

Sustainable Economic Development Analysis

City of Muskego, Wisconsin

DRAFT



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1.0 Strategy Overview

1.1 What Economic Sustainability Means for the City of Muskego

Sustainable economic development requires a number of important market features including,

- Diversifying employment opportunities and business sector mixes
- Combined growth-oriented industries with traditionally robust economic engines
- Maintaining municipal-sector solvency
- Enhancing quality-of-life for workforce and residents

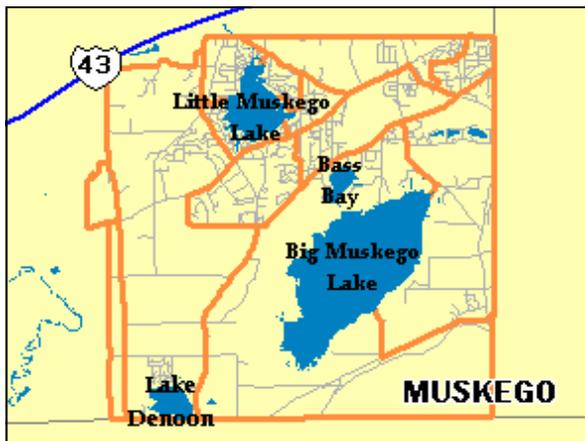
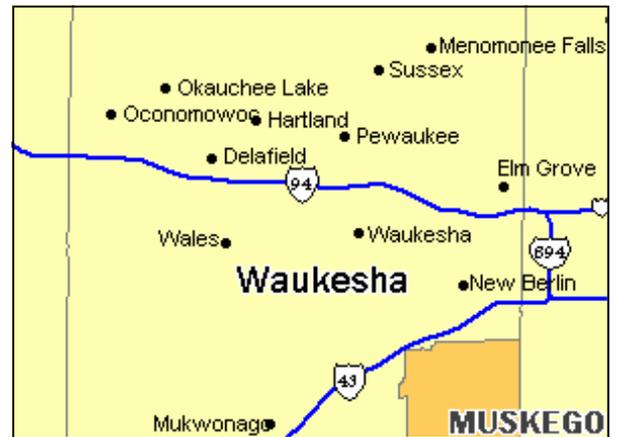
Economic progress is not simply the addition of new jobs, tax base, or higher-income residents. Rather, long-term economic development matches the strengths of the local workforce and community with

promising market opportunities to create sustainable growth that is of high quality. As a result, it is important for Muskego to focus on creating job opportunities in sectors in which their workforce is prepared and the market is demanding, retain and support industries that provide economic opportunity to the local area currently, encourage growth to the extent that municipal solvency is maintained, and enhance the community's quality of life. These goals are the primary foundation upon which a sustainable economic development strategy should be crafted and by which this analysis is judged.

1.2 Objective of Economic Analysis

The purpose of The Taurean Group's work effort for the City of Muskego was to provide an objective, supportable, and clear analysis of local economic opportunities to provide an opportunity for the city to implement a set of long-term strategies and create comprehensive development guidelines supported by regional economic trends.

Taurean approached the analysis from the following perspective. It was important to understand the



Muskego's sustainable economy development analysis was performed at three levels of geography. Data was gathered from a number of private and public sources including Census 2000, AGS, Acxiom, and others.

household and community demographics for the City of Muskego and how they compared with Waukesha County, southeastern Wisconsin, and the state as a whole. Creating this baseline enabled the identification of general trends and patterns of the community’s socio-economic composition. This allowed for Taurean to build a supportable context upon which to assess the market for business development and growth.

Establishing a household demographic foundation allowed for a more informed and systematic study of the business environment throughout southeastern Wisconsin and the City of Muskego’s potential. The City’s desire to spur sustainable economic growth required that a comprehensive analysis of the regional economy as well as the local context be undertaken to ensure that public investment, time, resources, and land be utilized in an efficient manner.

Taurean’s role in the market analysis was to link the economic opportunities of the marketplace with the strengths of the local community and its workforce. Muskego’s real estate sees this matching process as the linking of a site in search of a use and a use searching for a site. With both businesses and sites searching for potential fits, Taurean’s role was to identify those economic uses that would provide a sustainable competitive advantage for the City of Muskego given the strengths and weaknesses of the community.

1.3 Economic interests of the community

Whether real or perceived, the Muskego community had the following perceptions of their community’s quality of economic life:

- Losing existing business due to lack of expansion space.
- Need to stop economic leakage.
- Need to promote a better balance of business vs. residential to diversify the tax base.
- Need more property zoned for business.
- Create a business center (or business district) with a variety of businesses that meet the needs of residents for goods and services.

- Residential growth will strain infrastructure - raise tax rate.
- The tax base is a burden to homeowners. Less than 8% of tax base is business.
- Need to develop high scale industrial/ business Park on Moorland near I-43.
- The City should create an atmosphere favorable for business development.
- Implement a plan that allows residents to spend and work locally, creating a community environment.

Public sentiment seems to indicate a desire for additional commercial activity in the City of Muskego but the kind of commercial activity that is feasible and realistic is the topic of this analysis. For economic development efforts that are sustainable, there needs to be general consensus between the community and the market’s feasibility.

1.4 Geography of the Economic Analysis

Taurean created several geographic levels of analysis that are frequently referenced.

- State: Refers to Wisconsin and the trends at this level.
- Region: Refers to an eleven county region in southeast Wisconsin made up of Walworth, Kenosha, Racine, Jefferson, Waukesha, Milwaukee, Dodge, Washington, Ozaukee, Sheboygan, and Fond du Lac counties.
- County: Refers to Waukesha County and the trends at this level.
- City: Refers to Muskego and the trends at this level.

2.0 Market Trends & Opportunities Review

2.1 Overview of Economic Trends Affecting the City of Muskego

Although significant support detail follows, the following general findings have been identified as those attributes most affecting the City of Muskego

and its position within the regional economy.

- Higher rate of family-based households call Muskego home.
- Muskego expected to age at a faster rate than the region or the state, but consistent with Waukesha County in which seniors and young adults (18-29) are underrepresented.
- Muskego lags behind Waukesha County in the proportion of individuals with a bachelor degree. Although expected to rise over the next five years, Muskego is still projected to trail Waukesha County in 2007.
- Muskego and Waukesha County have significantly higher incomes than other communities in southeastern Wisconsin. In addition, Muskego's median income is expected to surpass that of the County by 2007.
- Muskego's local economy is hindered by its lack employment opportunities. Its businesses contribute only 2% to the total County payroll; a County that accounts for almost 10% of the State's total. When compared against 52 other cities in southeastern Wisconsin, Muskego ranks 44th in total business payrolls.
- Local employees working in finance, insurance, and real estate related industries generally commute outside Muskego to their place of employment. Establishing plans to retain as many of these workers locally as possible may be a viable alternative in nurturing economic development.
- Muskego attracts construction industry employees from neighboring communities, bringing daytime spending potential to the City and its businesses. Contrary to its general trend, Muskego ranks 21st in the 52 city region in construction payrolls. Wholesale trade and retail service employment also reflects this trend. These industries are building block and should be fostered to ensure Muskego maintains and expands its competitive regional position.
- Manufacturing and service positions follow the lead of financial service industries and generally commute outside the community for their employment. This is a significant hindrance to the City since over 50% of Muskego employees work in one of these two industries. Retaining a greater number of these employees may be a viable alternative in establishing sustainable economic growth strategies.
- The rate of growth in the number of Muskego residents working in manufacturing, service, and wholesale trade is expected to be among the region's leading cities. This does not necessarily mean, however, that these residents will work in the City, but rather that they will live in the City.
- Muskego is projected to be among the top four cities in southeastern Wisconsin in recruiting executives and manager, salespersons, and clerical workers. This does not necessarily mean, however, that these residents will work in the City, but rather that they will live in the City.
- Muskego's rate of household growth is expected to outpace the County, region, and state over the next five years, adding close to 1,000 new households by 2007. Multi-family demand is expected to shift the housing mix slightly away from the traditional single-family composition.

2.2 Regional & County Economic Trends

The change in the American economy over the last decade has given rise to a number of significant trends that are affecting Wisconsin communities. Between 1990 and 1998, the growth rate of self-employed individuals rose twice as fast as the growth of waged and salaried employment. As a result, the location decisions of new firms have increasingly become dependent on entrepreneurial preferences. In many cases, economic development plans aimed at fostering the growth of start-up business have taken advantage of these preferences by tailoring their programs to enhance their community's quality-of-life. Most of this growth occurred in service-oriented businesses. During the 1990's, service-sector

employment grew by 35%, outpacing any other industry in the State of Wisconsin. Specifically, metro-Milwaukee service employment totaled over 250,000 people in 1999, surpassing manufacturing as the most important regional employer by approximately 75,000 jobs. In particular, service jobs accounted for 62% of metropolitan Milwaukee's total employment growth during the decade; specifically business service jobs accounted for one out of every four new jobs. It is expected that this sector will continue to experience rapid expansion in the foreseeable future and determine the region's economic quality of life.

In addition, Wisconsin's traditionally robust manufacturing sector also realized positive growth during the 1990's. In fact, manufacturing employment grew at 14% during the last decade but actually experienced a contraction in the City of Milwaukee, losing an estimated 10,600 jobs. Increasingly, the location criteria of these employers have pushed firms outside of metropolitan areas towards more rural settings. Outlying cities like Muskego who possess available land and appropriately trained workforces may stand to benefit from this outward migration. In particular, job gains in commercial printing, metal stamping, and plastic product manufacturing throughout metro-Milwaukee were important in balancing the loss of other manufacturing employment in the City of Milwaukee. The competitiveness of Wisconsin manufacturing continues to be supported by innovations in productivity technology. Unfortunately, the growing value of products sold by Wisconsin manufacturers is being done with only modest increases in labor. Although manufacturing continues to play an important role in southeastern Wisconsin, it is clear that manufacturing as a source of employment is increasingly becoming overshadowed by gains in the service-sector.

The results of Census 2000 also indicate the importance of Milwaukee's bedroom communities in the regional economy. Of the 105,000 jobs created in the metropolitan area during the 1990's, approximately 96% were located outside of the central city in neighboring suburbs. The Wisconsin Policy Research Institute estimates that some 13,000 jobs migrated from downtown to the suburbs between 1991 and 1999. In this mix, Waukesha County plays a critical role with the Cities of

Waukesha and Wauwatosa alone each employing approximately 50,000 people.

Clearly, Waukesha County has been and will likely continue to be an engine of growth in the Milwaukee-metropolitan area. The area exhibits a strong tendency towards manufacturing, wholesale trade, and service jobs which, when combined, comprise 56% of the County's payroll. The strong growth in service-based industries, however, has positioned this sector's firms as equals (if not leaders) in strengthening the area's economic base.

An important attributes of these types of business is their relatively smaller sizes. Between 1991 and 1999, approximately 50% of the state's employment growth was attributable to firms with fewer than 100 employees. In fact, the largest growth was in companies with between 20 and 99 employees. As a result, space designed for smaller firms and economic development efforts aimed at start-ups and smaller growth companies have become an important effort in fostering local economies. Nevertheless, it is important to point out that half of metro-Milwaukee's employment growth during the 1990's was attributable to larger firms; a fact that contrasts sharply with other state economies. As a result, the metropolitan area's growth has been equally dependent on large and small firms.

