation of a request for rezoning an industrial site. While a specific "threshold" score has not been established to determine if a site should or should not be rezoned, the higher the score in the left column above, the stronger the case is for retaining industrial zoning. Alternatively, the higher the score in the right column above, the stronger the case is for changing to a non-industrial zoning classification.

TEST SITE 2: Telsmith

Application to Rezone an Industrial Site

(To Be Completed by Applicant)

The following worksheet must be completed by applicants requesting to rezone a site which is currently located in an industrial zoning district. The information will be used by City/MEDC staff to evaluate the request for rezoning. ***If you have questions regarding this worksheet, please contact MEDC at 414-286-5840.***

1. Background Information

Address: *532 E. Capitol Drive (Telsmith)*

Aldermanic District: *6*

Tax Key Code: *241 9992 100 9*

Total Area of Site: *291,286 SF*

Current Zoning: *IL (Industrial Light)*

Current Owner: *Jessica Properties LLC*

Current (or most recent) Use: *Metal processing.*

Current Full-time Equivalent Jobs, Average Wages/Benefits: *Unavailable*

2. Proposed Use

What is the proposed use? *Retail is a likely reuse.*

How many full-time equivalent jobs will be provided?

174 (Estimated based upon ULI standards of 400 SF of retail space per employee and a retail building size of approximately 69,000 SF based upon .24 average FAR for comparable big box properties.)

What is the average salary of these jobs? *unavailable*

What are the benefits (insurance, pension, etc.)? *unavailable*

Is there a demonstrated demand for the proposed use? Does the proposed use provide a community service or other public benefit? (Please provide a brief explanation here and attach market studies or any other additional evidence of demand for and/or public benefit of proposed use.)

The area is well-served by retail. (There is a Jewel, Osco, and Walmart on Capitol Drive.) But the dense residential area to the east has no sites for big box retail. This site could provide additional retail shopping for area residents.

3. Description of Each Existing Principal Structure on the Site
(Information must be provided for all existing structures with more than 1000 SF of total floor area. Attach additional sheets if needed.)

Building 1 Total Floor Area: *131,640 SF*

No. Stories: _____

Building Depth: _____ ft.

Building Width: _____ ft.

Column Spacing: _____

Minimum Clear Ceiling Height: _____ ft.

No. Loading Docks: _____

Is the building a designated landmark? _____ Yes _____ No

Will this building be demolished or redeveloped?

Retail development would likely result in demolition of the facility.

4. Parking

No. of parking spaces currently available on site: _____

5. Access

Does the site have rail access? _____ Yes _____ No

What is the truck access to the site?

What is the public transportation access to the site?

The site is located on a public bus route.

6. Environmental Remediation, Other Site Conditions

Is the site contaminated or is any environmental remediation required? If remediation is required, what is the estimated cost to clean the site? (Please explain briefly.)

Environmental conditions are not known, but some environmental remediation will probably be needed.

Is there a Phase 1 completed?

_____Yes (If "yes", please attach.)

_____ No (If "No", please note that funding assistance is available to conduct a Phase1 analysis. Please contact MEDC for more information.)

Is there a Phase 2 completed? _____ Yes _____ No

Are there geotechnical conditions or additional site conditions which must be addressed in order to redevelop this site? (If yes, please explain.)

Uncertain.

7. Use & Ownership of Surrounding Parcels:

Please list below the current use and ownership of each parcel within 300' of the perimeter of the subject site and attach an aerial or map which identifies the subject site and each of the surrounding parcels as indicated by the numbers below. Attach additional sheets if needed. **Information can be obtained at www.milwaukee.gov/RequestServices?PropertyData.html and www.milwaukee.gov/gis/map_milwaukee.htm .**

