



Milwaukee Tool - 5th & Michigan

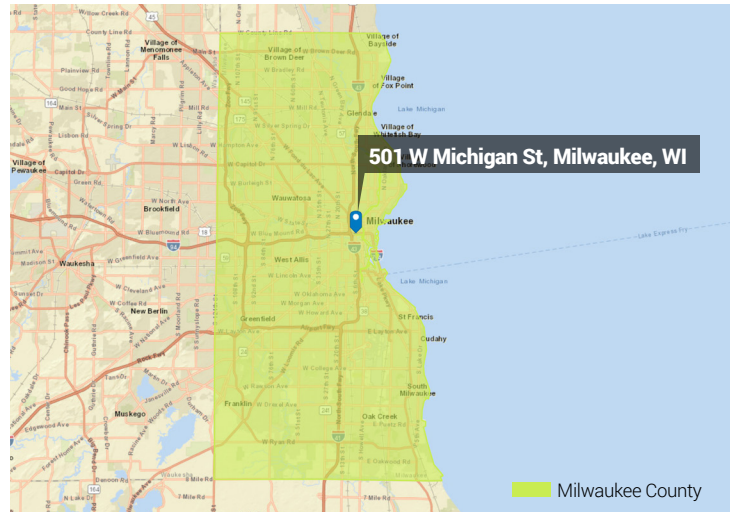
ACQUISITION AND RENOVATION TO EXPAND CORPORATE OPERATIONS

APRIL 22, 2021

Executive summary

PROJECT INFORMATION

NAICS	551114 Corporate, Subsidiary, and Regional Managing Offices
Space	350,000 SF Office
Facility	Purchase of existing building(s) with renovations
Begin renovations	Commence the Project by September 1, 2021
Begin operations	Substantial completion of the Project by January 2022



DESCRIPTION

Milwaukee Tool is a tool manufacturer planning to acquire and renovate a vacant 350,000 square foot office building. The capital investment of approximately \$46.6 million will enable the company to hire 1,210 new workers over the next 6 years. The office building enable Milwaukee Tool to expand its corporate operations in downtown Milwaukee.

IMPACTS

Renovation/Construction Impact in Milwaukee County

- \$24.2 million local economic impact during construction/renovation
- 97 total construction jobs during construction/renovation

Operations Impact in Milwaukee County

- \$935 million in annual economic impact
- \$19.1 billion in economic impact over the next 20 years
- 2,659 total jobs including direct, indirect, and induced

EMPLOYMENT

1,210

New jobs phased over 6 years

CAPITAL INVESTMENT

\$46.6M

\$41.3M Buildings and Improvements
\$5.3M Furniture, Fixtures, Equipment

PAYROLL

\$75,000

Average Annual Salary

\$90.8M*

Annual Payroll

* At full operations in year 6

Introduction

This report presents the results of an analysis undertaken by Baker Tilly (the “Authors”). The report estimates the impact that Milwaukee Tool’s 5th & Michigan project will have on the local economy.

The economic impact of the Project was measured in employment, workers’ earnings (or compensation to employees), and spending (economic output) within the local region of Milwaukee County, WI. The total economic impact of the Project includes the temporary construction impact as well as the on-going operations impact. In addition, the company’s direct construction spending and direct employment will have impacts beyond just the initial spending or workers employed. The direct economic activity ripples through the local economy and supports additional economic impacts in the form of indirect and induced jobs, workers’ earnings, and spending. The economic impact estimates are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U.S. Department of Commerce, Bureau of Economic Analysis. The regional industry and supply chain analysis is based on the multi-regional social accounting matrix (MR-SAM) modeling system from Economic Modeling Specialists, Intl (Emsi) an economic modeling system similar to RIMS II.

Description of the project

Milwaukee Tool is a tool manufacturer planning to acquire and renovate a vacant 350,000 square foot office building. The capital investment of approximately \$46.6 million will enable the company to hire 1,210 new workers over the next 6 years. The office building enables Milwaukee Tool to expand its corporate operations in downtown Milwaukee.