Southeastern Wisconsin accounts for almost half (\$46 billion) of the State's total payroll base of \$98 billion, of which Waukesha County contributes almost 10% (\$9 billion). In other words, of the 72 counties in the State of Wisconsin, Waukesha produces nearly 10% of the total payroll income. Relative to the rest of the State, the Milwaukee region has the highest overall earnings per worker. In particular, earnings for finance, insurance and real estate related service workers increased over the last decade more than any other profession adding more than \$15,000 to the average pay. As will be outlined later, a significant number of these workers call Muskego home but travel outside the area for employment. In addition, the earnings for wholesale trade and manufacturing are ranked 2nd and 3rd in the metro-Milwaukee area at approximately \$41,000 and \$39,500 respectively. Despite manufacturing's strong record of pay, however, the number of better paying service sector jobs (defined as those over \$25,000 annually) outnumber better paying manufacturing jobs two-to-

Employment	Wisconsin	Southeast WI	Waukesha County	Muskego
Agriculture, Forestry & Fisheries	3%	1%	1%	0%
Business & Repair Services	4%	5%	5%	6%
Communications & Other Public Utilities	2%	2%	3%	3%
Construction	6%	6%	7%	7%
Educational Services	9%	9%	8%	6%
Entertainment & Recreation Services	1%	1%	1%	2%
Finance, Insurance & Real Estate	6%	7%	8%	7%
Health Services	10%	10%	10%	9%
Manufacturing, Durable Goods	9%	8%	8%	8%
Manufacturing, Nondurable Goods	15%	18%	17%	18%
Mining	0%	0%	0%	1%
Other Professional & Related Services	6%	6%	7%	6%
Personal Services	3%	3%	2%	2%
Public Administration	4%	3%	2%	3%
Retail Trade	13%	12%	11%	12%
Transportation	4%	4%	4%	5%
Wholesale Trade	4%	4%	6%	5%

one.

2.3 Local Economic Dynamics

2.3.1 Industries in which Muskego Residents Work

The employment measurement classifies individuals into a number of industry categories in which they are employed. For example, an individual may work a New Berlin manufacturing firm but live in Muskego. This indicator quantifies industry employment based on where the individual lives, not where they work, and is important in determining the expected change in Muskego’s labor force. In the preceding example, therefore, the analysis would indicate that the individual

is from Muskego and works in manufacturing, despite the fact that the job is located in New Berlin. As a result, it can highlight which industries may be attractive long-term investments for local economic development as Muskego’s labor pool expands.

Four out of every ten Muskego employees (40%) work in one of the following three industries:

- Nondurable manufacturing
- Health services
- Retail trade

This distribution, however, does not differ from trends observed in the county, region, and state. Integrating

Workforce Growth Comparison	Muskego’s Ranking	Muskego’s Main Competition
Wholesale Trade	4	Menomonee Falls, Franklin, Pewaukee, Oak Creek
Manufacturing	8	Franklin, Oak Creek, Menomonee Falls, Waterford
Service	13	Oak Creek, Waukesha, Franklin, Pewaukee, Menomonee Falls
Total	6	Oak Cree, Franklin, Waukesha, Menomonee Falls
The rankings described here are based on a statistical comparison of a two-mile radius around the center 52 cities in southeastern Wisconsin.		

payroll trends with employment counts, it becomes clear that Muskego workers may be leaving the City to work in the following industries:

- Finance
- Insurance
- Real estate
- Manufacturing
- Services

At the same time, workers from outside Muskego may be commuting in for employment in:

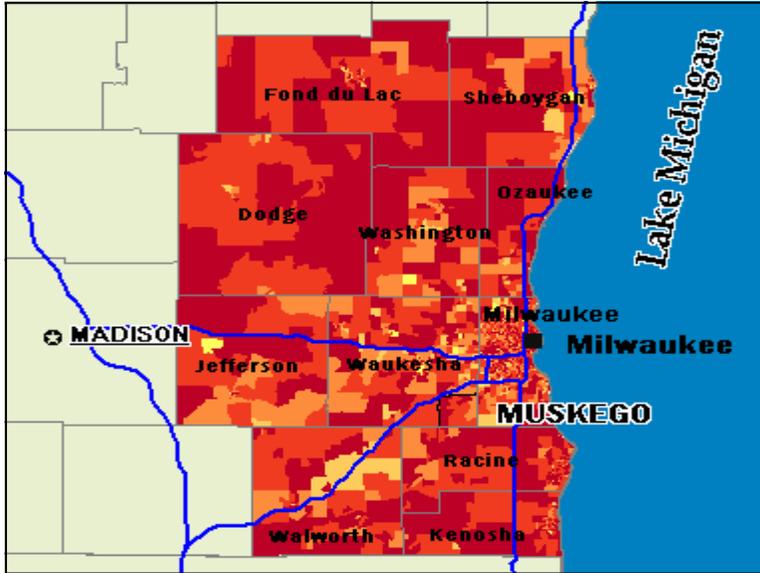
- Retail
- Construction
- Wholesale trade

Taken together, this presents the City with task of retaining those industries that make-up the local economic base (retail, construction, and wholesale trade) and actively recruit those industries that take Muskego residents away each workday (finance, insurance, real estate, manufacturing, and services).

Currently, Muskego is positioned as a bedroom community serving larger employment centers within the region and, to a large extent, within Waukesha County. Nonetheless, projected growth in Muskego's labor force over the next five years will present the City with an opportunity to integrate an active business sector with its residential core. Assessing Muskego against regional municipal competition (52 cities in all) uncovered strong anticipated rates of employment growth in several key industries. In fact, of the seventeen industries for which employment data is available none were projected to decrease over the next five years. Specifically, Muskego is well positioned to absorb new growth in:

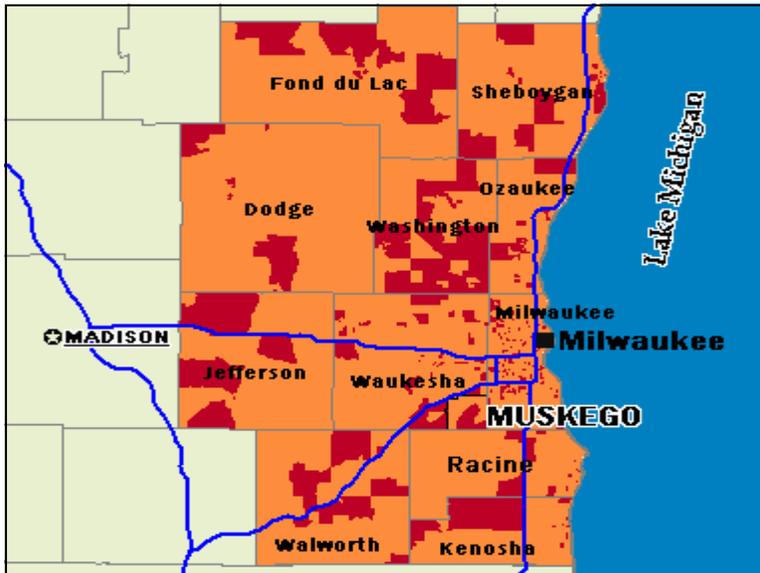
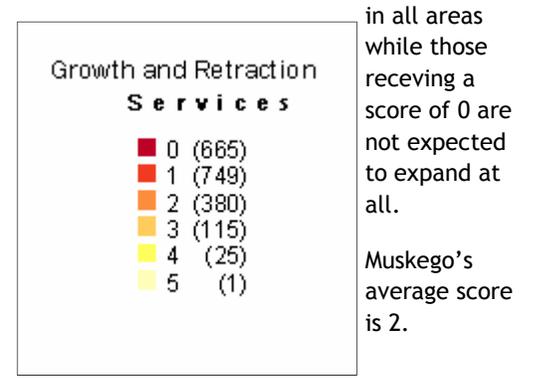
- Wholesale trade
- Manufacturing
- Services

Although the growth prospects appear enticing, it is important to point out that two of the three industries listed above are sectors in which residents exhibit a general tendency to commute elsewhere during the day. Therefore, unless employment opportunities are cultivated locally these workers will continue to leave the City for work and return at night (except wholesale trade). Short to medium-term growth in local employment opportunities should be targeted to those industries in which Muskego already has a competitive workforce; retaining these workers is paramount.



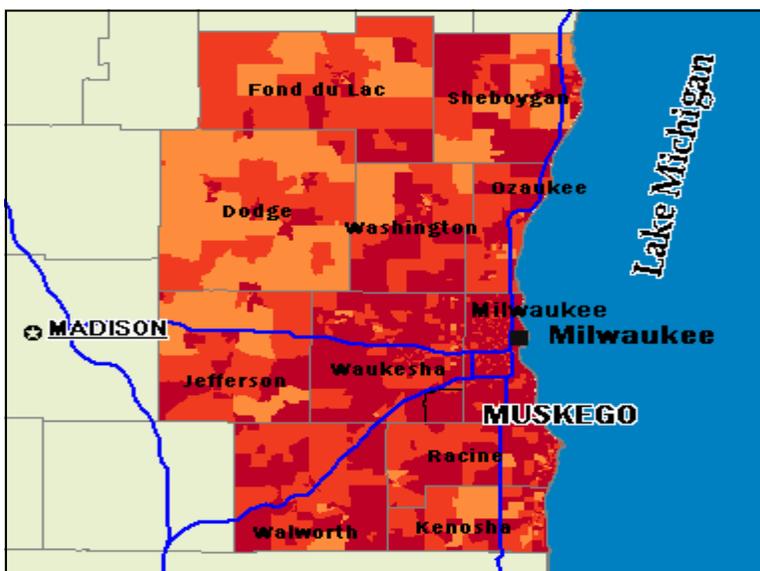
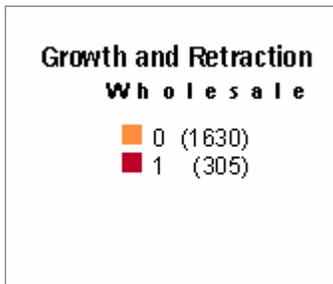
Service Growth Expectations

Service businesses are an aggregate of business services, education services, social services, health services, and other services. Those areas receiving a score of 5 are expected to grow



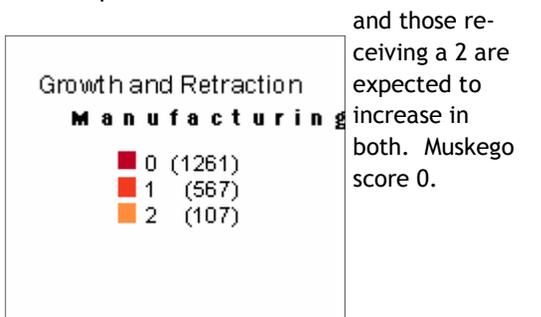
Wholesale Trade Growth Expectations

Those areas receiving a score of 0 are not expected to see an increase in wholesale trade employment over the next five years while those receiving a score of 1 are expected to grow. Muskego's block groups are evenly split between 0 and 1.



Manufacturing Growth Expectations

Manufacturing is composed of durable and non-durable manufacturing. Those areas receiving a score of 0 are not expected to see an increase in manufacturing employment over the next five years while those receiving a score of 1 are expected to increase in at least one form



2.3.2 Occupations in which Muskego Residents Work

Occupational composition also tracks where people of particular job types live, not where they work. These measurements break down the industry employment category to explain what kind of jobs people generally have, not simply in which industry they are employed.