Site	Address	Use	Ownership
1	*720 E. Capitol Drive*	*WTMJ Radio/TV Studio*	*Journal Broadcasting Group*
2	*4151 N. Humboldt Bl.*	*Milwaukee Vocational*	*Vocational Shool*
3	*4132 N. Holton*	*Milwaukee Die Casting*	*Theresa Slyman*
4	*4108 N. Richards St.*		*State of WI*
5	*400 E. Capitol Drive*	*Shopping Ctr.*	*TL Capitol Ctr. Inc.*
6	*420 E. Capitol Drive*	*McDonald's Restaurant*	*McDonald's Corporation*
7	*429 E. Capitol Drive*	*Citgo Gas Station*	*Multani Real Estate*
8	*401 E. Capitol Drive*	*Walmart*	*Continental 20 Fund Ltd.*
9	*505 E. Capitol Drive*	*U-Haul*	*24 SAC Self Storage*
10	*627 E. Capitol Drive*	*Wendy's Restaurant*	*JB Properties Ltd.*

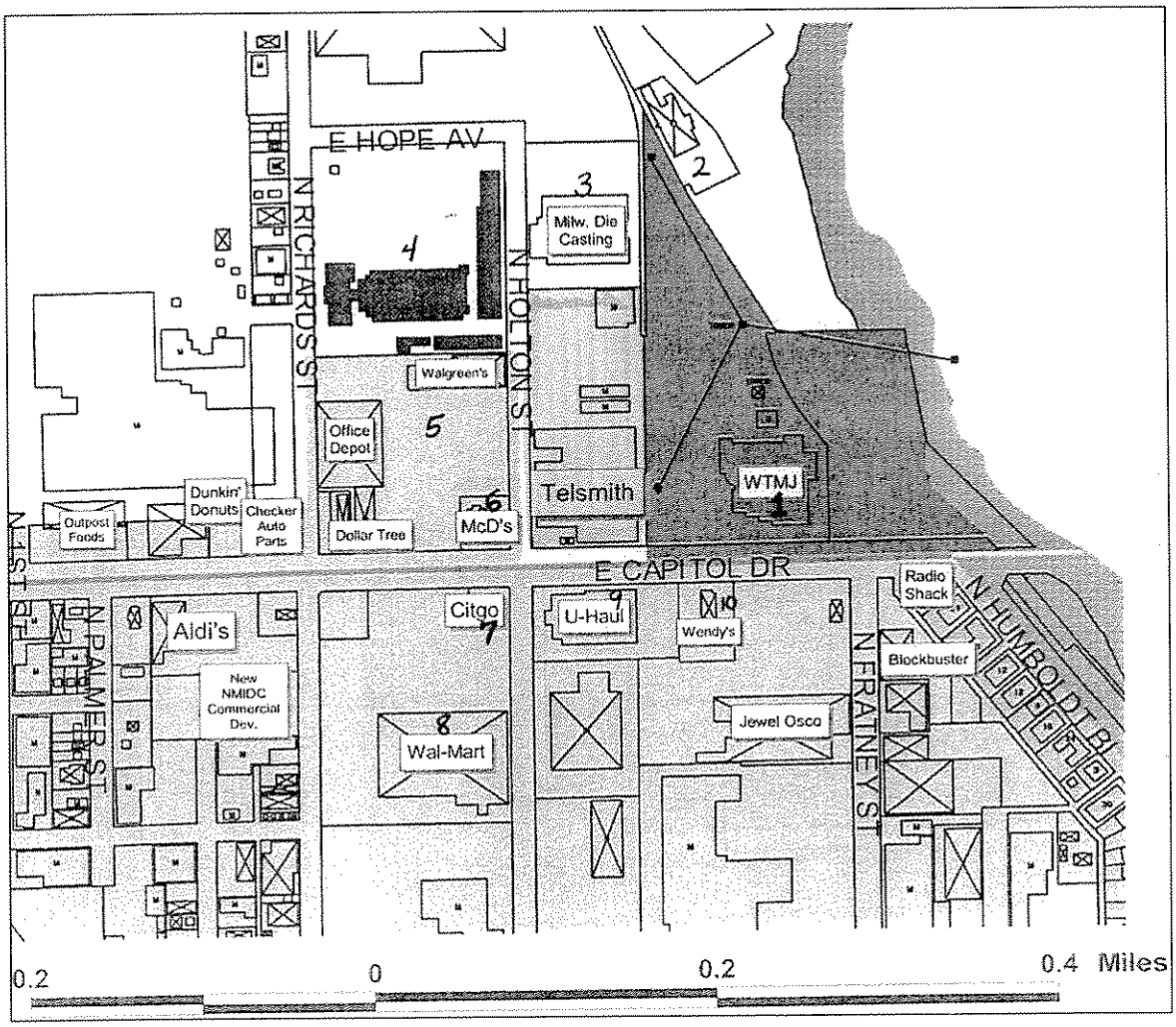
8. What actions have you taken to proceed with development?

