

# **Design and Economic Impact Guidelines for the Menomonee Valley Stockyards' Redevelopment**

Prepared for:  
MVP, Standards Committee

Prepared by:  
Laura Bray, Executive Director, MVP  
Virginia Carlson, UWM  
Maureen Klovers, MEDC

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## Proposed MVP Objectives for the Redevelopment of the Stockyards

From its inception, the Menomonee Valley Partners, Inc., has guided its development efforts to further four broad community objectives:

1. The economic development of the Menomonee Valley, with strong and vibrant businesses located near their workforce;
2. The economic and geographic integration of the Valley with surrounding neighborhoods and with downtown;
3. The ecological protection and enhancement of the Valley, with healthy waterways and attractive greenspace; and,
4. The preservation and recognition of the Valley's cultural and economic heritage.

In keeping with these objectives, MVP is committed to facilitating high-quality development at every stage of the process—from ensuring appropriate environmental remediation and site preparation work to attracting high-yield, high-quality end users. To achieve these goals, MVP shall adopt the following evaluative criteria when considering proposals from end users looking to purchase the Stockyards parcel:

- The purchaser's compliance with the Valley's Sustainable Design Guidelines. MVP wants to achieve a **high-performance building** that brings operating efficiencies for the end user and reduces consumption and negative environmental impacts. The final sale is subject to review of site plan and construction drawings, and exemptions to any of the Sustainable Design Guidelines must be mutually agreed upon. (See Section A for a summary of these guidelines, as well as supporting documentation on the feasibility of businesses complying with these guidelines.)
- The purchaser's compliance with HI (Heavy Industrial) Zoning. MVP will only sell to an end user that complies with the current HI zoning. Light industrial uses are allowable and general office uses are allowable through a limited use permit.
- The degree to which the intended use adheres to MVP's **job density** and **job quality** targets. Because MVP wishes to maximize the **job density** and **job quality** at the site, MVP will give preference to prospects that meet most or all of the following criteria:
  - Realistic and financially feasible plans to attain a job density of 1.5 jobs per 1000 square feet of building (16.4 jobs/acre at a 1:4 coverage ratio), with realistic plans to attain approximately 160 jobs (16 jobs/acre \* 10 acres) at full build-out (see Section B for a discussion of the feasibility of meeting job density targets)
  - Average wages of \$12.00 / hour and a minimum wage of \$8.00 / hour (see Section C for a discussion of how these targets were arrived at)
  - Health care and benefits package offered to employees
  - Demonstrable opportunities for entry-level workers' advancement and skill development within the company
  - Demonstrable commitment to hiring residents from neighborhoods surrounding the Valley (see Section D for a discussion of possible metrics)

- The degree to which the intended use leverages the site’s potential for **positive economic impacts** on surrounding neighborhoods and the region as a whole (see Section E). MVP will therefore give preference to prospects that:
  - Have the highest potential for increasing the neighborhood’s and the metro area’s income, as well as increasing exports to other states and countries
  - Demonstrate potential for a long-term commitment to Milwaukee. Companies likely to make a long-term commitment to the area include those:
    - In industries with projected employment and sales growth (information available on the Bureau of Labor Statistics website)
    - With longstanding Milwaukee roots
    - That have experienced consistent sales and profit growth (excepting the 2001 downturn), occupy a unique market niche, and are unlikely to be undercut by foreign or domestic competition
    - For which Milwaukee offers the company a strong competitive advantage (examples of these companies include heavy water users, those with significant suppliers in the area, those that require a deepwater port, etc.)

## Section A—Sustainable Design Guidelines

The **Menomonee Valley Sustainable Design Guidelines** (please see our website at [renewthevalley.org/design](http://renewthevalley.org/design)) were created to ensure high-quality development consistent with the community’s vision for the Valley, as articulated in the 2002 strategic planning process. The final product represents a culmination of more than three years of work, during which project staff worked with experts in the fields of construction, development, architecture and landscape design. Together, they created and vetted guidelines for sustainable development in the Valley that are **realistic** and **achievable**:

- Construction industry consultants have determined that the design guidelines will result in no more than a 5% premium in building costs, and that over the long run companies should recoup these costs through savings on utility costs. **(IS THIS TRUE????)**
- Even though these Guidelines were *not* available at the time of Sigma’s building construction, a post-construction audit of Sigma’s new offices in the Valley indicates that Sigma’s collaboration with the City of Milwaukee and MVP to include high-performance elements in their building construction and exterior landscaping resulted in Sigma’s compliance with 88% of the later-adopted Guidelines. The site’s success is being evaluated through the Menomonee Valley Benchmarking Initiative (MVBI) – which found that, in their new building, the Sigma Group reduced water consumption by 83% and employee commute times by 11%, as compared to their previous location in Oak Creek.