The City of Muskego’s workforce is 44% blue collar and 55% white collar. These estimates are midway between trends seen in Waukesha County (5% lower) and the region (4% higher). This indicates that the City is a transitional area between the more blue-collared region and the more white-collared County. In particular, the City’s population is predominately engaged in the following specific occupations:

- Administrative support and clerical
- Production labor
- Professional specialty
- Executive and managerial

Of interest is the significant concentration of workers engaged in production oriented roles. The state, region and county each employ approximately 11.5% of its workforce in this occupation but approximately 14.5% of the City of Muskego’s population does so. This cohort of the population is an important part of the area’s economic base.

Nonetheless, the comparison of Muskego to 52 competing cities throughout southeastern

Occupational Composition	Wisconsin	SE Wisconsin	Waukesha County	Muskego
Administrative Support Occupations, Including Clerical	16%	17%	16%	17%
Executive, Administrative, and Managerial	10%	11%	15%	13%
Farming, Forestry, Fishing	1%	0%	0%	0%
Handlers, Equipment Cleaners,	4%	4%	3%	4%
Machine Operators, Assemblers	10%	10%	7%	8%
Materials	4%	4%	3%	4%
Private Household Occupations	0%	0%	0%	0%
Production	12%	12%	12%	14%
Professional Specialty Occupations	13%	13%	15%	13%
Protective Service Occupations	2%	2%	1%	1%
Sales Occupations	11%	11%	14%	13%
Services	13%	12%	9%	8%
Technicians & Related Support	3%	3%	4%	5%
Total Blue Collar Employment	51%	49%	40%	45%
Total White Collar Employment	49%	51%	60%	55%

Wisconsin uncovers a number of significant trends that is not reflected in the numerical composition. Based on projected growth in each occupational category over the next five years (2002 to 2007), Muskego ranks as one of the strongest centers of growth in the region. Specifically, the City is expected to be exceptionally strong in attracting executives and managers, salespeople, and clerical workers. In fact, Muskego’s strength is consistently overshadowed by only three primary competitors:

- Franklin
- Pewaukee
- Oak Creek

Muskego’s expected strength in attracting these occupations is a clear sign of the City’s economic potential and identifies those cohorts of the workforce to which Muskego could orient a business recruitment program.

2.3.3 Employment Opportunities in Muskego

The composition of local business employment is determined by industry payrolls that account for salaries and wages paid by firms in their location. In other words, this measure tracks where employees would “pick up their paycheck” and describes what kinds of jobs are currently available in Muskego. This measurement is important in assessing the level of demand for labor in the City of Muskego and how it rates in comparison to local competitors. When combined with information detailing the employment patterns of the local workforce, it can highlight those sectors leaking to other communities.

As mentioned previously, southeastern Wisconsin accounts for almost half of the state’s total payroll

Occupation Growth Comparison	Muskego’s Ranking	Muskego’s Main Competition
Salespersons	4	Franklin, Pewaukee, Oak Creek
Executives & Managers	6	Sussex, Menomonee Falls, Franklin
Clerical Support	4	Franklin, Pewaukee, Oak Creek
<i>The rankings described here are based on a statistical comparison of a two-mile radius around the center 52 cities in southeastern Wisconsin.</i>		

base and Waukesha County is the most significant pool within that region. Despite the County’s strong payroll position, however, Muskego businesses comprise only 2% (\$218 million) of its \$9 billion base. This is strong evidence of the City’s lack of business establishments and infers that workers from Muskego commute to other locations for employment.

The service, manufacturing, wholesale trade and construction industries account for approximately 68% of the City of Muskego’s payroll base, or \$150 million. Although these four industries comprise a large segment of the community’s job base, two important indicators stand out.

- Finance, insurance, and real estate sector payrolls are approximately 50% less than the county, region, and state norms. It is unlikely that this low figure is a result of lower wages but rather Muskego’s position as an exporter of these jobs. Because the employment count for this industry is consistent with the county, region, and state, we would expect the payroll distribution to be similar as well. When individuals do not work where they live, however, the outcome is reversed. As a result, an opportunity to capture these individuals by offering local space to match their needs may exist.
- Second, the proportion of payroll dollars attributable to the construction industry is

nearly twice the rate of the county, region, and state. The number of employees in this industry when compared to other regions is consistent suggesting that the additional payroll is likely a result of businesses bringing in employees from outside Muskego. As a result, efforts should be mobilized to continue to support and foster businesses of this nature because of their ability to bring outside dollars into the community.

When assessed against a comparison set of 52 other cities in southeastern Wisconsin, Muskego ranked close to the bottom in total payroll, ranking 44th. As expected, its ranking in finance, insurance, and real estate service payroll is close to the bottom as is service payroll. However, construction and wholesale trade payrolls are significantly more competitive at 21 and 31 respectively. In general, these signs highlight Muskego’s opportunity to

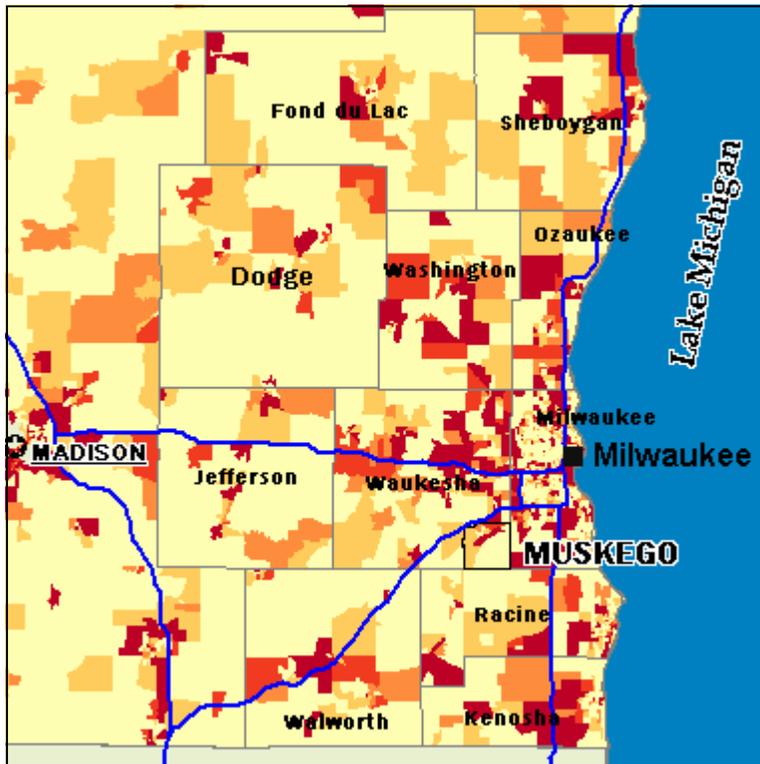
augment its economic base with new employment opportunities. In addition, it also point out a number of important industries to be supported and retained. In each, there are significant local competitors with whom Muskego must contend but, in general, a recurring group of cities mount a serious challenge to Muskego’s business expansion. These include:

- Wauwatosa
- Waukesha
- New Berlin
- Brookfield

Payroll Composition	Wisconsin	SE Wisconsin	Waukesha County	Muskego
Agricultural, Forestry, Fishing (SIC 01-09)	1%	0%	1%	2%
Construction (SIC 15-17)	5%	5%	6%	11%
Finance, Insurance And Real Estate (SIC 60-69)	8%	9%	11%	4%
Manufacturing (SIC 20-39)	21%	23%	28%	20%
Mining (SIC 10-14)	0%	0%	0%	0%
Public Administration (SIC 90-98)	8%	6%	5%	6%
Retail Trade (SIC 52-59)	9%	9%	9%	12%
Services (SIC 70-89)	33%	33%	28%	25%
Transportation and Communications (SIC 40-49)	6%	5%	3%	7%
Unclassified (SIC 99)	0%	0%	0%	0%
Wholesale Trade (SIC 50-51)	8%	8%	10%	12%

Employment Growth Comparison	Muskego's Rank	Muskego's Main Competition
Construction	21	W. Milwaukee, W. Allis, Wauwatosa, Waukesha, New Berlin, Pewaukee, Menomonee Falls
Finance, Insurance, Real Estate	47	Wauwatosa, Brookfield, Oconomowoc, W. Allis, Waukesha, Pewaukee, New Berlin
Services	44	Wauwatosa, Waukesha, Oconomowoc, Pewaukee, Menomonee Falls
Wholesale Trade	31	New Berlin, Wauwatosa, Waukesha, Pewaukee, Menomonee Falls, Mukwonago
Total	44	Wauwatosa, Waukesha, Brookfield, New Berlin, Oconomowoc

The rankings described here are based on a statistical comparison of a two-mile radius around the center 52 cities in southeastern Wisconsin.



Job Concentrations

Payroll distribution is a good measure for determining the comparative advantage of a city's job base. Compared to other cities throughout Waukesha and western Milwaukee Counties, Muskego has a significantly smaller concentration of jobs.



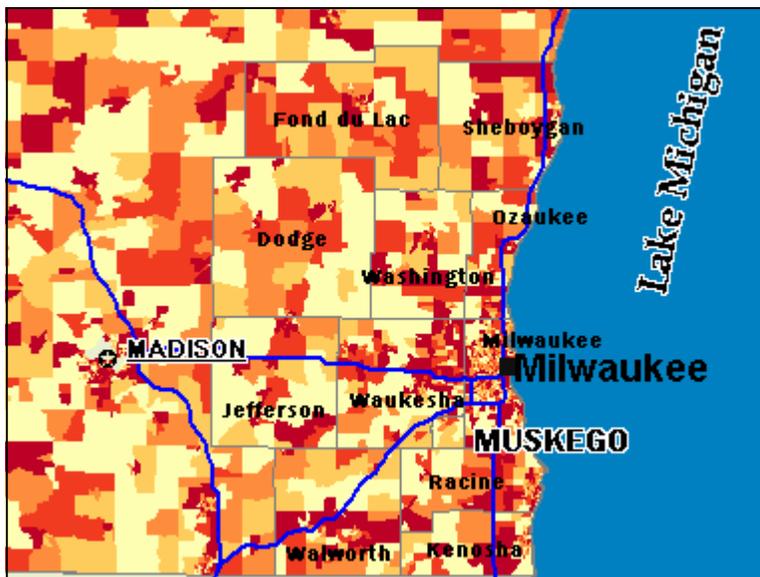
2.4 Summary of Market Trends Affecting the City of Muskego

The City of Muskego is affected by a number of important market trends that impact the development of sustainable economic strategies and space construction. Although not exhaustive, the following three items are fundamental trends that the City should build upon to position itself for a sustainable market environment.

- **Growth in Service-Sector Employment:** Over the last decade, metropolitan Milwaukee employment and earnings growth has been lead by service-sector jobs. A large part of this growth has been the result of the business and health service sectors. In fact, the Wisconsin Policy Research Institute estimates that over 40% of the new service jobs created during the 1990's was in one of these two industries (approximately 26,000).
- **Importance of Small-Business:** One out of every two new jobs created during the 1990's was a result of small to medium sized business (under 100 employees). Although the location of larger corporate sites still remains an important economic development activity, the infrequency with which it occurs and the competition involved in their

attraction makes the procurement of start-up businesses increasingly important. As a result, economic development efforts targeted at both smaller firms and new ventures is an important tool for the City of Muskego to utilize in diversifying and broadening its economic base.