Have you developed a site plan, land use plan, or concept plan? (If yes, please attach plan to this application.)
Not applicable to test case.

Have you met with the Alderman?
Not applicable to test case.

What other steps have you taken?
Not applicable to test case.

Figure 3
Telsmith: Use & Ownership of Surrounding Parcels



Evaluation of Proposed Rezoning

(To be completed by City/MEDC Staff.)

Address: *532 E. Capitol Drive (Telsmith)*

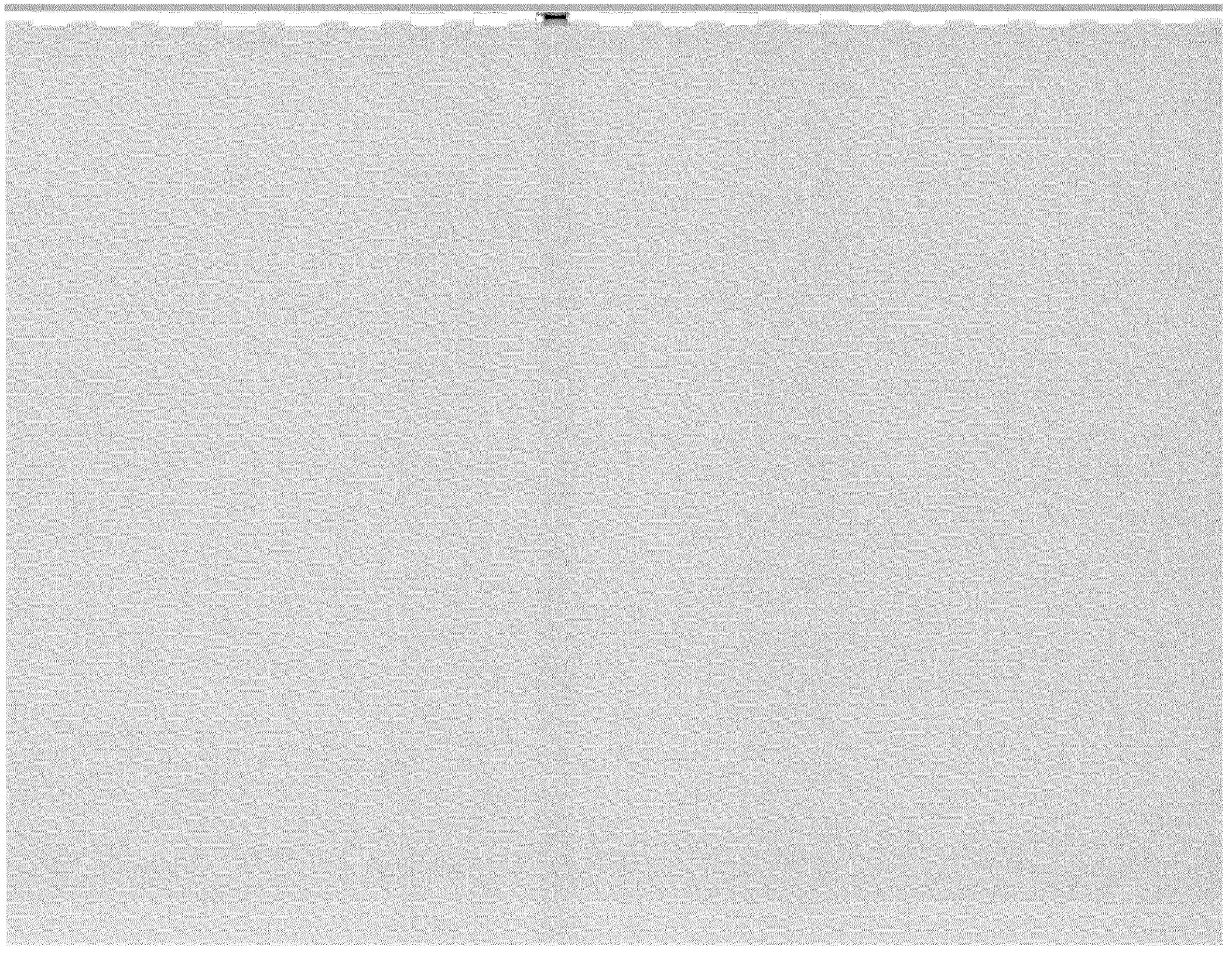
Current (or most recent) Use: *Metal Processing*