Specifically, the Guidelines were created to:

- Reduce energy consumption and lifecycle costs of new buildings in the Valley and thereby hedge Valley businesses’ energy price risk while enhancing long-term competitiveness;
- Assist Valley businesses in identifying sustainable design and construction “best practices”;
- Improve the aesthetic quality and environmental performance of the Valley; and,
- Expedite the municipal and state permitting/approval process.

### *Contributing Partners*

Many partners were involved in the creation of the Menomonee Valley Sustainable Design Guidelines. The project was spearheaded by the Milwaukee Department of City Development, Sixteenth Street Community Health Center, Menomonee Valley Partners, Inc. and the State of Wisconsin. We thank the following individuals and entities whose contributions were essential in producing the guidelines in their final form:

**Funders:**

City of Milwaukee  
Potawatomi Community Foundation  
Greater Milwaukee Foundation  
Joyce Foundation  
Menomonee Valley BID  
We Energies  
WI Coastal Management Program  
WI Focus on Energy

**Contributors:**

Applied Ecological Services Brodhead, WI  
Berghammer Construction Butler, WI  
CG Schmidt Milwaukee, WI  
Conservation Design Forum Elmhurst, IL  
Earth Tech Milwaukee, WI  
Energy Center of Wisconsin Madison, WI  
Giles Engineering Associates Waukesha, WI  
Green Tree–Tree Care Milwaukee, WI  
Grunau Project Development Milwaukee, WI  
HNTB Milwaukee, WI  
Jansen Group Milwaukee, WI  
New Civic Works New York, NY  
Phoenix Design New York, NY  
Quorum Architects, Inc. Milwaukee, WI  
Schreiber Anderson Associates Madison, WI  
Struck Ecological Consulting Grafton, WI  
TerraFirma Environmental, Inc. Glendale, WI  
Kubala Washatko Architects Cedarburg, WI  
The Olsen Company Milwaukee, WI  
UW-Milwaukee Milwaukee, WI  
WasteCap Wisconsin Milwaukee, WI  
Weidt Group Minnetonka, MN  
WI Green Building Alliance Milwaukee, WI  
Wispark Milwaukee, WI  
Zimmerman Design Group Milwaukee, WI

## Section B—Job Density Targets

MVP recommends that recruitment efforts focus on job-rich prospects, and that job density—i.e. jobs per 1000 square feet of building and/or jobs per developable acre—be utilized as one of the evaluative criteria when vetting prospects, since job density is an important indicator of a prospect’s total job creation potential (an important component of total economic impact—see Section E for further information) at full build-out. Job density projections provided by the prospect must be reviewed with a critical eye and should be compared to job densities at the prospects’ other plants, architectural drawings of floor plans, loan documents/business plans, and/or industry-wide job densities to determine accuracy and reasonableness. It should be noted that job densities vary considerably from plant to plant even within the same industry, so industry comparables should only be used when other documentation is unavailable. The following table illustrates *average* job densities by industry sector, and was compiled by averaging job densities for a random sample of midwestern plants/businesses in each given industry sector. The data source is the Harris Directory database of businesses.

<u>Sector</u>	<u># of Emp/1000 SF</u>	<u># of Emp/Acre (.25 coverage)</u>
Manufacturing		
Food processing	1.74	18.94
Metals mfg	1.01	11.00
Plastics	2.15	23.41
Chemicals, basic	1.94	21.13
Industrial machinery	1.68	18.30
Appliances/electrical equip.	1.79	19.49
Printing	3.23	35.17
Distribution center	0.78	8.46
Call center	4.00	43.56
Retail	4.93	53.69

**MVP recommends a job density target of 16.4 employees per developable acre,** which corresponds to 1.5 employees per 1000 sq. ft. of building, assuming a 1:4 building-to-land coverage ratio and a one-story building. This target is based on the average job density of Northwest Land Bank sales to manufacturers in the 1990s and, as demonstrated by the above table, is in line with industry averages, as well as the Menomonee Valley’s current average of 57.8 jobs per acre (see table on page 8). In addition, this target is consistent with the economic development goals identified during the strategic planning process.