Capital investment (in millions)

	PROJECT
Building Acquisition	\$8.0
Facade	\$4.0
Interior Renovations	\$29.3
IT Equipment	\$1.7
Furniture, Fixtures, & Equipment	\$3.6
Total Capital Investment	\$46.6

Project details

	PROJECT
Square feet renovated	350,000
Employees to be hired	1,210
Average salary	\$75,000
Industry	551114 Corporate, Subsidiary, and Regional Managing Offices

Temporary construction impact

The project will include a renovation at a cost of \$33.3 million to improve the facade and renovate the interior of the building. Consistent with the county location quotient for the construction industry, it is assumed that local construction firms will provide 45.0% of the facade and renovation services. Furthermore, relying on the RIMS II input-output model, we estimate that 74.0% of the construction expenditure will be spent on materials and 26.0% will be spent on labor. The construction activity will support temporary economic impacts in the community in the form of construction employment and sales for local construction firms.

Spending and estimated direct employment impact of renovation

	AMOUNT
Local construction expenditure for the Project	\$14,985,000
Materials	\$11,088,630
Labor	\$3,896,370
Temporary construction workers supported (average earnings = \$66,535 per year)	58.6

Source: Author's application of the RIMS II input-output model

The following table presents the total temporary economic impact resulting from the project renovation.

Temporary economic impact of project-related renovation activity

	DIRECT	INDIRECT & INDUCED	TOTAL
Number of temporary job years to be supported*	58.6	38	96.6
Salaries to be paid workers	\$3,896,370	\$1,733,495	\$5,629,865
Revenues or sales for businesses related to the Project renovation	\$14,985,000	\$9,238,253	\$24,223,253

Source: Author's application of the RIMS II input-output model

* A job year is defined as full employment for one person for 2,080 hours in a 12-month span

Project operations impact

ECONOMIC IMPACT

Milwaukee Tool's on-going operations at this site are expected to require hiring 1,210 workers at average salary of approximately \$75,000 per year. The company's direct spending will support local suppliers and other local businesses will benefit from workers re-spending a portion of their earnings in the economy. The company's supplier impact represents indirect economic activity and the worker spending represents induced economic activity.

Milwaukee Tool's project is estimated to have an economic impact of \$934.6 million per year at full operations. The direct employment of 1,210 workers will create 1,449 spin-off jobs inclusive of indirect and induced effects for a total employment impact of 2,659 new jobs in the county.