- **Job-Commuting of Muskego Residents:** Based on an analysis of local business payrolls and employment activities of the workforce, it is clear that a large number of Muskego residents are employed elsewhere. These job-commuters tend to be in finance, insurance, real estate, services, and manufacturing. Immediate efforts aimed at enhancing Muskego's economic base should focus on retaining these sectors' workers locally. As the number of executives and managers residing in the City continues to increase over the next five years, Muskego's economic development strategy will have the opportunity to attract these types of firms from the surrounding Cities with which it is currently competing. Muskego generally competes with Wauwatosa, Waukesha, and Brookfield.



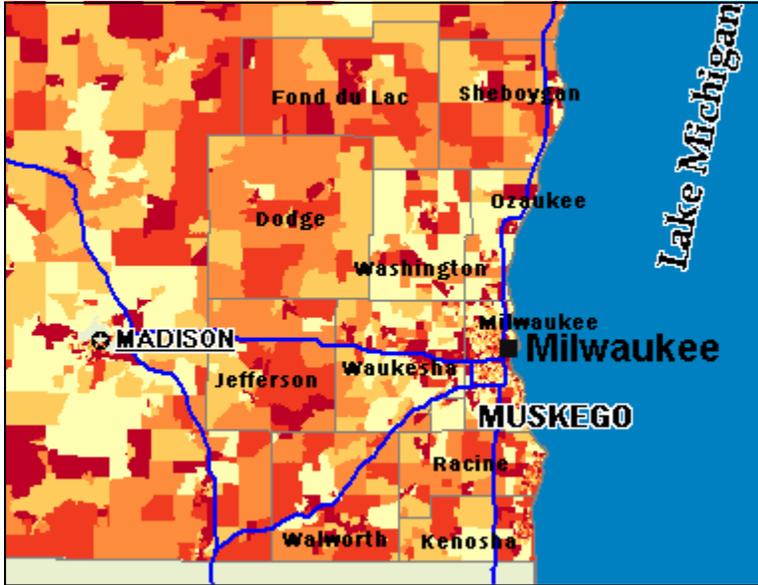
Regional Employment Centers

This map details the percentage of households that work near their home Census block group. For all employment, regardless of industry, it is estimated that between 60 and 80 percent of

Employment Centers Total

- 80% to 100% (875)
- 60% to 80% (874)
- 40% to 60% (874)
- 20% to 40% (886)
- 0 to 20% (879)

working households work outside of their home block group.

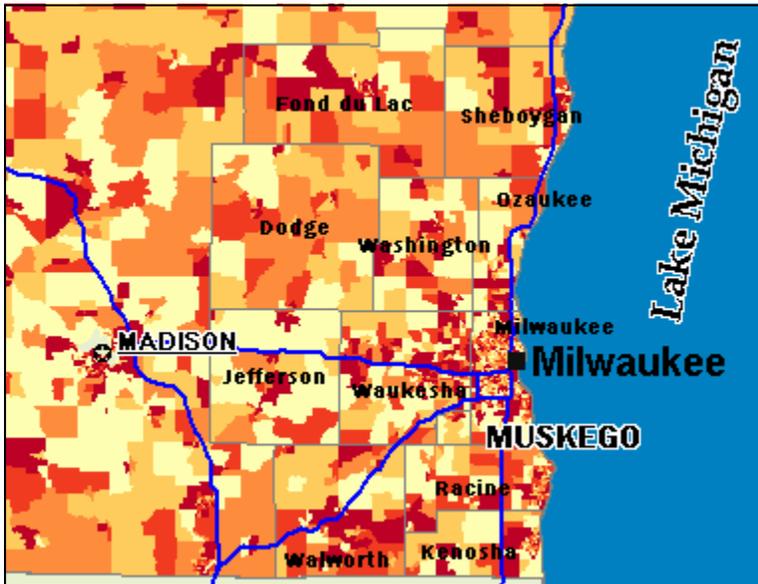
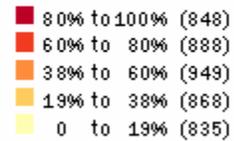


Finance, Insurance & Real Estate Employment Centers

This map details the percentage of households that work near their home Census block group. For finance, insurance, and real estate related jobs, it is estimated that between **80 and 100**

percent of working households work outside of their home block group.

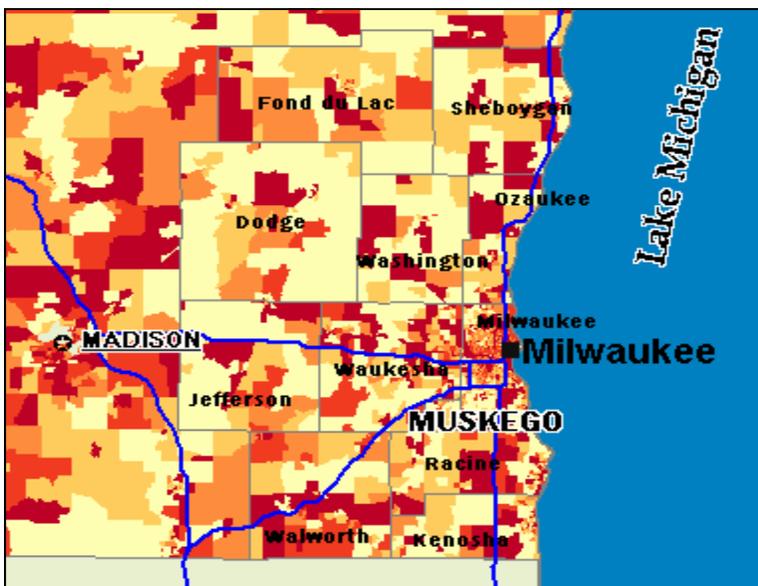
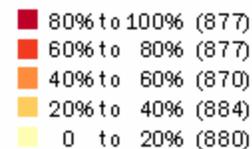
Employment Centers Finance



Service Employment Centers

This map details the percentage of households that work near their home Census block group. For service jobs, it is estimated that between **60 and 80** percent of working households work outside of their home block group.

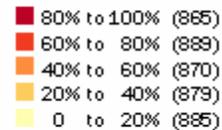
Employment Centers Services

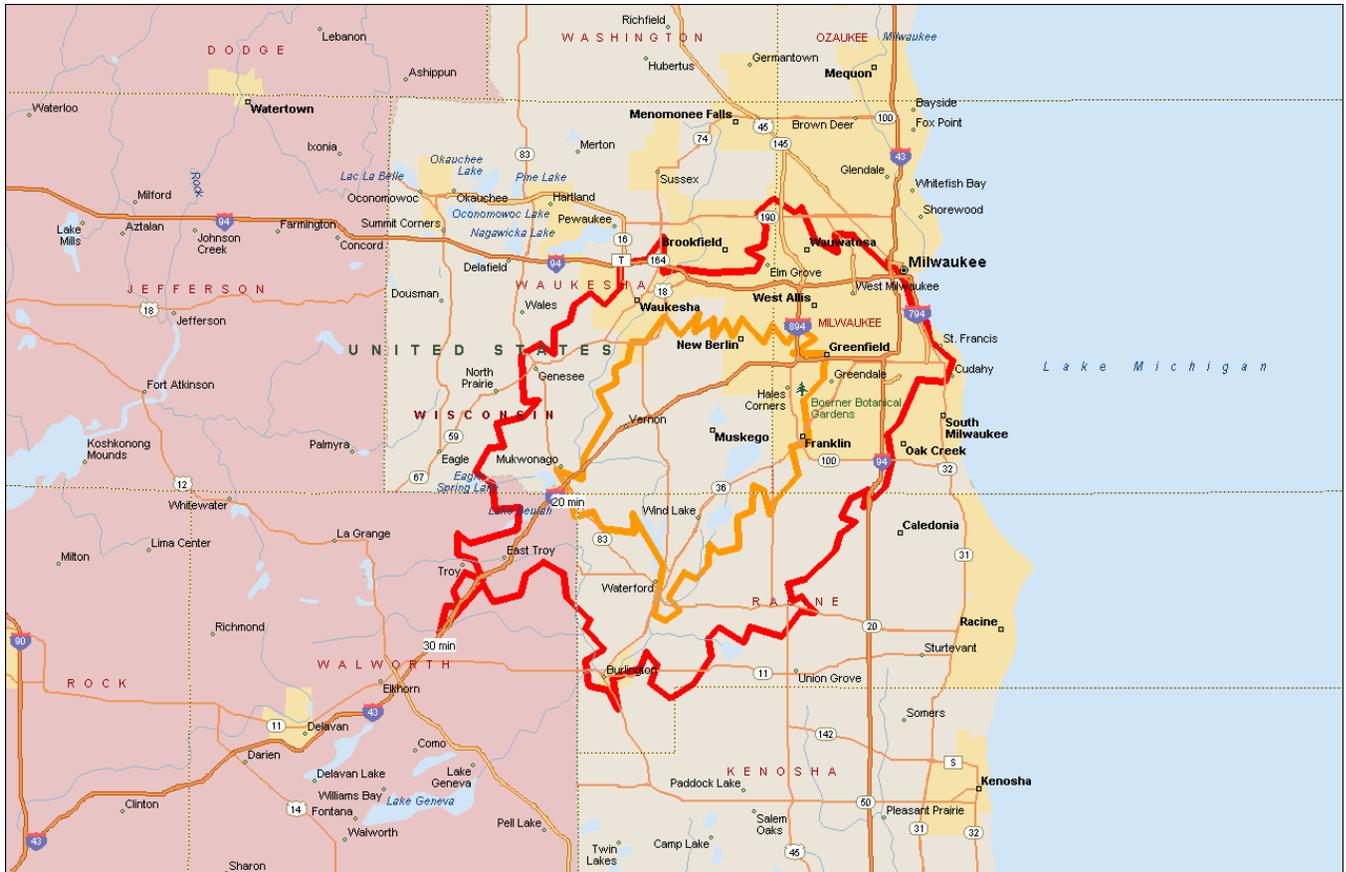


Manufacturing Employment Centers

This map details the percentage of households that work near their home Census block group. For manufacturing jobs, it is estimated that between **70 and 100** percent of working households work outside of their home block group.

Employment Centers Manufacturing





Muskego Employee Commuting Patterns

According to Census 2000, the average household in Muskego is commuting between 20 and 30 minutes to work each day, depending upon the block group from which one begins (see as that area between the orange and red boundaries). This puts the larger regional centers of Waukesha, West Allis, and Wauwatosa directly in the middle of this range. When combined with the knowledge that Muskego a majority of workers in service, finance, insurance and real estate related activities are leaving the City, it is clear that these cities are an important competitive pressure.

2.5 General Profile of the Muskego Workforce

The quality of a local economy’s workforce plays an important role in the location decisions of businesses. Access to appropriately trained workers is one of many attributes that firms seek in locating their businesses. The procurement of sustainable economic development strategies rests on the ability of Muskego to leverage the strengths of its workforce in recruiting and retaining businesses. As a result, profiling the local labor pool relative to the context in which it competes is an important step in establishing these strategies.

The following discussion outlines those attributes paramount to the development of sustainable economic development programs.

2.5.1 Growing Housing Market:

The household base in Muskego is newer relative to Waukesha County, southeastern Wisconsin and the state as a whole. Residency tenure data, a median measure of how long households have lived in their homes, suggest that just over 15% of local households have lived in their current residence longer than five years. Less than half the rate of the County, Muskego residents are primarily new home purchasers. This trend is expected to continue through 2007 for the following reasons:

- Housing turnover is consistent with expectations; just as many households are leaving Muskego as anywhere else.