Job Densities of Current Menomonee Valley Businesses

<u>Company</u>	<u>Jobs</u>	<u>Acres</u>	<u>Jobs/Acre</u>
Peck	700	5.00	140.00
JM Brennan	130	1.60	81.30
Cerac	111	2.25	49.30
Allied Insulation Supply Co	41	1.00	41.00
Standard Electric Supply Co	55	3.35	16.40
Falk Corp	943	50.60	18.60
<b>Average</b>			<b>57.77</b>



## Section C—Menomonee Valley Family Sustaining Wage Targets

The Family Sustaining Wage for the Menomonee River Valley is \$12.00 per hour, assuming employer-paid health insurance premiums are included in the compensation package.<sup>1</sup> **Menomonee Valley Partners recommends that employers moving into the Valley meet this wage guideline for all of their employees.**

This wage rate--\$11.83 to be exact—represents the hourly wage necessary for a full-time worker to support his or her family’s basic needs (see page 11 for budget specifications and wage calculation). It is important to note, however, that hourly wages and take-home pay, net of transfer payments, do not always move in tandem. As the table on page 12 prepared by Holt Associates Solutions illustrates, take-home pay increase as wages rise from \$6.50 an hour to \$12 an hour, but may fall at rates slightly above \$12 an hour, when many workers move into higher income tax brackets and lose substantial portions of child care subsidies.

**Sustainable Wage Plan:** Employers who will not offer the Family Sustaining Wage for all employees should prepare a “Sustainable Wage Plan” summarizing the steps the employer will take to meet the Family Sustaining Wage in the medium term (1-3 years). The plan should address the following questions:

1. What percent of your workforce will earn less than the Family Sustaining Wage initially? After one year of operation? After three years of operation?
2. Describe any probationary period that applies to employees who will be hired at wages below the Family Sustaining Wage, including the length of probation, health benefits before and after probation, and wages before and after probation. What percentage of employees does the probationary period apply to?
3. Will employees hired at a wage below the Family Sustaining Wage be provided with health benefits?
4. Describe the opportunities that will be provided to workers hired at wages below the Family Sustaining Wage to advance into higher-wage positions, such as training or policies for promotion from within the company.

**Recruitment and Training Assistance:** MVP also recommends that employers recruit a workforce that reflects the diverse population of Milwaukee. For assistance in recruiting workers, employers may contact any of the following local, non-profit organizations:

Esperanza Unida

671-0251

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<sup>1</sup> Employers may choose to have employees contribute to the cost of health insurance. However, wages should rise commensurate with this employee contribution to offset this cost. For instance, if an employee must contribute \$300/month for her health insurance, her hourly wage should be increased by \$1.88 to cover the cost of that contribution.

Employment Solutions	873-6400
Opportunities Industrialization Center of Greater Milwaukee	908-3100
Milwaukee Urban League, Inc.	374-5850
United Migrant Opportunity Services	389-6000

For assistance with specialized training programs, employers may contact:

Wisconsin Regional Training Partnership	906-4204
BIG STEP	962-5067
Milwaukee Technical High School	

**Incentives:** The Menomonee Valley is located in a federal Renewal Community; as a result, employers qualify for significant tax credits (\$1,500 per person) if they hire workers who also live in the Renewal Community. Prospects should consult [www.MilwaukeeTaxInfo.com](http://www.MilwaukeeTaxInfo.com), or call 414-225-0550, for more information.