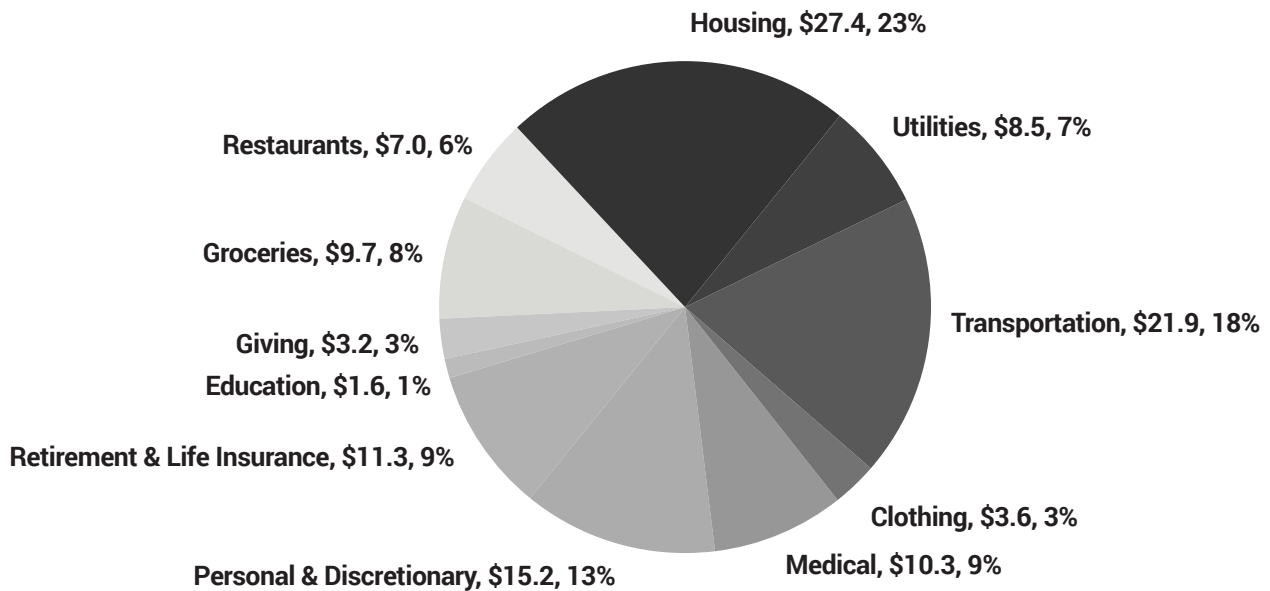
Operations impact

	ANNUAL IMPACT
Local area spending (millions)	
Direct	\$603.6
Indirect & Induced	\$331.0
Total local area spending	\$934.6
Employment	
Direct	1,210.0
Indirect & Induced	1,449.2
Total employment	2,659.2
Worker's earnings (millions)	
Direct	\$96.8
Indirect & Induced	\$46.8
Total workers' earnings	\$143.6

Source: Author's application of the RIMS II input-output model

The payroll impact of workers' earnings associated with this economic activity is estimated to be \$143.6 million per year which has the potential to drive significant household expenditures in the economy. The chart below shows the potential consumer spending supported by this employment based on data from the Bureau of Labor Statistics' Consumer Expenditure Survey.

Consumer expenditures



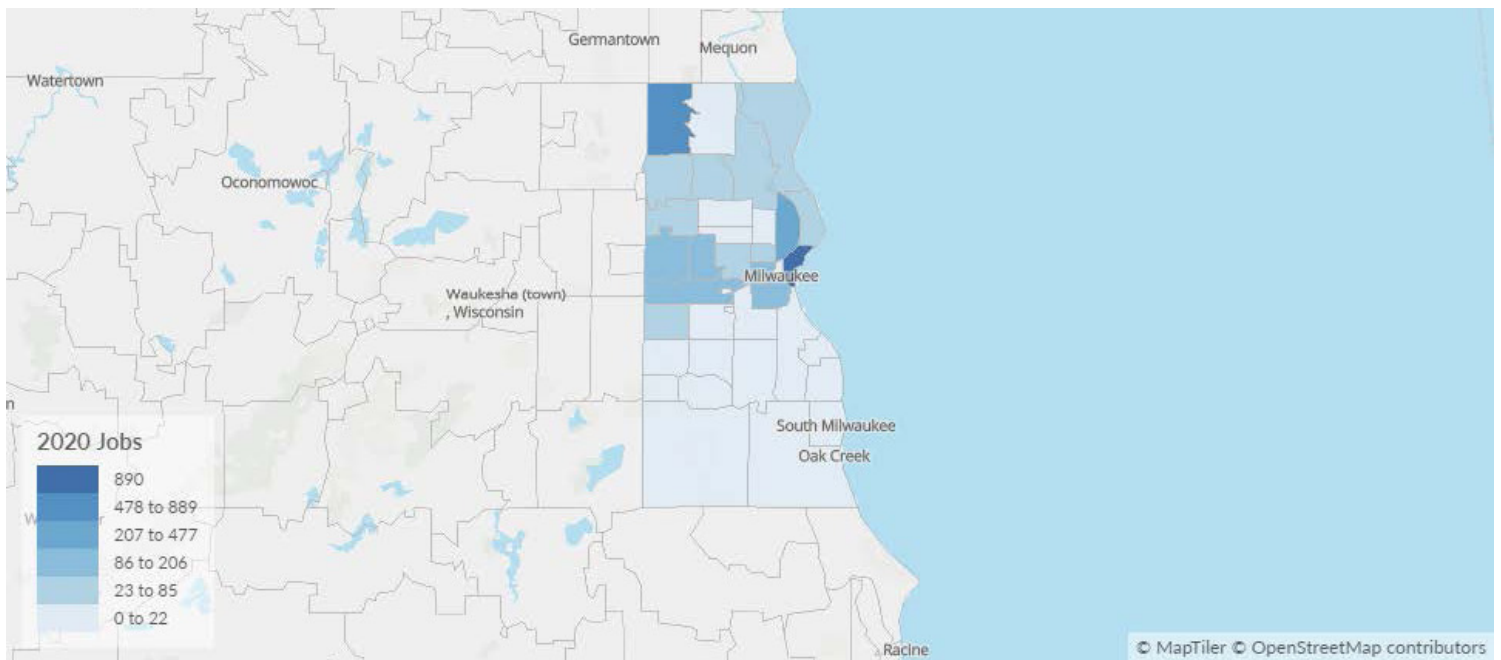
Construction industry & supply chain analysis