New Household Growth	Wisconsin	SE Wisconsin	Waukesha County	Muskego
Median Years in Residence	4	4	3	3
In Current Residence 5+	39.45%	38.29%	31.31%	15.04%
Annual Residential Turnover	17.24%	18.15%	18.36%	19.95%

- Median number of years a typical Muskego household is in residence is consistent with expectations.

As a result, Muskego could be classified as a new-growth bedroom community in which its residents have taken advantage of its access to the traditional centers of employment in Waukesha County.

This finding is supported by expected household and population growth rates for the next five years. Between 2002 and 2007, Muskego is projected to grow at a faster rate than the county, region or state adding close to 1,000 new households. If history is an indication of the future, Muskego should experience a significant increase in single-family home ownership. In 2002, single-family homes accounted for almost 80% of all housing units, the highest of any of the three other geographic regions. However, it is important to note that while many of the new housing units will likely be single-family, an increasing number in the next five years are expected to be renter-occupied (17.5% to 19%) as well.

These patterns illustrate a positive trend in Muskego’s economic potential for a number of reasons.

- First, new households and rising incomes offer a greater ability for citizens to purchase retail goods and support local business and its tax base.
- Additionally, it may provide the community with an opportunity to capture an expanding workforce that traditionally has commuted to its place of employment. The redevelopment of existing space in conjunction with the construction of new business space may provide an important means to that goal.

Housing Units	State		Region		County		City	
	2002	2007	2002	2007	2002	2007	2002	2007
Owner-Occupied	61%	62%	61%	62%	74%	74%	80%	79%
Renter-Occupied	28%	27%	33%	33%	23%	23%	18%	19%
Vacant	11%	10%	6%	5%	3%	3%	3%	2%

2.5.2 Families with Children

Muskego’s strong expected household growth between 2002 and 2007 is expected to be comprised of families with children. Data collected suggests that the City of Muskego has a higher rate of family-oriented households than any other geographic area, approximately 9 out of 10. Larger family sizes and household sizes combined with more married couple and family-based household indicate that Muskego has a substantial number of larger families (presumably with children) than the county, region, or state. This pattern places relatively higher demand on community infrastructure but may also be a signal of a high quality of life by local residents.

Family Composition	Wisconsin	SE Wisconsin	Waukesha County	Muskego
Average Family Size	3.03	3.05	3.04	3.1
Average Household Size	2.48	2.5	2.59	2.76
Family Population	81%	81%	87%	90%
Non-Family Population	19%	19%	13%	10%
Total Households	2,132,116	904,616	140,956	7,938
Total Population	5,437,191	2,323,719	370,551	22,227

2.5.3 Middle-Aged Population

In general, Waukesha County has a larger portion of its population between 30 and 65 years old (50%). To an even greater extent, though, the City of Muskego’s population is centered in the same age cohort (52%). Although both patterns indicate a potentially more stable working age group it does come at the expense of other age groups, which when compared to the state and region are relatively under represented.

The relatively smaller number of college-aged and young working adults may be consistent with anecdotal evidence that this group is leaving the area after high school and not returning. If Muskego’s workforce ages faster than its regional counterparts, it may face challenges in recruiting firms who seek a younger and more knowledge and information-based skill-set.

- Retired individuals age 65 and over are underrepresented by 2% to 3%.
- College students and young working adults are generally are underrepresented by 4%.

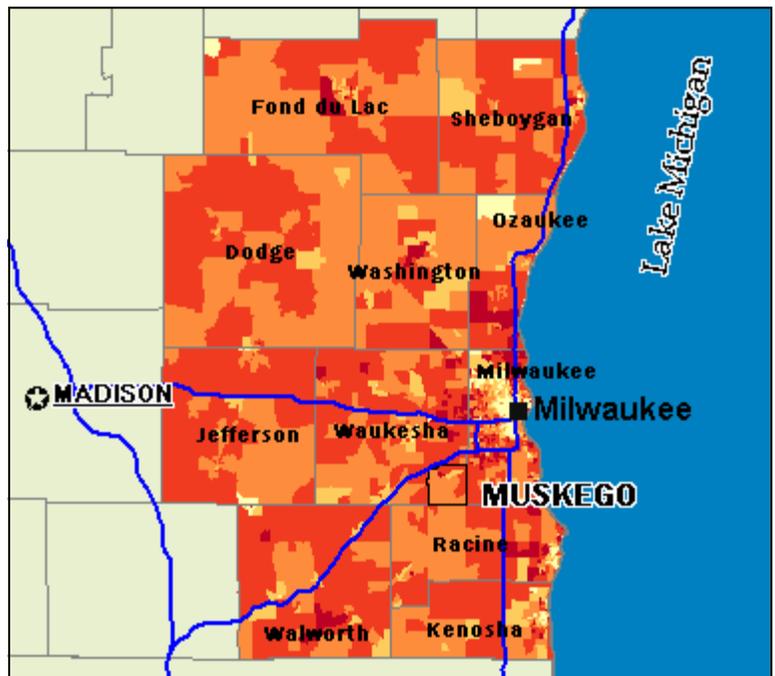
Age	Wisconsin	SE Wisconsin	Waukesha County	Muskego
Under 18	25%	26%	26%	27%
18-29	15%	15%	11%	10%
30-65	46%	46%	50%	52%
65 & Over	13%	13%	12%	10%

Household Age

Median household age measures the age of each primary householder in a particular block group. For a more detailed discussion, please see above.

Median Age

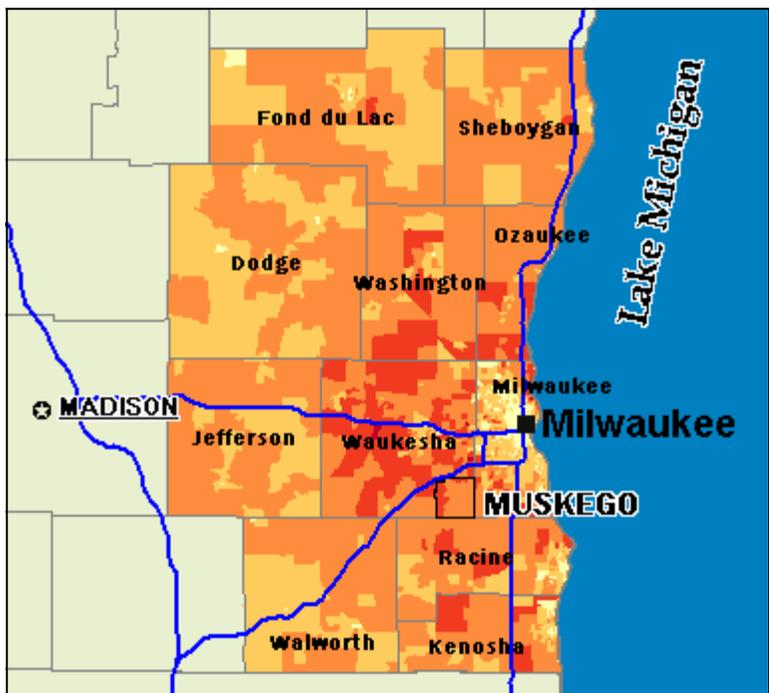
- 45 to 75 (137)
- 39 to 45 (596)
- 35 to 39 (516)
- 30 to 35 (350)
- 0 to 30 (331)



2.5.4 Fewer College Graduates

Waukesha County is home to a high concentration of college graduates, outpacing the State trend by over 8%. Although a higher proportion of Muskego residents have a college education than the rest of the State, it lags the County by over 5%. In other words, Muskego’s proportion of college trained residents is between the State proportion of 15% and the County proportion of 23%. This may indicate a comparative disadvantage in Muskego’s ability to attract higher skilled firms and workers when competing with other communities throughout Waukesha County. Fortunately, the proportion of college graduates in Muskego is expected to grow over the next five years. Nevertheless, it will still trail the county by over 5%. This trend is an important one. Facing stiff competition from regional communities, Muskego must enhance its ability to provide a relatively higher-skilled labor force, a critical factor in the location decisions of expanding and relocating businesses.

Completed Education	Wisconsin	SE Wisconsin	Waukesha County	Muskego
High School Diploma	36%	33%	29%	36%
Associate Degree	7%	7%	8%	8%
Bachelor Degree	15%	16%	23%	18%



Educational Attainment

Educational attainment measures the number of individuals who have completed a particular level of education (i.e. high school, college, graduate school). Within the region, Waukesha County exceeds other counties in its number of individuals having completed a bachelor’s degree. Muskego lags behind other communities in the County but surpasses others outside the County.

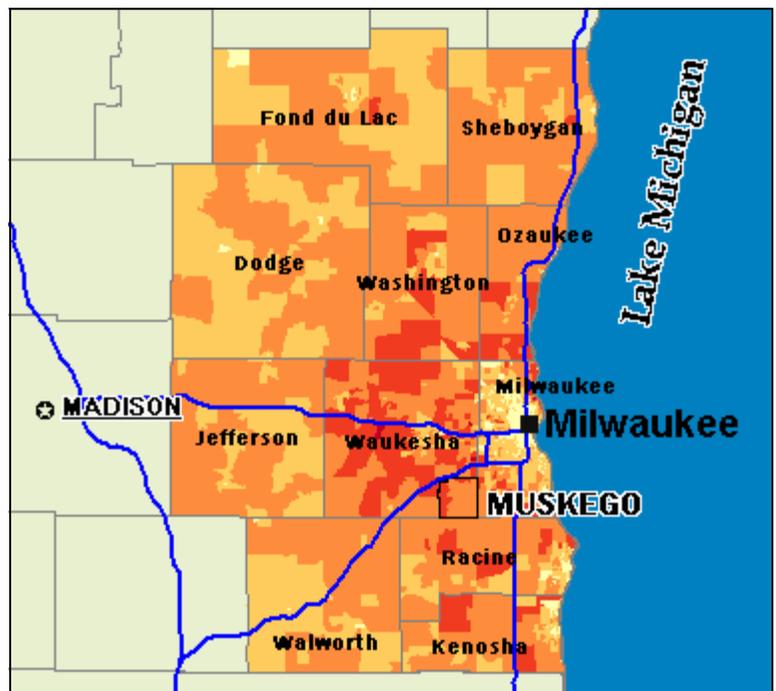
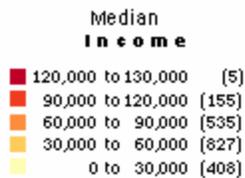
2.5.5 Higher Incomes

Household income trends throughout Waukesha County are significantly higher than in other areas throughout southeastern Wisconsin. Communities throughout the County generally exhibit a concentration of higher-earning households. The City of Muskego is very similar. Muskego’s median incomes significantly exceed regional trends by close to 40%. Additionally, Muskego’s projected household income is expected to surpass the County’s median over the next five years, indicating consistent income growth through 2007. If this trend materializes as expected, it will bolster the City’s regional income position and may offer the City an opportunity to expand its retail base.

Income	Wisconsin	SE Wisconsin	Waukesha County	Muskego
Median Household Income	\$39,152	\$44,280	\$61,796	\$61,583
Median Household Disposable Income	\$32,897	\$36,871	\$50,758	\$50,502

Median Household Income

Waukesha County is a relatively wealthier county than others in southeastern Wisconsin. Muskego’s median household income is on par with the County trend currently and is expected to surpass it median by 2007.