## MVP Family Sustaining Wage Calculation

Family Type:	1 Parent <u>2 Kids</u>	1 Parent <u>No Kids</u>	2 Parents <u>2 Kids</u>	<u>Average</u>	% of <u>Total</u>
<u>Typical Budget</u>					
Rent	\$ 639	\$ 500	\$ 319	\$ 486	29%
Food	\$ 358	\$ 200	\$ 358	\$ 305	18%
Child Care	\$ 933		\$ 466	\$ 466	28%
Transportation	\$ 184	\$ 184	\$ 184	\$ 184	11%
Other	\$ 294	\$ 294	\$ 147	\$ 245	15%
Net monthly pay	<u>\$ 2,406</u>	<u>\$ 1,178</u>	<u>\$ 1,474</u>	<u>\$ 1,686</u>	100%
Taxes	Rate: 26%	<u>\$ 618</u>	<u>\$ 303</u>	<u>\$ 379</u>	
Gross Monthly Pay	\$ 3,024	\$ 1,480	\$ 1,853		
Gross Hourly Wage	17.45	8.54	10.69		
Health Insurance Total Monthly Cost	<u>\$ 700</u>	<u>\$ 350</u>	<u>\$ 900</u>		
Total Monthly Compensation Package	\$ 3,724	\$ 1,830	\$ 2,753		
Total Hourly Compensation Package	\$ 21.49	\$ 10.56	\$ 15.88		
Percent of local population:	29%	38%	33%		
Weighted Average Compensation, excl. Health Insurance			\$ 11.83		
Weighted Average Compensation, incl. Health Insurance			\$ 15.48		

### **What Does it Mean?**

#### **Budget Based on \$15.50/Hour**

Rent	\$ 436
Food	\$ 273
Child Care	\$ 418
Transportation	\$ 165
Other	<u>\$ 219</u>
Net monthly pay	\$ 1,511
Taxes	\$ 690
Health Insurance	<u>\$ 650</u>
Total Monthly Compensation	\$ 2,684

#### Sources:

The 1-Parent, 2-Kid budget is an average of budget estimates prepared by the Wisconsin Women's Network and the Economic Policy Institute. The 2-Parent and No-Kid budgets were modified from the WWN and E budgets. Health Care cost information was provided by Valley businesses.

**FAMILY TYPE: Single parent with 1 toddler & 1 pre-schooler**

**BASIC NEEDS BUDGET**

*(excl. child care & health insurance costs incl. below)*

	<i>(yearly)</i>	<i>(monthly)</i>
Housing	\$8,040	\$670
Food	\$5,418	\$452
Transportation	\$3,216	\$268
Other Medical	\$1,255	\$105
Other Necessities	\$2,510	\$209
<b>TOTAL</b>	<b>\$20,439</b>	<b>\$1,703</b>