CONSTRUCTION INDUSTRY AND SUPPLY CHAIN ANALYSIS

When reviewing the construction industry in Milwaukee County, in 2020 there were at least 153 commercial construction businesses with more than 2,500 persons employed. Overall, the construction industry has seen growth in the county and is estimated to continue this growth at a rate greater than the national average. The industry provides over \$273 million in earnings to the Gross Regional Product (GRP) with a total impact of over \$318 million including property income and taxes.

Based on average educational requirements for occupations associated with construction, 47.26% of jobs in the industry are accessible by those with barriers to employment including those with no more than a high school education.

Construction industry associated employment heatmap



Source: Author's application of the Industry Map report in the Emsi Economic Modeling tool.

It is estimated that at least 57% of the goods and services that the construction industry requires to operate are currently able to be provided within the Milwaukee County region. Over the past 5 years the industry in Milwaukee has increased by 465 jobs, outpacing the national growth rate. Cost of labor in the region is above average. The county earnings per job for the industry is \$100,208, which is \$8,629 above the national average of \$91,579.

Regional trends in commercial construction

Region	2015 Jobs	2020 Jobs	2025 Jobs	2015-2025 Change	2015-2020 Growth %	2020-2025 Growth %
Milwaukee County	2,081	2,546	2,695	614	22.3%	5.9%
Nation	934,654	1,048,577	1,095,900	161,246	12.2%	4.5%

Source: Author's application of the Business Case report in the Emsi Economic Modeling tool.

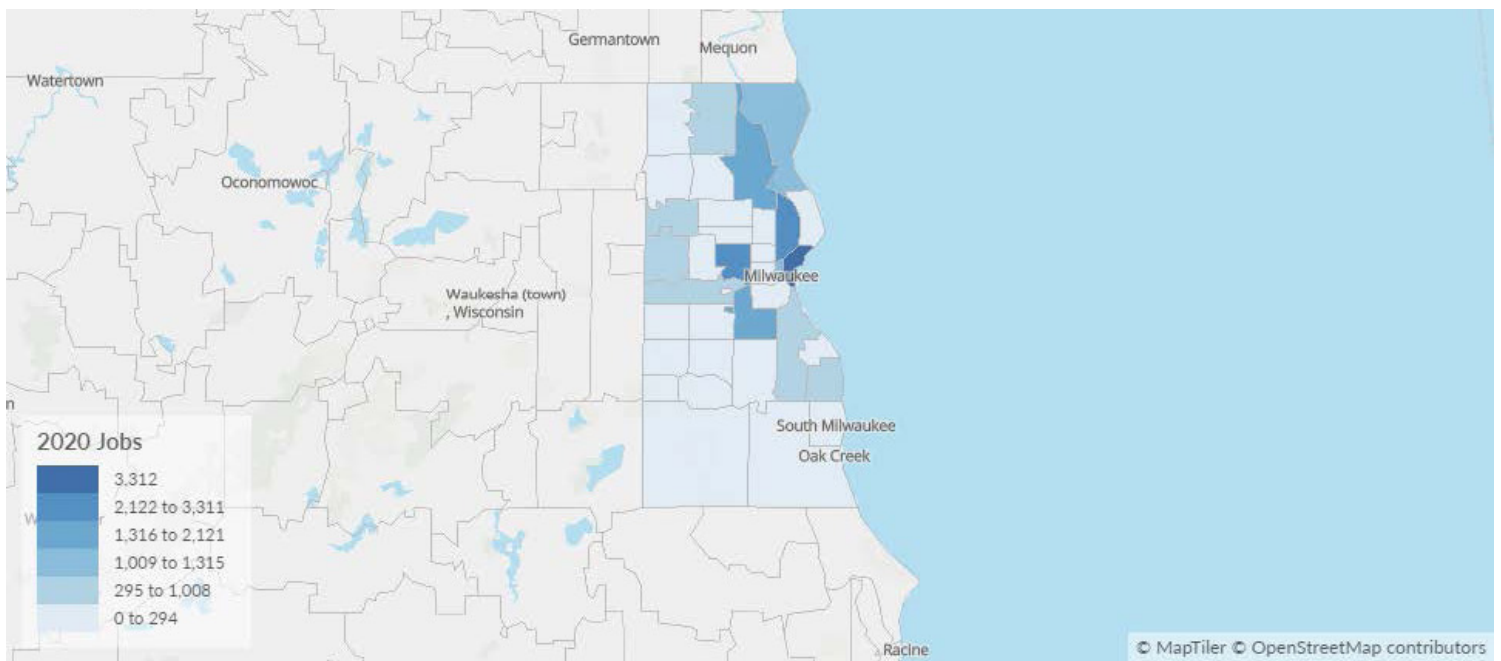
Project operations industry & supply chain analysis