2.5.6 Summary of Important Muskego Population Characteristics

Muskego's effort to develop a sustainable economic development framework rests on aligning the strengths of its workforce with the opportunities of the marketplace. Creating such a strategy requires not only the alignment of local strengths with market opportunities, however, but the mitigation of local weaknesses and outside competitive pressure. The most significant characteristics of Muskego's population (in terms of finding appropriate long-term economic opportunities) are as follows:

- Preponderance of families with children supports the dominance of single-family homes. Nevertheless, the expansion of business service employment will require a range of housing alternatives within close proximity to future office development.
- New household formation is expected to outpace other communities, adding nearly 200 households per year (2.5% annual growth). This rapid household growth is an opportunity for the City to also expand its local job base. However, these households are likely to be engaged in sectors in which Muskego has traditionally been weak such as finance, insurance, real estate, and business services. Without a targeted business service recruitment program, these new households will be employed elsewhere.
- Muskego's workforce is generally more trained than the regional and statewide population. However, it faces stiff competition from other communities in Waukesha County whose population have significantly higher rates of educational attainment. Growth of college trained residents is expected to increase over the next five years, but Muskego's relative position behind other nearby communities may put it at a disadvantage.
- Like many communities throughout the Midwest, younger individuals are leaving their home following high-school graduation and not returning. Muskego's population is primarily composed of those ages 30 to 65,

which currently provides a large labor pool. Nevertheless, the proportion of individuals ages 18 to 29 are notably lower in Waukesha County and Muskego.

- Waukesha County has healthy income growth projected for the next five years and Muskego is no exception. In fact, the median income for the City of Muskego is projected to rise above the median household income for Waukesha County by 2007.

3.0 Targeted Industry Review

Because the creation of sustainable economic development strategies are a function of matching local strengths with market opportunities, it is important to identify business sectors that will be supportable both now and in the long-run; recruiting firms that exhibit strong growth tendencies today in place of firms that perform both today and in the future would be a mistake. Appropriate matches for the City of Muskego are a function of two interdependent factors:

1. Land uses or businesses looking for sites.
2. Muskego sites looking for land uses or businesses.

Successful matches will satisfy the requirements and objectives of both parties, ensuring a long-term relationship between the two. As a result, it is essential that feasible matches made today reflect the need of recruiting sustainable business activities. As outlined elsewhere in this study, the growth of business service employment has been an important factor in the growth of metropolitan Milwaukee and is expected to expand in subsequent years. In addition, the quality of Muskego's workforce combined with their traditional tendency to commute to other communities in Waukesha and Milwaukee Counties for employment provides the City with an opportunity to foster the growth of local job opportunities that serve these individuals. Although a strong and growing company in any sector should be given consideration, business service firms may provide the foundation for future employment growth in Muskego.

Earlier discussion has outlined Muskego's labor force strengths and weaknesses. To create a viable match, the attributes that businesses seek out must be highlighted as well. Specifically, a state's quality of business life is the primary driver for Wisconsin firms in their site-location decisions. The following elements play a large role in a business's decision.

- Supply of appropriately skilled labor...12.5%
- Workers' attitudes and stability...11.7%
- Labor productivity and cost...9.13%
- Perceived quality of life amenity to residential living...8.01%
- Proximity to major markets for the company's products and services...6.44%
- Quality of the people and their attitude toward business...5.98%
- Business tax structure and burden...5.62%
- Loyalty to an area, family ties and related personal preferences of employees...5.02%
- Personal tax structure and burden...4.89%
- Government's attitude toward business, including legislation and regulation...4.82%

from Dr. John G. Udell

Clearly, the quality of the local labor force is of paramount importance in the location decision of firms. Importantly, the availability and cost of land comprised only 1.7% of the typical service firm's location decision process. In other words, location decisions of service businesses are driven more by the quality of the workforce than by the cost of the land. As a result, property tax abatement and land write-downs are generally less effective tools in recruiting business than developing a vibrant and skilled workforce.

Muskego is well positioned to recruit service firms in light of the priority list outlined above. In particular, the City should leverage the following strengths in targeting specific business service firms:

- Local workforce is particularly skilled in business service sectors such as business management, sales, administrative support, and professional support.
- The educational attainment of the workforce is competitive with the region, although somewhat weaker than the County.
- High quality of life opinion among residents including environment protection, school system excellence, and recreational opportunities.
- Strong connectivity to downtown Milwaukee and surrounding metropolitan area, serving as the gateway to region.
- Growing household base will bring a significant number of new labor participants into the workforce.
- Substantial proportion of local residents holding positions as executives, managers, and administrative professionals.

3.1 Target Industries for Recruitment

Given southeastern Wisconsin's dependence on service-sector employment as a primary source of job growth and the streamlining of manufacturing production, Muskego is positioned to take advantage of its concentration and expected growth in this employment pool. Generally, business service

activity presents an opportunity for Muskego to plausibly expand its job base beyond the wholesale trade and construction sectors. Specifically, the following sub-sectors have been targeted for a combination of reasons, most of which include Muskego's workforce strengths and opportunities.

- Advertising
- Engineering
- Architectural
- Accounting and auditing
- Management consulting
- Environmental consulting
- Business consulting
- Computer and data processing

It is important to note that these specific sub-sectors are not an exhaustive list of businesses that Muskego should target, but rather a sampling of those that are expected to experience strong growth in the coming years and with which Muskego's workforce may fit. Business services is a broad category and includes a wide-range of particular industries that may be as applicable to Muskego's sustainable economic development strategy as the preceding list; considering all growth-oriented business service sectors is as important as focusing on a few. In large part, business services support primary sectors and, therefore, depend on a healthy production economy. Muskego's location as a gateway between the metropolitan complex and rural southeastern Wisconsin may present the City with a number of specific business service opportunities to support manufacturing and agricultural operations in the region. The plastics, production machinery and forest product industries all require a broad range of business support services that may make Muskego an attractive location for firms serving these segments. Combining its location with its quality workforce, Muskego could position itself as a strong employment competitor to other communities in Waukesha County and the region.

4.0 Recommended Economic Development Strategies

Expanding long-run job opportunities in Muskego is a function of matching the strengths of its workforce with the opportunities in the broader marketplace. The creation of a sustainable economic platform depends on the diversity of businesses and jobs available. Employment diversity is the key to long-run economic growth, which includes the retention of current sectors, the recruitment of new ones, and the fostering of start-up businesses.

Concentration on only a few clusters may offer short term gains but will increase the vulnerability of the community in the longer term. A retain and recruit strategy is the optimal vehicle for diversifying Muskego’s economic base and securing strong foothold in the regional economy. The construction and wholesale trade sectors currently provide 23% of the jobs in Muskego and are the primary export industries upon which the City depends. An additional 20% of local jobs are manufacturing-oriented, making nearly half of the jobs production oriented. Despite this stronghold, however, Muskego remains susceptible to general manufacturing contraction.

Muskego’s goal of creating a sustainable economic development strategy, therefore, depends on its ability to support and retain its current economic base (wholesale trade and construction) while recruiting growth-oriented business service firms that support a range of sectors including the agricultural and manufacturing sectors. In addition, local residents working in finance, insurance, real estate, and other business service sectors are commuting outside of Muskego for employment. As a result, their employers or others like them should be recruited to establish a presence locally in an effort to retain this important base.

Such a strategy implies the need for an office-park development (to house new business service sector firms) as well as a business park community (to house new wholesale trade and manufacturing operations). These two distinct actions are meant to serve the expected growth in wholesale trade and construction employment locally as well as newly recruited business service employment.

Retain	Recruit
Construction	Finance Services
Wholesale Trade	Insurance Services
Manufacturing	Real Estate Services
	Business Support Services
	1 Advertising
	2 Engineering
	3 Architectural
	4 Accounting and auditing
	5 Management consulting
	6 Environmental consulting
	7 Business consulting
	8 Computer and data processing

The development of an office park should generally be designed around firms with employee counts less than 20 requiring a range of broadband connectivity options and redundant power and data assurances. In addition, any new office park in Muskego should include incubation space for new and emerging businesses. The local concentration of a skilled management and executive workforce requires that this new community include alternatives for entrepreneurs wishing to live and work locally. Without this opportunity, this talent will be forced to locate outside Muskego’s borders.

Overall, Muskego’s ability to position its economy upon a sustainable foundation will require a proactive retain-and-recruit strategy focusing on particular industries. Those charged with economic development objectives cannot wait for the businesses to come to them but must engage the targeted sectors and encourage them to explore Muskego as a home. Retaining its traditionally blue-collar employment base is as important as fostering the growth of the new business service sector. The

expected household growth provides the City with an opportunity to actively nurture local business opportunities that leverage the skills of the growing workforce, as opposed to having to recruit new population growth.

5.0 Retail Market Overview

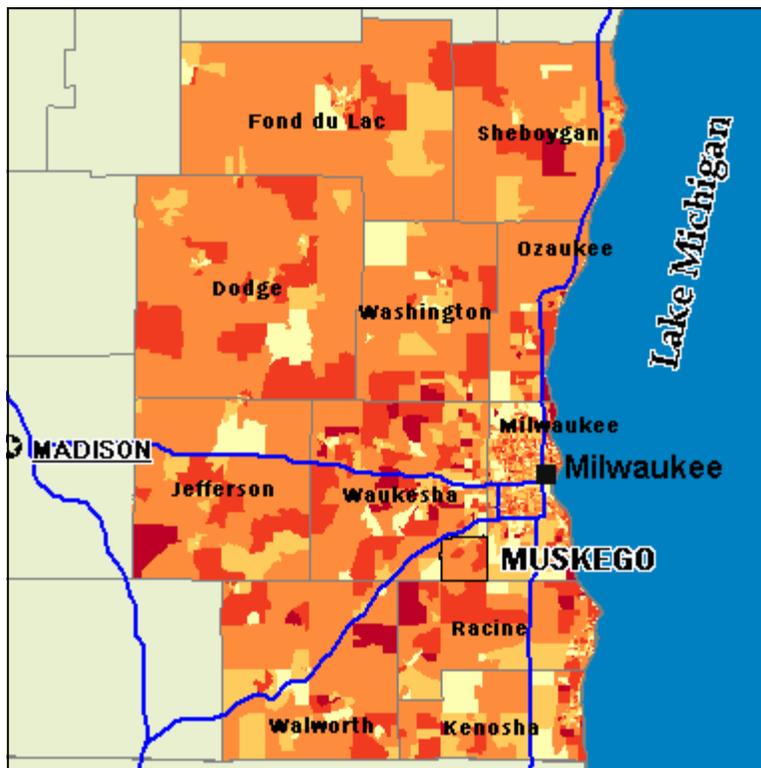
5.1 Summary

The City of Muskego’s lack of retail base is reflected in a number of ways. Approximately 10% of Muskego’s tax-base is comprised of commercial real estate, far behind other regional communities who exhibit an average commercial base of 22%. In addition, of the 30 retail activities analyzed for retail spending per establishment, 25 were below expectations in Waukesha County and throughout southeastern Wisconsin; this is not a result of a lack of spending potential but local shopping alternatives. In fact, a model created by Taurean uncovers a shopping center capture potential of \$20 million per year for 11 different tenant categories. The annual revenue-capture leaders include:

- Supermarket: \$5.5 to \$13.5 million

- Appliances & Electronics: \$2.1 million
- Apparel: \$2.1 million
- Sporting Goods: \$620,000 to \$1.1 million
- Liquor Store: \$565,000 to \$1 million
- Shoe Store: \$1.1 to \$1.7 million
- Restaurant: \$1.5 million (depending on fast-food versus family)
- Bookstore: \$1.1 million

These dollar figures are meant to serve as general guidelines as to the relative importance of each of the retail categories. For example, a superior management team operating a new sporting goods store in downtown Muskego may draw from a larger trade area and, as a result, realize a large annual revenue. The figures outlined above are adjusted for an *average* business and are not intended to provide precise targets that reflect all styles of business management operations. Of greater importance is the lack of shopping alternatives in these categories for local patrons and the capture potential of a new store based on local spending patterns of households.