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
1. Is the site located in one of the following designated Industrial/Business Corridors? (See City of Milwaukee Map of Industrial/Business Corridors for boundaries of designated areas.) ▪ 30th Street ICC Corridor ▪ Airport Industrial Corridor ▪ Havenwoods ▪ Haymarket ▪ Inner Harbor/Port ▪ Kinnickinnic River Parkway ▪ Menomonee Valley ▪ North Milwaukee ▪ Northwest/Land Bank ▪ Oklahoma Avenue ▪ Riverworks ▪ ~~State Street~~ ▪ Timmerman Airport ▪ Walker's Point ▪ Zoo Industrial **Are existing uses adjacent to the site predominantly industrial or compatible businesses?** *Adjacent uses to the north and east of the site are industrial or compatible businesses. A number of retail uses exist west and south of the site. Many sites with frontage on Capitol Drive are developed with retail uses.* **Does the Comprehensive Plan call for this area to remain industrial/business?** **Does the most current Strategic Plan call for this area to remain industrial/business?**	☑ Yes = up to 5 ***5***	
2. Does the site have good accessibility? ▪ Is the area well served by public transportation making it easily accessible to the local labor market? *Yes* ▪ The site is within 5 miles of interstate access & is well served by major transportation corridors. *Yes* ▪ Is the site served by rail or can rail services be reasonably extended to the site?	☑ Yes = 1 ***1***	
3. Is the facility (or site) viable for industrial use or business support services? *Yes* **Existing structures on the site are suitable for modern industrial use:** ▪ 5,000 SF or more in a single story facility ▪ 18' or higher ceiling clearance ▪ 100' or more in depth; 40' or greater column spacing ▪ loading docks ▪ parking is available on-site	☑ Yes = up to 2 ***2***	

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
3. (continued) **OR** **Existing structures on the site are suitable for compatible business uses.** ▪ The building has limited re-use potential for a modern industrial user, but could be converted to a compatible, non-industrial use such as business services, health services, general office use, or high tech use. *Yes; the existing facility is suitable for a variety of business uses.* **OR** **The size and configuration of the site make it suitable for industrial or business service use.** ▪ The site is at least 2 acres in area and represents a significant development opportunity for new industrial (or compatible, job-generating) development, or ▪ The site is vacant or under-utilized and can be consolidated with adjacent vacant or under-utilized sites to create a developable parcel of at least 2 acres in area. *Yes; the site is 6.5 acres with adequate depth and width for industrial reuse.*		
4. If the site is preserved for industrial or business services uses, do the number and quality of existing (or potential) jobs provide a substantial public benefit? *Yes*	☑ Yes = up to 2 ***2***	
5. Does demand exist for Retail, Residential, or Other Non-industrial Uses? ▪ An end-user has been identified or demand for the proposed non-industrial use has been demonstrated. ▪ The proposed non-industrial use provides a service to the community. ▪ The proposed non-industrial use will generate fiscal benefit to the City, school district, etc.		☑ Yes = 1 ***1***
6. Will the proposed use result in the preservation and restoration of a structure with historical or architectural significance? *No; the site is not historically or architecturally significant*		☐ Yes = up to 2
7. Will the proposed use have a positive fiscal impact on the City, School District, etc? *Yes; the fiscal impact analysis indicates that new retail development at the site will have a positive fiscal impact on the City.*		☑ Yes = 1 ***1***
8. Does the site have frontage on a principal commercial arterial? *Yes. Many retail and other commercial uses have developed along Capitol Drive in this area.* **And/or** **does the Comprehensive Plan or area Strategic Plan call for this area to convert to a non-industrial use?**		☑ Yes = up to 5 ***5***
9. If the site is rezoned, does the new use provide a substantial public benefit in terms of the number and quality of proposed jobs? *Yes, a substantial number of retail jobs would be created. (Though retail earnings and benefits are likely to be lower than industrial earnings and benefits.)*		☑ Yes = 1 ***1***
OTHER SITE SPECIFIC FACTORS TO BE CONSIDERED:		