PROJECT OPERATIONS INDUSTRY AND SUPPLY CHAIN ANALYSIS

When reviewing the Corporate, Subsidiary, and Regional Managing Offices industry (NAICS 551114) in Milwaukee County, in 2020 there were at least 226 businesses with more than 16,755 persons employed. The county job concentration is 2.34 times the national job concentration. Compared to the nation there are 134% more jobs in this industry. The industry provides over \$2.5 billion in earnings to the GRP with a total impact of over \$2.7 billion including property income and taxes.

Based on average educational requirements for occupations in the industry, it is estimated that 29.9% of jobs in the industry are accessible to those with no more than a high school education.

Operations industry associated employment heatmap



Source: Author's application of the Industry Map report in the Emsi Economic Modeling tool.

It is estimated that at least 61% of the goods and services that the industry requires to operate are currently able to be provided within the Milwaukee County region. Over the past 5 years the industry in Milwaukee has decreased by 145 jobs, though it is anticipated to grow over the next 5 years. Cost of labor in the region is below average. The county earnings per job for the industry is \$2,785 below the national average.

Regional trends in NAICS 551114 - Corporate, Subsidiary, and Regional Managing Offices

Region	2015 Jobs	2020 Jobs	2025 Jobs	2015-2025 Change	2015-2020 Growth %	2020-2025 Growth %
Milwaukee County	16,900	16,755	16,934	34	-0.9%	1.1%
Nation	2,122,459	2,262,097	2,384,078	271,619	7.1%	5.4%

Source: Author's application of the Business Case report in the Emsi Economic Modeling tool.

Appendix I - General discussion of the RIMS II methodology

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. The RIMS II model is described in basic detail below.

Generally speaking, input-output modeling attempts to estimate the changes that occur in all industries based on a change in the demand for the output of an industry. An input-output model allows an analyst to identify the subsequent changes occurring in various industries within a regional economy in order to estimate the total impact on the economy. Total economic impact is the sum of three components: (1) direct, (2) indirect, and (3) induced impacts.

If the demand for the output of an industry, measured by industry sales or revenue, increases by \$1 million, total regional output increases by \$1 million. This initial change in output is called the change in direct economic output and also referred to as the direct expenditure effect. The change in total economic output in the region resulting from the initial change does not stop with the change in direct economic output. Businesses in a variety of industries within the region will be called upon to increase their production to meet the needs of the industry where the initial increase in demand occurs. Further, other suppliers must also increase production to meet the needs of the group of initial supplier firms to the industry. This increase in expenditures by regional suppliers is considered the indirect economic impact of the initial \$1 million in sales, and is classified as indirect expenditures of the total economic impact or the change in indirect economic output.

The total economic impact of the \$1 million in sales includes one more component, the induced impact. All economic activity, whether direct or indirect, that results from the initial increase in demand of \$1 million, requires workers, and these workers must be paid for their labor. This means that part of the direct and indirect expenditures is actually in the form of wages and salaries paid to workers in the various affected industries. These wages and salaries will in turn be spent in part on goods and services produced locally in the region. This spending is another part of the regional economic impacts referred to as induced impacts and is classified as induced expenditures or the change in induced economic output.