**NET DISPOSABLE INCOME FOR BASIC NEEDS**

*(with full receipt of tax credits & public benefits)*

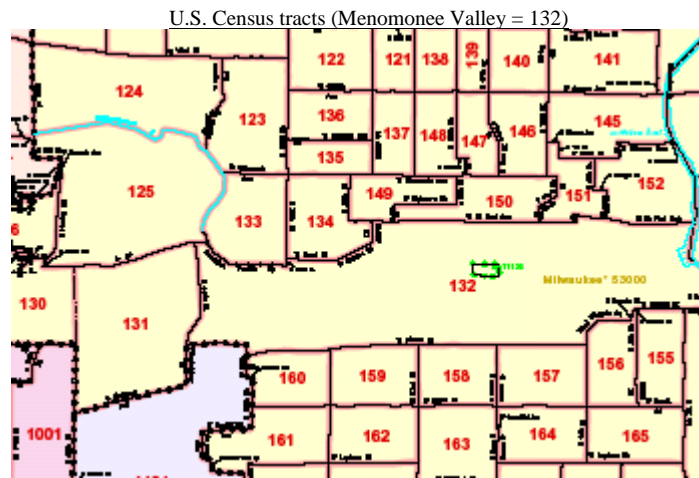
*(with free child care)*

	<b>Hourly wage:</b>	<b>\$6.50</b>	<b>\$8.00</b>	<b>\$10.00</b>	<b>\$12.00</b>	<b>\$15.00</b>	<b>\$6.50</b>	<b>\$12.00</b>
	<b>Full-time, full-year earnings:</b>	<b>\$13,520</b>	<b>\$16,640</b>	<b>\$20,800</b>	<b>\$24,960</b>	<b>\$31,200</b>	<b>\$13,520</b>	<b>\$24,960</b>
Social Security & Medicare taxes		(\$1,034)	(\$1,273)	(\$1,591)	(\$1,909)	(\$2,387)	(\$1,034)	(\$1,909)
Fed. income taxes		\$302	\$614	\$1,030	\$1,446	\$1,803	\$302	\$1,119
WI income taxes		\$0	(\$120)	(\$391)	(\$705)	(\$1,198)	\$0	(\$705)
Child care costs (co-payments)		(\$700)	(\$1,250)	(\$2,100)	(\$2,700)	(\$8,333)	\$0	\$0
Health insurance premiums		\$0	\$0	\$0	\$0	(\$769)	\$0	\$0
Fed. Earned Income Tax Credit		\$4,200	\$3,591	\$2,715	\$1,839	\$525	\$4,200	\$1,839
WI Earned Income Tax Credit		\$588	\$503	\$380	\$257	\$74	\$588	\$257
WI Homestead Credit		\$595	\$376	\$83	\$0	\$0	\$595	\$0
Food Stamps		\$2,975	\$2,100	\$0	\$0	\$0	\$2,660	\$0
<b>Net income for basic needs:</b>		<b>\$20,446</b>	<b>\$21,181</b>	<b>\$20,926</b>	<b>\$23,188</b>	<b>\$20,915</b>	<b>\$20,831</b>	<b>\$25,561</b>
<b>Percentage of basic needs budget:</b>		<b>100%</b>	<b>104%</b>	<b>102%</b>	<b>113%</b>	<b>102%</b>	<b>102%</b>	<b>125%</b>

## Section D—Ensuring Positive Distributional Effects: Measuring Commitment to Local Workers

In keeping with MVP’s pledge to ensure that Valley redevelopment efforts benefit local residents, prospects should be vetted for a commitment to developing a local workforce. Prospects could demonstrate this commitment in a variety of ways:

- Pledging to hire a specified percentage of workers from census tracts bordering the Menomonee Valley (see map below; boundaries are roughly Galena St., Lapham Blvd., the Milwaukee River, and 80<sup>th</sup> St.)



source: U.S. Census Bureau

- Pledging to focus recruitment efforts on census tracts surrounding the Menomonee Valley and partnering with neighborhood workforce development agencies serving these areas (e.g. UMOS) to demonstrate this commitment
- Pledging to hire a specified percentage of workers from underrepresented minority groups

## Section E—Not All Jobs Are Created Equal: Maximizing Total Economic Impact

The total economic benefit Milwaukee residents will derive from the Stockyards' redevelopment is a function of four factors:

- The total number of jobs created at the site (which is, in turn, a function of job density, since developable acres are fixed but job density will vary with the site's use)
- The degree to which these jobs represent net new jobs to the region (or net retained jobs);
- The economic benefit workers receive from these jobs, in terms of wages and benefits; and,
- The “ripple effect” of this new business, in terms of job growth in related industries, increased regional income as a result of this job growth, and even greater job and income growth once this growth translates into higher retail spending in the metro area.

In light of this analysis, maximum economic benefit will be achieved if the site is developed by a company:

- With high job density;
- Paying high wages plus benefits;
- With strong linkages (or potential linkages) to other Milwaukee businesses, and thus excellent potential for job creation in related local industries; and,
- In an export-oriented industry (e.g. manufacturing, export-oriented service businesses like call centers and check processing centers) that attracts dollars from outside the region to grow regional income and employment. A non-export oriented business (e.g. health care, retail) would not accomplish this objective, as such a business merely recycles and redistributes regional income—e.g. from one restaurant to another—and does little to increase total regional employment.

The U.S. Bureau of Economic Analysis' RIMS II multipliers can assist us in quantifying a given industry's total regional economic impact. We can estimate the total increase in regional income *as a result of a specified Stockyards' land use* by multiplying the expected total annual wages the prospect will pay by the RIMS II direct-effect earnings multiplier. We can estimate the total increase in regional employment by multiplying the expected total number of jobs created by the RIMS II direct-effect employment multiplier. The following table uses industry job density averages (see Section B), Bureau of Labor Statistics industry average wages<sup>2</sup>, and RIMS II multipliers to illustrate the wide variation in different industries' economic impacts<sup>3</sup>:

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<sup>2</sup> <http://www.bls.gov/oes/2003/may/oesrci.htm>

<sup>3</sup> **Important!:** The table illustrates economic benefits if all jobs created in the Valley are net new jobs in the region. Therefore, the table likely overestimates economic impact. Economic impacts will be less if the new business cannibalizes sales from other local business—e.g. a competitor local firm loses business as a result of the new firm's operation, which will then result in lower profits and employment. **This is especially true for retail, since the total amount of regional retail spending tends to remain constant for a given level of regional income.** When using RIMS II multipliers to estimate economic impacts, proposal reviewers should estimate the total number of net new jobs and use the most specific RIMS II multipliers possible; the multipliers presented in the table are for broad sector categories, as noted.