Evaluation of Rezoning Request	Preserve for Industry or Business Services	Rezone to Other Use
10. Is the proposed use incompatible with adjacent industrial uses with little or no opportunity to provide buffering to protect adjacent industrial uses? (For example, a proposed residential development would be incompatible if it abuts loading docks, staging areas, or other active industrial uses with no opportunity for buffering.) *No. The proposed retail development would not be incompatible with adjacent uses.*	☐ Yes = 1	
11. Environmental, Geotechnical, and Other Site Conditions ▪ If the site is contaminated, is remediation more viable with an industrial/business service use, or with a retail or residential use? (For example, if clean-up costs exceed fair market value for industrial property, the site is likely to remain vacant and/or under-utilized without public assistance for clean-up or rezoning to a use with higher land value.) ▪ Are there geotechnical or other site conditions which make industrial re-use more viable? Residential use more viable? Retail use more viable? If such factors exist, distribute up to 5 points as appropriate. *Environmental remediation may be required, but is unlikely to present a significant advantage or disadvantage for the proposed retail use.*	☐ More viable for industrial/ busn. svc. use = 1	☐ More viable for retail or residential use = 1
TOTAL	***10***	***8***

These criteria are intended to guide the evaluation of a request for rezoning an industrial site. While a specific "threshold" score has not been established to determine if a site should or should not be rezoned, the higher the score in the left column above, the stronger the case is for retaining industrial zoning. Alternatively, the higher the score in the right column above, the stronger the case is for changing to a non-industrial zoning classification.



7. Conclusions and Recommendations

Key conclusions from our analysis are summarized below. The conclusions are followed by immediate and long term actions recommended to preserve appropriate industrial areas in order to facilitate job retention and generate new jobs.

Conclusions

If sites are available and ready for development, the City can capture a greater share of projected industrial demand. Industrial absorption in Milwaukee appears to be elastic, varying significantly between different time periods. From 1994-96 the City captured 8% of new industrial space in the metropolitan area, while from 1997-99 the City's share increased to 22%, then slipped back to 6% from 2000-2002. The most likely cause for this elasticity appears to be the City's availability of clean, developable, appropriately located industrial parcels of suitable size. Milwaukee can capture a greater share of demand in the metropolitan industrial marketplace, but only if appropriate parcels are available. If appropriate parcels are made available and ready for development, our projections of future industrial demand indicate that the City could absorb between 25 and 63 acres of new industrial development per year from 2005 to 2010, or between 127 and 314 new acres over the entire time period. (Although the presence of existing vacant building space may dampen absorption of new industrial land in the near term as some of the vacant space will probably be filled ahead of new construction.)

The City benefits by preserving appropriate sites for industry and business development. Manufacturing remains an important sector in Milwaukee in terms of the number of jobs provided, the quality of these jobs, and the contribution to the regional economy. But this sector is not and will not be as large as it was in past decades, nor will it utilize every acre of existing industrial land. However, the City's industrial land base should be viewed as a resource for job retention and attraction not only in manufacturing, but also in construction, transportation and public utilities. Taken together, these sectors represent 30% of the existing job base in Milwaukee County. In addition, many industrial buildings and sites are appropriate locations for a wide variety of business support services—a growing industry including call centers, claims processing, customer support, payroll and collections and other business support services targeted by the Initiative for a Competitive Milwaukee for their potential to bring jobs to Milwaukee's young and underemployed workforce. In addition, locating these jobs in proximity of a large workforce helps reduce pollution caused by long commutes to jobs in outlying areas and makes effective use of public transportation, rail, truck, and other infrastructure developed over many years to serve Milwaukee's industrial land base.