Based on the initial direct impact, the RIMS II model can be used to estimate the direct, indirect and induced impacts on economic output, value added, earnings and employment in a given region. Economic output can be thought of as spending or sales. Economic output represents gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Value added is defined as the value of gross output less intermediate inputs. Workers' earnings or earnings consist of wages and salaries, employer provided benefits and proprietors' income. Employment consists of a count of jobs that include both full-time and part-time workers.

The RIMS II model is based on regional multipliers, which are summary measures of economic impacts generated from changes in direct expenditures, earnings, or employment. Multipliers show the overall impact to a regional economy resulting from a change in demand in a particular industry. Multipliers can vary widely by region. Multipliers are higher for regions with a diverse industry mix. Industries that buy most of their materials from outside the state or region tend to have lower multipliers. Multipliers tend to be higher for industries located in larger areas because more of the spending by the industry stays within the area.

The RIMS II model generates six types of multipliers for more than 400 industrial sectors for any region in the United States. The multipliers include four “final-demand” multipliers and two “direct-effect” multipliers. Final demand multipliers indicate the impact of changes in final demand for the output of a particular regional industry on total regional output, earnings, employment and value added. Direct-effect multipliers indicate the impact of changes in regional earnings or employment within a particular industry on total employment or earnings within a region.

Final-demand output multipliers indicate the total regional output (direct, indirect and induced expenditures) that results from an increase in direct expenditures for a good produced by a particular regional industry. For example, if an industry in a particular region is said to have a final demand output multiplier of 2, this tells us that a \$1 increase in final demand for the good produced by that industry results in a \$2 increase in total output or expenditures within the regional economy. Final-demand earnings multipliers indicate the impact of an increase in final demand for the good of a particular regional industry on the total earned income of households within the region. Final-demand employment multipliers indicate the increase in total regional employment that results from a \$1 million increase in final demand for the good produced by a particular regional industry. Final-demand value-added multipliers indicate the increase in total regional value added that results from a \$1 million increase in final demand for the good produced by a particular regional industry. Direct-effect earnings multipliers indicate the impact of a \$1 change in earnings within a particular regional industry on total earnings in all industries within a region. Direct-effect employment multipliers indicate the impact of a change in employment in a particular regional industry on total employment in all industries within a region.

Theoretically, changes in final demand drive the total change in economic output, earnings, and employment. However, these multiplier relationships can be used to estimate impacts in other ways if only limited information is known about a project. For example, the multiplier relationships can be used to estimate the increase in direct economic output based on a given level of employment in a specific industry.

ADDITIONAL NOTES ON RIMS II

RIMS II multipliers are based on the average relationships between the inputs and outputs produced in a local economy. The multipliers are a useful tool for studying the potential impacts of changes in economic activity. However, the relative simplicity of input-output multipliers comes at the cost of several limiting assumptions.

- Firms have no supply constraints—Input-output based multipliers assume that industries can increase their demand for inputs and labor as needed to meet additional demand.
- Firms have fixed patterns of purchases—Input-output based multipliers assume that an industry must double its inputs to double its output.
- Firms use local inputs when they are available—The method used by RIMS II to develop regional multipliers assumes that firms will purchase inputs from firms in the region before using imports.

RIMS II, like all input-output models, is a “static equilibrium” model. This means that there is no specific time dimension associated with the results using the model. For the RIMS II model, it is customary to assume that the impacts occur in one year because the model is based on annual data.



Appendix II - Emsi methodology

ABOUT THE EMSI SOCIAL ACCOUNTING MATRIX

Emsi's multi-regional social accounting matrix (MR-SAM) modeling system is a "comparative static" type model in the same general class as RIMS II (Bureau of Economic Analysis). It relies on a matrix representation of industry-to-industry purchasing patterns originally based on national data which are regionalized with the use of local data and mathematical manipulation (i.e., non-survey methods). Models of this type estimate the ripple effects of changes in jobs, earnings, or sales in one or more industries upon other industries in a region. The Emsi model shows final equilibrium impacts—that is, the user enters a change that perturbs the economy and the model shows the changes required to establish a new equilibrium. As such, it is not a "dynamic" type model that shows year-by-year changes over time.