Retail Spending Potential per Establishment

Retail spending potential per establishment indicates the relative attractiveness of new retail facilities. A high number indicates one of three possible situations: (1) Low level of competition (2) Large spending potential of nearby households or (3) both low level of competition and high spending potential. Muskego is positioned near the top in each block group. Combined with previous data analyzed, Muskego falls into a #3 category with lower level of competition and higher spending potential.

Potential Spending Per Establishment	
8,900,000 to 50,800,000	[65]
2,000,000 to 8,900,000	[308]
800,000 to 2,900,000	[774]
200,000 to 800,000	[506]
0 to 200,000	[277]

5.2 Purpose & Objective

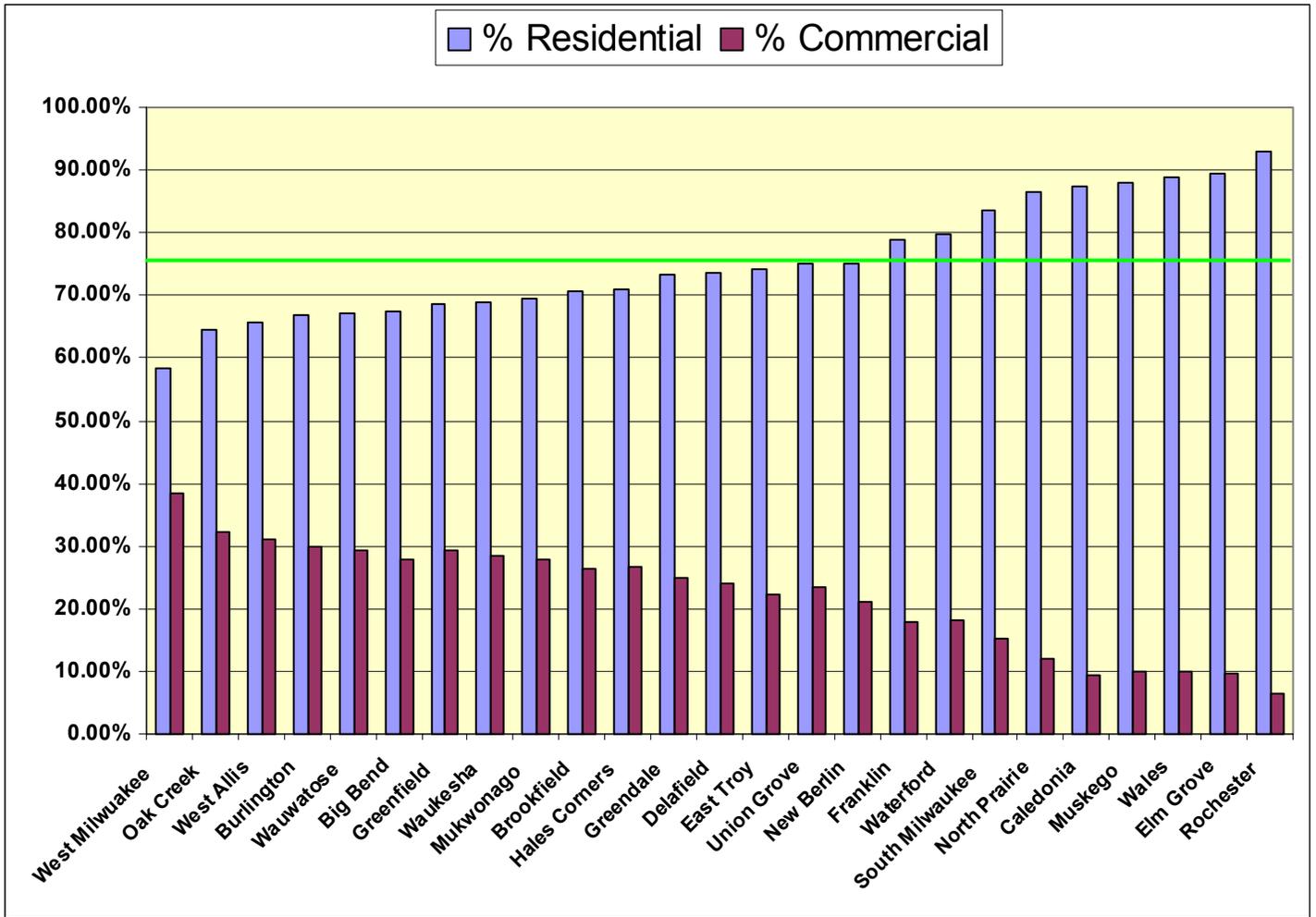
The purpose of the retail market study is to provide a general overview of retail spending and sales for the City of Muskego. The results of the analysis presented here are not intended to serve as a final tenant roster, but rather to provide a hierarchical assessment of retail gaps in the local market area. Taurean's analysis utilized household spending attributes for the Muskego market area, modeling the draw area and uncovering a relative estimate of demand for a range of new retail facilities. In addition, the models also accounted for the existence of competition and how consumers and a new retail facility interact within the market environment.

5.3 Regional Comparison of Sales per Establishment

Retail spending (demand) and retail sales (supply) were integrated to yield an estimate of the sales per establishment for 30 retail activities throughout southeastern Wisconsin, Waukesha County and the City of Muskego. The purpose of this comparison was to measure the relative position each retail activity in Muskego in relation to the expected measurement observed contextually. Those retail uses that yielded a sales-per-establishment figure below expectations were flagged for follow-up analysis. These flagged categories were then assessed using Taurean's retail potential forecasting model to determine those with the large potential capture area.

City of Muskego 2002				
Retail Use	Establishments	Sales	Sales per Est.	Surplus/Deficit *
Department Stores	0	\$0	\$0	\$20,929,500
Recreational Vehicles	1	\$494,000	\$494,000	\$2,885,931
Catalog and Mail Order	2	\$1,709,000	\$854,500	\$2,271,023
Hardware & Building Supplies	4	\$2,935,000	\$733,750	\$2,094,528
Gasoline Service Stations	3	\$6,242,000	\$2,080,667	\$2,006,217
Nurseries, Lawn and Garden	5	\$3,405,000	\$681,000	\$1,434,000
Paint and Wallpaper	0	\$0	\$0	\$1,330,245
Books and Stationary	0	\$0	\$0	\$1,209,673
Hobby, Toy, and Game Shops	0	\$0	\$0	\$1,008,070
Radio, TV, and Consumer Electronics	4	\$736,000	\$184,000	\$985,025
Shoe Stores	0	\$0	\$0	\$909,500
Variety & General Merchandise Stores	1	\$474,000	\$474,000	\$867,308
Apparel Stores	3	\$1,752,000	\$584,000	\$650,901
Grocery Stores	10	\$30,678,000	\$3,067,800	\$594,442
Sporting Goods and Bicycles	3	\$594,000	\$198,000	\$584,542
Bakeries	1	\$101,000	\$101,000	\$487,960
Camera and Photography	0	\$0	\$0	\$432,333
Liquor Stores	2	\$584,000	\$292,000	\$407,042
Optical Goods	1	\$301,000	\$301,000	\$276,083
Furniture Stores	3	\$2,205,000	\$735,000	\$263,115
Restaurants	21	\$11,791,000	\$561,476	\$246,448
Other Retail Establishments	18	\$3,467,000	\$192,611	\$215,748
Candy and Confectionery	0	\$0	\$0	\$209,846
Appliances	2	\$513,000	\$256,500	\$78,661
Bars	12	\$1,685,000	\$140,417	\$61,000
Drug Stores	4	\$18,215,000	\$4,553,750	(\$488,404)
Hardware	2	\$5,096,000	\$2,548,000	(\$538,696)
Jewelry Stores	1	\$1,649,000	\$1,649,000	(\$944,191)
Florists	3	\$4,123,000	\$1,374,333	(\$963,479)
Motor Vehicle Dealers	8	\$77,488,000	\$9,686,000	(\$1,797,881)

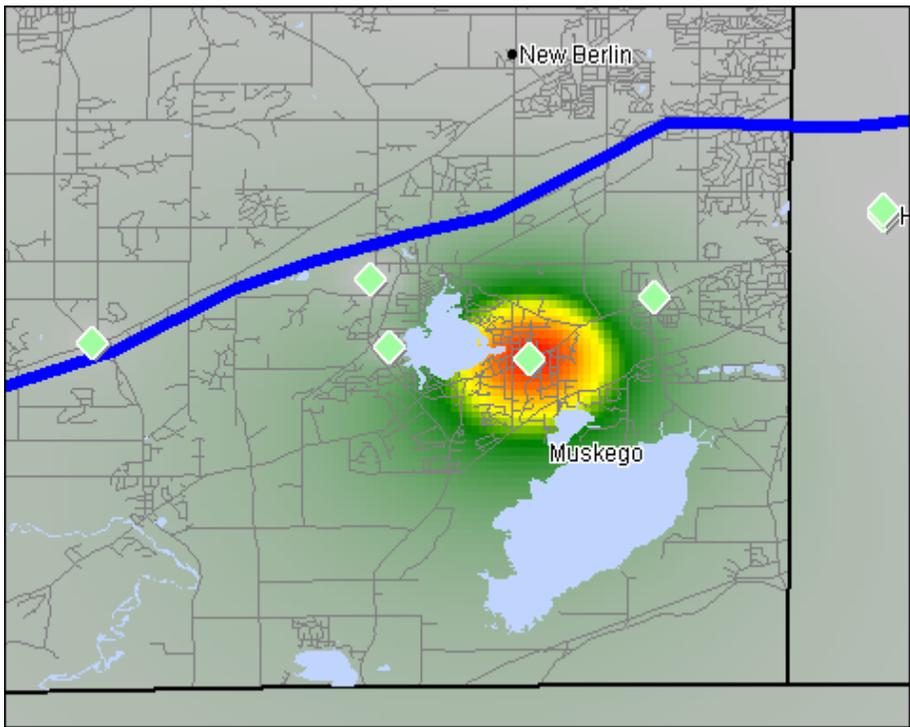
* The surplus/deficit column is a measure of how much unmet market demand Muskego's retail market has when using an average sales per establishment method. The figures are reflective of business counts as of 2002.



Muskego's commercial tax base is less than 10% of its total, over 12% below other communities' patterns. The average proportion of commercial tax base is 22% for these other communities.

5.4 Spatial Modeling of Muskego Trade Area

Taurean’s retail modeling method is a multi-layered GIS application that tests various market scenarios. This analysis modeled 15 retail use categories to determine the capture rate and dollars captured of new retail facilities in downtown Muskego. As a result, the market trade area for each retail use was determined in light of the competition (current to 2002), household spending, and household location. The results of the top performers follow.