Obsolete industrial sites should be allowed to convert to other productive uses. Because the conversion of obsolete industrial properties offers real economic and social value to the City, sites which are less marketable for industry or compatible business development should be allowed to convert to retail, residential, or other uses. However, proposals to rezone industrial sites must be evaluated carefully to ensure that the sites are indeed no longer appropriate for industrial or other job-generating uses, and conversion to retail, residential, or other uses will not have a negative impact on surrounding industrial or business sites.

Recommendations

In order for the City of Milwaukee to capture future demand for new industrial and business development, the City should:

- Preserve appropriate sites,
- Make these sites available and ready for development, and
- Market these sites for development.

It is also important to address challenges facing existing businesses in order to retain the tens of thousands of jobs these businesses provide. To do so, the City should initiate a business outreach effort and develop a business retention strategy.

Immediate actions as well as longer term strategies are required to achieve these objectives. The recommended actions are presented below.

PRESERVE SITES FOR INDUSTRY AND BUSINESS SERVICES

1. **Designate and Protect Existing Industry and Business Corridors.** The City has designated 15 areas for industry, business services, and other job-generating, compatible uses. These "Industry and Business Corridors" represent existing concentrations of industry and industrial land which is well served by public transportation, interstate access, truck access, and rail. The map is being refined now based upon an analysis of existing zoning and input from local industrial organizations and industrial brokers. The designated Industry and Business Corridors should serve as the basis for evaluating requests to rezone industrial sites to non-industrial use, with sites located within these corridors given the highest priority for retention for industry or other compatible job-generating uses. Especially in areas which are underserved by retail, the City should consider designating selected arterials within the Industry and Business Corridors, and directing appropriate retail uses to sites with frontage on the designated arterials.

2. **Use Established Rezoning Guidelines to Evaluate all Requests to Rezone Industrial Sites.** The rezoning guidelines presented in Section 5 should be applied immediately to all requests to rezone industrial land. Sites which are surrounded by a critical mass of industry, have good access, and are viable for industry, or business development should be preserved for job retention and creation. Obsolete sites and other selected sites should be redeveloped with retail, residential, or other uses, especially in areas where there is a demonstrated need for other uses, where a rezoning facilitates the preservation of a historically significant structure, or where other public benefit is demonstrated.

3. **Prepare an Inventory of All Sites within the Designated Industry and Business Corridors.** A detailed inventory and assessment of all sites within the designated corridors is needed to determine how much industrial acreage exists, how much of this

acreage is currently utilized, how much acreage is vacant or under-utilized but viable for new industrial or business development, how much acreage could be retained for industry or business development, how much acreage could be converted to other uses and which sites could be targeted for conversion.

For each site within a designated Industry and Business Corridor, the inventory should identify:

- Current Land Use (industrial, business service, non-industrial, vacant, etc.)
- Environmental Status (if known)
- Ownership
- Key Characteristics of Existing Facilities (floor area, # stories, building depth & width, column spacing, minimum clear ceiling height, # loading docks, historic/architectural significance)
- Key Site Characteristics (parking, access, environmental/geotechnical conditions, commercial frontage)

For each of the 15 designated Industry and Business Corridors, the inventory should also:

- Identify opportunities to assemble and consolidate small or irregularly shaped parcels which are currently underutilized or vacant in order to create larger, more marketable parcels.
- Assess existing infrastructure and identify improvements needed to facilitate business retention, expansion, and attraction.
- Identify sites or areas within the corridors which are obsolete for industry and business services and which should convert to retail, residential, or other uses.

Once a detailed inventory of sites is completed, the map of designated Industry and Business Corridors should be revised to reflect the findings.

The inventory should be prepared based upon a review of available records and field work. Active industrial properties are assessed by the State of Wisconsin, but currently these records are only accessible in paper format. Completing the inventory will require access to the State's computerized records. County and/or City records will be needed to supplement the State data which does not include any vacant industrial sites, and a field survey of each corridor will also be necessary.