<u>Sector</u>	<u># of</u> <u>Emp/1000</u> <u>SF</u>	<u>Job</u> <u>Density--</u> <u>Jobs/Acre</u>	<u>Total</u> <u>jobs on</u> <u>site at</u> <u>build-</u> <u>out</u>	<u>Average</u> <u>industry</u> <u>hourly</u> <u>wage, all</u> <u>workers</u>	<u>Total annual</u> <u>company</u> <u>payroll</u>	<u>RIMS II</u> <u>earnings</u> <u>multiplier</u>	<u>RIMS II</u> <u>employment</u> <u>multiplier</u>	<u>Increase in</u> <u>regional</u> <u>income</u>	<u>Increase in</u> <u>regional</u> <u>employment</u>
Manufacturing									
Food processing		18.94	189.39	\$13.74	\$5,412,651.97	2.98	3.60	<b>\$16,129,702.86</b>	<b>681.81</b>
Metals mfg		11.00	110.00	\$17.02	\$3,894,176.00	1.96	2.20	<b>\$7,632,584.96</b>	<b>242.00</b>
Plastics		23.41	234.14	\$15.26	\$7,431,632.21	2.60	3.39	<b>\$19,322,243.74</b>	<b>793.72</b>
Chemicals, basic		21.13	211.27	\$24.33	\$10,691,411.70	2.23	3.21	<b>\$23,841,848.10</b>	<b>678.16</b>
Industrial machinery		18.30	182.95	\$22.16	\$8,432,769.95	2.17	2.88	<b>\$18,299,110.78</b>	<b>526.90</b>
Appliances/electrical equip.		19.49	194.93	\$17.48	\$7,087,379.27	2.62	2.87	<b>\$18,568,933.69</b>	<b>559.45</b>
Printing		35.17	351.75	\$17.06	\$12,481,671.95	1.74	1.97	<b>\$21,718,109.19</b>	<b>692.94</b>
Distribution center		8.46	84.62	\$14.59	\$2,567,840.00	2.18	2.52	<b>\$5,597,891.20</b>	<b>213.23</b>
Retail		53.69	536.88	\$9.97	\$11,133,540.48	1.71	1.48	<b>\$19,038,354.21</b>	<b>794.58</b>

**Worksheet to Determine Economic Impact:** When evaluating a proposal, the committee should solicit the following information from the prospect:

1. Number of jobs within first year of operation, 5 years after commencement of operations, and at full build-out
2. Products to be manufactured (use to determine precise RIMS II industry category)
3. Value of annual compensation to workers (payroll plus benefits)
4. Links to local suppliers or customers (use to determine how applicable RIMS II multipliers are for this specific firm)
5. Local competitors (if company is reluctant to provide this information, as is likely the committee can get a rough estimate by searching City databases for companies with the same NAICS code as corresponds to the company based on #2; this information is important as it assists the committee in determining how many NET new jobs are to be created)
6. Distributional effects—From which neighborhoods will most workers come?  
What is the median hourly pay for non-supervisory, non-professional personnel?  
Does the company intend to contract with minority-owned local suppliers?

The total regional economic impact can then be calculated as follows:

Total increase in regional output = Total number of NET jobs (exclude those likely to be cannibalized from other local firms) x average hourly pay (include value of benefits) x average number of hours per year per worker x appropriate RIMS II direct-effect earnings multiplier

Total increase in regional employment = Total number of NET jobs x appropriate RIMS II direct-effect employment multiplier

One final consideration is the number of years a company is expected to have a positive economic impact. Firms likely to move offshore in the next few years will provide far less long-term benefit than firms with a strong commitment to remaining in Milwaukee.