Apparel & Clothing

Estimated Demand Supply Gap:
\$5,550,725 within 10 minute drive

Estimated Capture of New Facility:
\$2,169,659

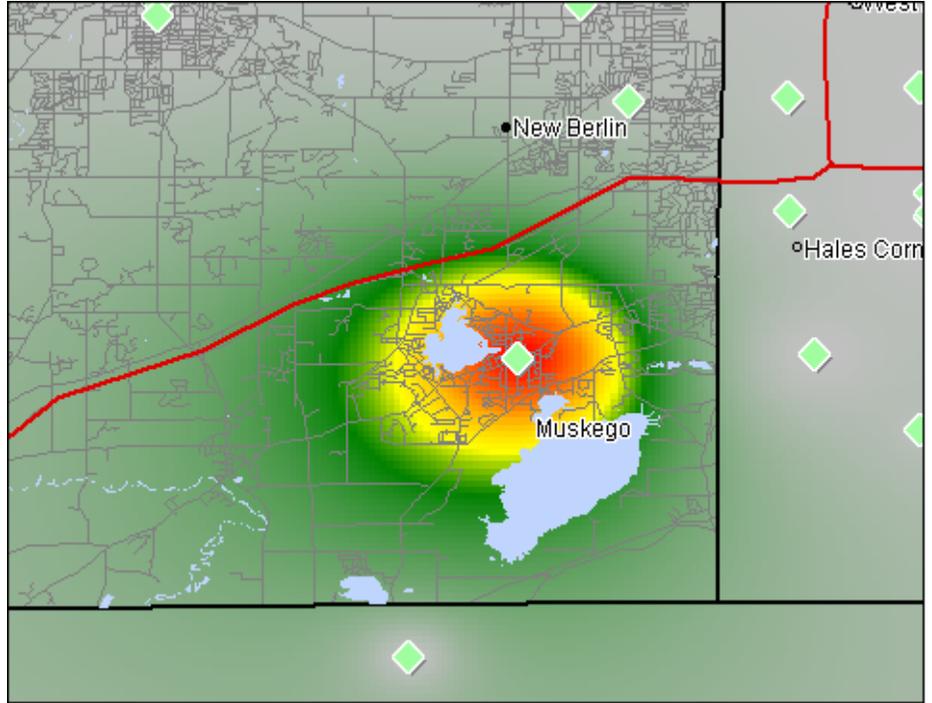
Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines, not absolute guarantees.

Bookstore

Estimated Demand Supply Gap:
\$1,194,459 within 10 minute drive

Estimated Capture of New Facility:
\$1,112,485

Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines, not absolute guarantees.

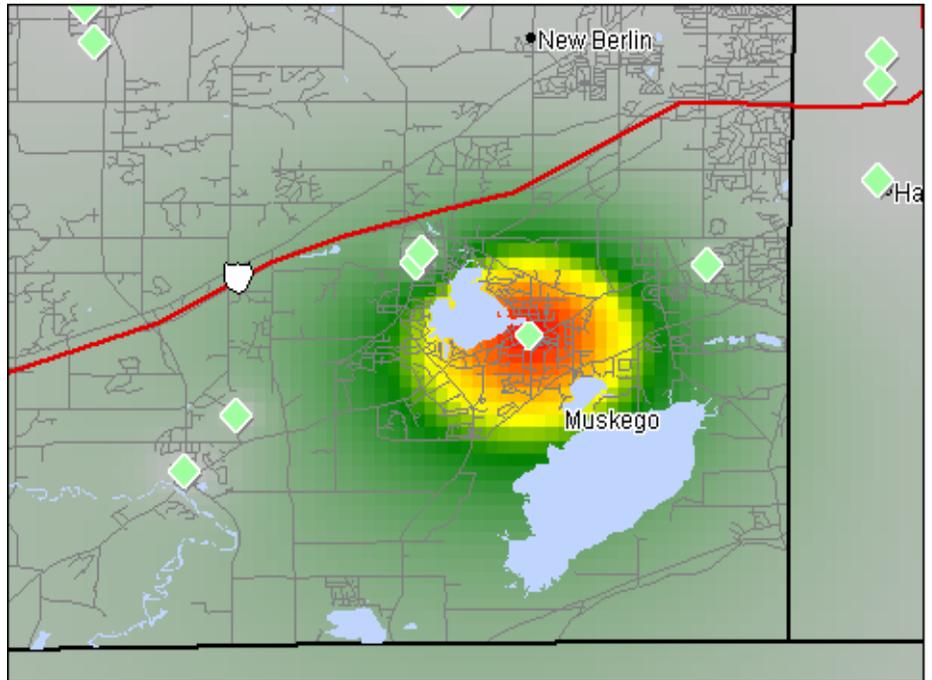


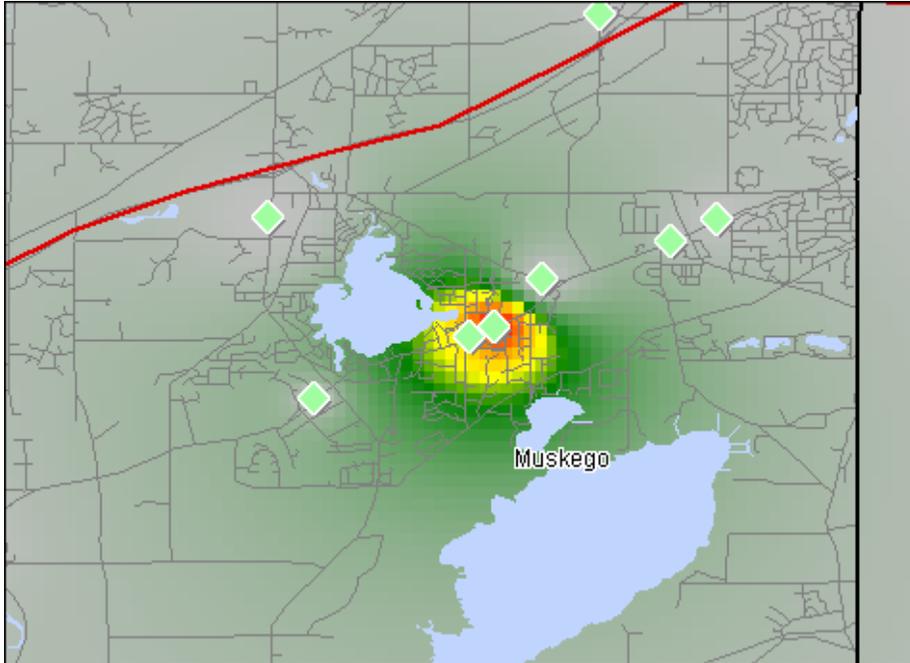
Furniture Store

Estimated Demand Supply Gap:
\$905,353 within 10 minute drive

Estimated Capture of New Facility:
\$1,088,000

Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines, not absolute guarantees.



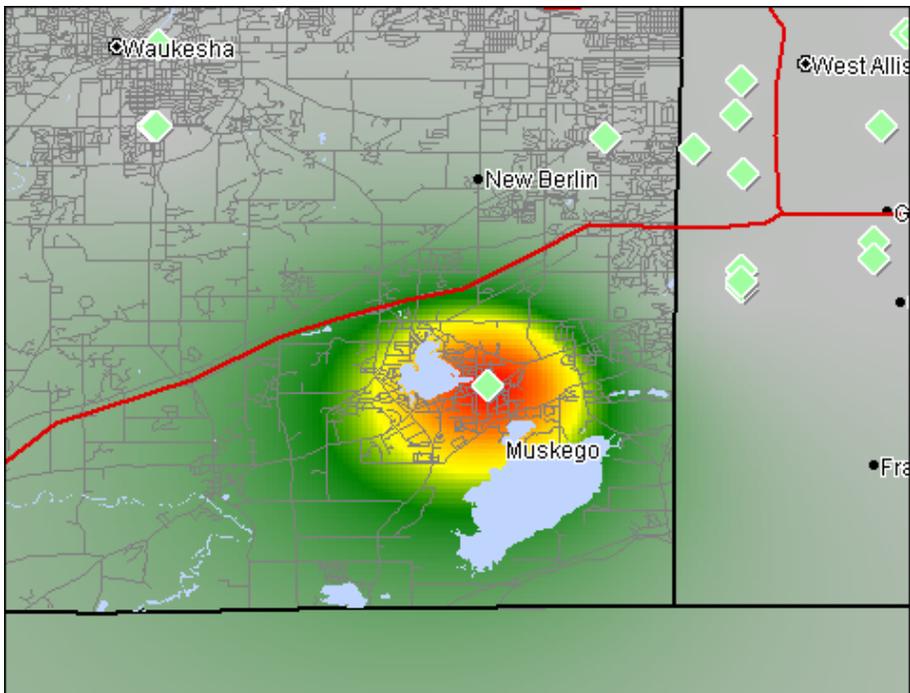


Grocery Store

Estimated Demand Supply Gap:
\$4,869,604 within 10 minute drive

Estimated Capture of New Facility:
\$5,395,000

Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines,



Shoe Store

Estimated Demand Supply Gap:
\$1,906,976 within 10 minute drive

Estimated Capture of New Facility:
\$1,697,895

Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines, not absolute guarantees.

Restaurant

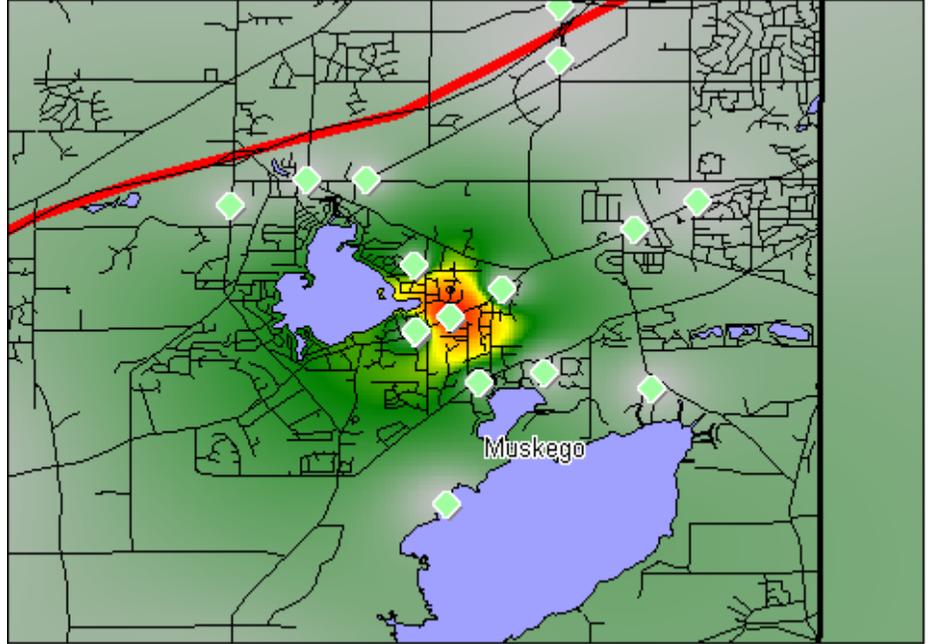
Estimated Demand Supply Gap:

\$6,230,940 within 10 minute drive

Estimated Capture of New Facility:

\$1.5 million

Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines, not absolute guarantees.



Hobby, Toy, & Game Store

Estimated Demand Supply Gap:

\$796,376 within 10 minute drive

Estimated Capture of New Facility:

\$562,775

Captured dollars are dependent upon a number of factors including management and future competition in the pipeline. These figures are meant to serve as guidelines, not absolute guarantees.