Note: The Non-Profit Center of Milwaukee is currently preparing an industrial property database for the 30th Street Industrial Corridor Corporation. While they have not had access to the computerized records of the State, the Non-Profit Center has compiled available paper records related to the 346 industrial parcels within this corridor. The Non-Profit Center confirms the need to use a combination of State and local records, as well as fieldwork, in order to compile a meaningful inventory. (For example, the State records include information on ceiling clearance and column spacing, whereas the local municipal database does not.) Prior to initiating the inventory for all 15 corridors, a follow-up meeting with the Non-Profit Center should be convened to review the data for the 30th

Street Industrial Corridor in order to assess available data sources and confirm which data will be most useful in understanding the City's industrial land base and preparing an economic development strategy for the 15 designated corridors.

MAKE SITES AVAILABLE AND READY FOR DEVELOPMENT

4. **Assemble Land and Make Improvements to Create Development Opportunities.** According to our research, industrial business owners are seeking environmentally clean land in a safe, business park-like atmosphere with access to transportation, and amenities close by for their employees. By investing in select industrial parcels to make them available and ready for development, the City can expect to capture a greater share of projected industrial demand. For each of the fifteen Industry and Business Corridors, an economic development plan should be developed to prioritize and target public investment in order to leverage private investment and generate jobs. The City should assemble and remediate key sites, make public improvements as necessary, and incrementally release sites into the market as the economy improves much like the City has done in the past under the City's Industrial Land Bank Program. CDBG funds, low interest loans from the HUD 108 program, and tax increment financing are all potential funding sources for acquisition and remediation. If an area-wide TIF district is established for one or more corridors, the HUD 108 funds could be used to begin acquisition and remediation immediately, with increment generated over time in the TIF district reserved to repay these funds. In addition, the Economic Development Administration at the Department of Commerce provides funding for infrastructure development serving new industrial facilities. Specifically, the economic development plans should:

- Identify any locational advantage of a specific corridor (water access, proximity to airport, clusters of existing industry, etc.) and target appropriate industries or businesses which benefit from such advantages.
- Prioritize opportunities and identify potential funding sources to assemble and consolidate small or irregularly shaped parcels which are currently underutilized or vacant in order to create larger, more marketable parcels.
- Identify strategies for environmental remediation of sites which represent key development opportunities.
- Identify priority infrastructure improvements needed to facilitate business retention, expansion, and attraction.

MARKET SITES FOR DEVELOPMENT

5. **Establish and Maintain an Internet Accessible Database of Sites Available for Industry and Business Services.** Many cities are working with local industrial brokers to establish and maintain an inventory of available industrial sites with a profile of each site. Milwaukee should consider establishing such a database which is internet accessible and can be searched based upon user-specified criteria (such as size of site, amount of parking, distance from airport, distance from highway, etc.) It is important to work closely with local industrial brokers to ensure that the database is accurate and updated on

a regular basis. (Ideally, brokers would have direct access to selected records within the database, allowing a broker to update records for sites he or she represents.)

6. **Target Business Support Services for Job Generation**. As recommended by the Initiative for a Competitive Milwaukee, the City should target the growing Business Support Services sector (including call centers, claims processing, etc.) and market appropriate sites to potential users.

RETAIN EXISTING INDUSTRY AND BUSINESS

7. **Initiate a Business Retention Strategy**. In addition to positioning Milwaukee to capture a greater share of projected industrial demand, the City should also make efforts to retain existing industry and business services which provide tens of thousands of jobs to Milwaukee residents. Efforts should build upon interviews or area businesses conducted in conjunction with the Initiative for a Competitive Milwaukee. These interviews indicate that the business community considers workforce availability and accessibility of sites to be key competitive advantages of Milwaukee's industrial land base. However, the interviews of local businesses, as well as interviews conducted by *S. B. Friedman & Company*, indicate that security is a key concern of businesses considering City locations. A combination of interviews and roundtables with existing businesses should be conducted to further identify the strengths and needs of each of the fifteen designated corridors, and to help prioritize public investment targeted at business retention and attraction.