

Return on Investment - Menomonee Valley Industrial Center

Public investment has been critical to the development of the Menomonee Valley Industrial Center. Tax incremental financing and state and federal brownfields grants have been used to support the acquisition of the land, the largest environmental clean-up in Wisconsin history, and the development of roads, utilities, streetlights, and related work.

To quantify the return on this public investment, it's appropriate to view the MVIC project from three perspectives:

- MVIC as a TID project
- MVIC as a brownfield redevelopment project
- MVIC as a jobs development project

MVIC as a TID project

If we were looking at the MVIC as a **TID project**, we would measure the return on investment with this question:

Will the incremental taxes generated by the anticipated private investment cover the costs of the public expenditure before the TID expires?

The forecast of property value and district revenue for TID #53, contained within the feasibility study for this TID, anticipates that buildings will, on average, cover one-third of their sites, and have an average assessment of \$40/SF. The forecast also assumes that the property in the MVIC will all be sold by 2010. Under these assumptions, total incremental taxes will amortize project debt by 2027, 23 years after creation of the TID.

MVIC as a brownfield redevelopment project

If we evaluated the MVIC as strictly a **brownfield redevelopment project**, we would measure the return on investment by asking two questions:

Did the expenditures result in remediation of the documented contamination? Is the private market now interested in purchasing property formerly clouded by environmental concerns?

The environmental work on the property fulfilled the requirements of a remedial action plan approved by the Wisconsin Dept. of Natural Resources. To date, approximately 95% of the required actions have been completed. Extensive site work has corrected environmental and geotechnical problems, making the property comparable to a "greenfield" location. Strong private interest in buying land within the MVIC indicates that the remediation succeeded from a market standpoint as well as from a scientific perspective. In addition, the innovative shared stormwater management facilities and planned recreational facilities at MVIC communicate to investors that Wisconsin's largest brownfield has been transformed into a model of environmental sustainability.

MVIC as a jobs development project

From its inception, MVIC has been cast as a **jobs development project**, with the ability to attract a diversified group of industrial users. The land use plan for the industrial center plan maximizes the amount of the property to be covered by buildings, in order to maximize the number of jobs located there. The RACM Sales Principles and Standards contain several measures designed to quantify the degree to which individual land sales meet job development goals. They answer the following questions:

How many jobs will be located in the MVIC? How much will those jobs generate in wages?

The goals built into the proposed sales principles establish goals for jobs and payroll.

- The sales principles include a goal of a 1:3 coverage ratio -- in other words, when property is sold, buildings will, on average, occupy 33% of the developable acreage. If this assumption is applied to the approximately 60 acres of developable property at the Menomonee Valley Industrial Center, approximately **860,000** SF of buildings will occupy the center when it is fully built.
- The sales principles include a goal of averaging 1.5 jobs/1000 SF of building. If this assumption is applied to 860,000 SF of buildings, **1290 jobs** will be located within the Menomonee Valley Industrial Center when it is fully built. Note: Because companies building new space usually include room to grow, job counts will reflect employment projected in year three after occupancy of a new building.
- The sales principles include a wage goal, calling for jobs within the MVIC that pay an average wage of \$12/hour, with no jobs paying less than \$8/hour. (Fulltime positions at \$12/hour earn the "living wage" standard calculated by the Menomonee Valley Partners.) At this wage level, assuming 1290 fulltime equivalent jobs in MVIC, the **annual payroll** for the entire park should be at least \$32,448,000 when the business center is fully built out and buildings are fully occupied. On a per-acre basis, annual payroll should average at least \$540,800.

Presenting information to RACM

The information listed below will be provided as part of each land sale report to assist RACM commissioners in evaluating how each land sale moves MVIC closer to the jobs development goals.

- Coverage ratio
 - For the land sale
 - For the entire project, to date
- Jobs/SF ratio at year three in new building
 - For the land sale
 - For the entire project, to date
- Number of fulltime equivalent jobs at year three in new building
 - For the land sale
 - For the entire project, to date
- Annual projected wage and salary at year three in new building