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MEMORANDUM

To: Common Council Members
City of Milwaukee

From: Thomas Hazinski, MPP
HVS Convention, Sports, & Entertainment Facilities Consulting

Re: Spending and Fiscal Impact Analysis

Date: January 14, 2020

The City of Milwaukee as the Sponsoring Municipality is being asked to consider a resolution certifying various findings pertaining to the expansion of the Wisconsin Center. In that regard, the Wisconsin Center District (“WCD”) engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct a Spending and Fiscal Impact Analysis of the Wisconsin Center in Milwaukee, Wisconsin.

The proposed financing of the Wisconsin Center Expansion would involve pledging Wisconsin Center District tax revenues to the repayment of debt. To enhance the credit worthiness of the proposed financing and to reduce borrowing costs, the State of Wisconsin would provide a “moral obligation pledge” to make debt service payments if enough dedicated tax revenues are not available to make such payments.

The HVS Spending and Fiscal Impact Analysis was undertaken to determine whether an expanded Wisconsin Center will meet certain Special Debt Service Reserve Funds Requirements as identified in Wisconsin Statute 229.50. The Statute establishes a set of five criteria that must be met for the State to provide a moral obligation pledge. HVS concludes that the expanded Wisconsin Center would meet each of the following criteria. The Wisconsin Center would:

1. include an exposition hall of at least 100,000 square feet,
2. attract at least 50,000 out-of-state visitors annually,
3. stimulate at least \$6.5 billion in total spending in the State over the 30-year period beginning on the date on which the bonds, the proceeds of which will be used to construct the exposition center expansion, are issued,
4. generate at least \$150 million of incremental state income, franchise, and sales tax revenues over the 30-year period beginning on the date on which the bonds, the proceeds of which will be used to construct the exposition center expansion, are issued, and
5. support at least 2,000 full time equivalent jobs.

Methodology

To reach these conclusions, HVS performed the following tasks.

1. Gathered economic and demographic data on the Milwaukee area market that indicates the potential for convention center event demand.
2. Gathered data and analyzed trends in the convention center industry.
3. Analyzed historical Wisconsin Center event demand and financial operations.
4. Reviewed and analyzed lost business reports provided by Visit Milwaukee to determine whether an expanded Wisconsin Center could recover some of this lost business.
5. Compared the building program, event demand, and destination appeal of the Wisconsin Center to its state and national competitors.
6. Reviewed the proposed expansion plans for the Wisconsin Center.
7. Projected event demand of the Wisconsin Center from calendar years 2020 through 2025. HVS assumed that the proposed expansion of the Wisconsin Center would be completed by January 1, 2023. Demand projections include the number of events, number of event days, attendance, room night generation, overnight guests, and day-trip visitors.
8. Projected the potential revenues of the Wisconsin Center from 2020 through 2025.
9. Gathered data from a variety of credible third-party sources on the spending patterns of convention center attendees, event planners, and exhibitors.
10. Calculated the direct spending of Wisconsin Center patrons.
11. Using a well-regarded economic model of the State economy, HVS estimated the net direct, indirect, and induced spending generated by the Wisconsin Center.
12. Estimated the fiscal impacts (tax revenues) generated for the State by the Wisconsin Center.
13. Projected the number of full-time equivalent jobs that the Wisconsin Center supports in the State economy.

Key Findings

Key findings of the HVS study include the following.

- 1) The expanded Wisconsin Center would support an exhibit hall of over 300,000 square feet.

EXISTING AND PROPOSED FUNCTION SPACES (SQUARE FEET)

Function Space	Existing	Proposed Expansion*	Total After Expansion
Exhibit Hall	188,695	115,000	303,695
New Ballroom & Meeting Space	0	100,000	100,000
Ballroom Space	37,506	0	37,506
Meeting Space	39,640	0	39,640
Total	265,841	215,000	480,841

*Approximate floor areas based on early planning studies.

Source: WCD

- 2) The Wisconsin Center would attract over 280,000 overnight visitors. HVS estimated of out-of-state visitation by event type for a stabilized year of event demand.

**FIGURE 6-1
OUT OF STATE VISITOR ESTIMATES (2025)**

Event Type	Stabilized Year Attendance	% out of State	Out of State Attendees
Conventions	53,000	75%	40,000
Tradeshows	28,000	25%	7,000
Consumer Shows/Fairs	96,000	5%	5,000
Conferences	24,000	50%	12,000
Meetings	12,000	10%	1,000
Banquets	25,000	5%	1,000
Exhibit Hall Sports	47,000	30%	14,000
Assemblies	131,000	15%	20,000
Total	416,000		100,000

In a stabilized year of operation and subsequent years, approximately 100,000 visitors would come from outside of Wisconsin, well above the 50,000 out-of-state visitor threshold required for certification of the State moral obligation.

- 3) In a stabilized year of operation—calendar year 2025, the Wisconsin Center would generate approximately \$346 million in annual spending. Over a 30-year period beginning on the date in which the bonds are issued and assuming 2.5% annual inflation, the Wisconsin Center would generate over \$12.6 billion in total spending.

SPENDING IMPACTS (INFLATED \$ MILLIONS)

Impact (\$ millions)	Baseline			Opened		Stabilized
	2020	2021	2022	2023	2024	2025
Spending Estimates						
Net Direct	\$105.3	\$108.0	\$110.7	\$154.2	\$176.4	\$192.7
Indirect	42.0	43.1	44.1	61.4	70.2	76.6
Induced	42.4	43.5	44.6	62.0	70.8	77.2
Total	\$189.8	\$194.5	\$199.4	\$277.5	\$317.4	\$346.4

- 4) After expansion, the Wisconsin Center would generate over \$13 million in annual fiscal impacts to the State. Over a 30-year period and assuming 2.5% annual inflation, the Wisconsin Center would generate approximately \$487 million in total fiscal impact.

FISCAL IMPACTS (INFLATED \$ THOUSANDS)

Tax Revenue Source	Baseline			Opened		Stabilized
	2020	2021	2022	2023	2024	2025
Sales Tax	4,628	4744	4863	6,821	7,819	8,552
Personal Income Tax	1,710	1753	1797	2,509	2,869	3,133
Corporate Profits Tax	255	261	268	374	430	470
Other Taxes	689	706	724	1,016	1,163	1,273
Total	\$7,282	\$7,464	\$7,652	\$10,720	\$12,281	\$13,428

- 5) After expansion, the Wisconsin Center would support approximately 2,300 full-time equivalent jobs throughout the State.

EMPLOYMENT IMPACTS

Full-Time Equivalent Jobs	Baseline			Opened		Stabilized
	2020	2021	2022	2023	2024	2025
Direct	800	800	800	1,200	1,400	1,500
Indirect	200	200	200	300	300	400
Induced	200	200	200	300	400	400
Total Permanent Jobs	1,200	1,200	1,200	1,800	2,100	2,300

For a more detailed explanation of these findings we refer the reader to our full report—Spending and Fiscal Impact Analysis, Wisconsin Center District, dated January 9, 2020.

We certify that we have no undisclosed interest in the project and our employment and compensation were not contingent upon our findings. The HVS study is subject to the comments made throughout the report and to all assumptions and limiting conditions set forth therein.