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Executive Summary

This letter confirms that Baker Tilly has been hired as lead consultants to perform an economic analysis of the residential apartments and townhomes to be constructed within the Pabst Farms Project ("Pabst Farms Project" or "Project"). Implementation of the Project will have material positive impact on the economy within the region where the Project will be located. The region selected for the analysis of the Project's impacts is the City of Oconomowoc, Wisconsin. This Region is composed of zip code 53066, where it is expected that the preponderance of the Project's economic impacts will occur.

The Project's anticipated economic impacts will derive from: 1) spending by the Project's developer on project construction ("Construction Impacts") and 2) the operating activities of the Project's residential component, which will include revenue from the leasing of the units ("Residential Impacts"). The following summarizes the primary conclusions of the economic impact analysis of the Project.

- The Project will result in the creation of approximately **540.3** total new jobs from the development and operation of the project.
- The Project will increase output in the region by approximately **\$87.46 million** and, thus, will generate significant and positive economic benefits for the regional economy. This amount includes **\$80.25 million** in output from development and **\$7.21 million** from project operation.
- The Project will increase household earnings (labor income) within the region by approximately **\$32.00 million**, of which **\$24.96 million** will be considered disposable income.
- Approximately **\$4.18 million** in household income will be spent within the project region at local businesses. Once project development has concluded, approximately \$123,312 will be spent at local businesses on an annual basis.

Methodologies

The Project's output, earnings and job creation impacts, including those summarized above, were evaluated using the IMPLAN regional economic impact model. IMPLAN is a widely adopted economic input-output framework that quantifies the inter-relationships of the economic sectors within a defined region as a basis to evaluate the level and direction of anticipated impacts to that economy due to implementation of a specific project or policy under consideration.

Total anticipated spending by the Project's developers to build the Project is \$67.18 million (including land) in 2019 dollars. This is composed primarily of \$52.26 million slated for the Project's actual construction and \$5.91 million of eligible expenditures for Project soft costs. All of this spending is presumed to occur within the City of Oconomowoc on the labor and non-labor inputs necessary to construct the Project ("Direct Impacts"). The spending to construct the Project will also have subsequent additional impacts, often referred to as "secondary" impacts, on the Region's economy as that direct spending flows through the Region's businesses driving additional purchases of goods and services ("Indirect Impacts") and spending of income by individuals receiving compensation for their labor both directly from the Project and secondarily from an increase in regional economic activity driven by the Project construction-related spending ("Induced Impacts"). Accordingly, the Project's implementation will create a range of regional business and employment opportunities for its existing and potentially new residents attracted by those opportunities.

Based on the IMPLAN model for the single zip code, the estimated \$58.17 million of spending to construct the Project is expected to generate total economic output in the Region of \$80.25 million, which includes the \$58.17 million of direct spending to construct the Project and an additional approximately \$22.08 million of resulting secondary economic activity, which in IMPLAN are referred to as "Indirect and Induced Impacts". The approximately \$80.25 million of output impacts will result in the creation of approximately 505 total jobs within the Region and an increase in the Region's household earnings (composed of wage and salary income, benefits and proprietor income) of approximately \$31.28 million, of which approximately \$24.40 million would be considered disposable income.

In addition to the total output, earning and job creation impacts of the Project's construction, the Project will have ongoing economic impacts from its operations. The revenue generated by the Project's residential tenants is projected to stabilize beginning the third year of the Project's operations at approximately \$6.09 million annually. These anticipated residential tenants will generate jobs directly within the Region's real estate sector and have secondary impacts and create business and employment opportunities within the Region as a result of associated flow-through spending on goods and services. Based on IMPLAN, the \$6.09 million of projected residential leasing income will result in a total increase in regional output of \$7.21 million, which includes the \$6.09 million of direct output from the Project's residential leasing income and an additional approximately \$1.12 million of resulting secondary economic activity. The approximately \$7.21 million of output impacts will result in the creation of approximately 35 total jobs within the Region and an increase in the Region's earnings (composed of wage and salary

income, benefits and proprietor income) of approximately \$0.94 million, of which \$0.73 million would be considered disposable income.

The project will have a positive effect on the local economy during development and then annually due to ongoing operations. The induced effects of household income is the additional consumer spending that happens as employees, residents and others spend their income within the local economy. The project will inject approximately \$4.18 million of household income into the local economy, of which \$123,312 will be spent annually at local businesses once development is complete.

Table 1 summarizes the overall impact conclusions of the Project by broad economic sector.

Table 1

IMPACTS OF PABST FARMS PROJECT				
INDUSTRY GROUP	OUTPUT	EARNINGS	JOB CREATION	EARNINGS PER JOB
Agriculture, forestry, fishing	\$ 22,707.00	\$ 12,354	0.6	\$ 22,462
Mining	\$ 8,124.00	\$ 6,609	0.1	\$ 110,150
Utilities	\$ 724.00	\$ 2,543	0.0	\$ 254,300
Construction	\$ 58,132,206.00	\$ 22,594,425	332.1	\$ 68,043
Durable Goods Manufacturing	\$ 229,300.00	\$ 50,110	0.8	\$ 62,638
Non Durable Goods Manufacturing	\$ 1,269,026.00	\$ 276,208	4.0	\$ 69,052
Wholesale Trade	\$ 1,306,801.00	\$ 505,658	5.4	\$ 93,640
Retail Trade	\$ 6,216,952.00	\$ 3,315,947	72.2	\$ 45,927
Transportation and Warehousing	\$ 1,181,994.00	\$ 400,547	8.4	\$ 47,684
Information	\$ 240,148.00	\$ 13,837	0.2	\$ 69,185
Finance and Insurance	\$ 948,846.00	\$ 314,851	4.5	\$ 69,967
Real estate and rental and leasing	\$ 10,457,329.00	\$ 747,284	35.6	\$ 20,991
Professional, scientific, services	\$ 1,442,202.00	\$ 735,574	10.4	\$ 70,728
Management of companies	\$ 305,307.00	\$ 145,668	1.3	\$ 112,052
Administrative and waste management	\$ 409,488.00	\$ 224,891	5.4	\$ 41,646
Educational services	\$ 85,474.00	\$ 64,226	1.3	\$ 49,405
Health care and social assistance	\$ 3,082,757.00	\$ 1,656,718	27.5	\$ 60,244
Arts, entertainment and recreation	\$ 135,735.00	\$ 53,714	2.4	\$ 22,381
Accommodation	\$ 142,337.00	\$ 38,611	1.5	\$ 25,741
Food services and drinking places	\$ 888,551.00	\$ 319,017	16.5	\$ 19,334
Other services	\$ 485,952.00	\$ 306,872	6.4	\$ 47,949
Housholds	\$ 463,904.00	\$ 217,028	3.8	\$ 57,113
TOTAL	\$ 87,455,864.00	\$ 32,002,692	540.3	\$ 59,234

The table shows, for example, that the estimated total economic impacts on the Region's construction sector includes an approximate increase in output of \$58.13 million, increase in household earnings of almost \$22.59 million, and the creation of approximately 332 jobs, which translates to approximately \$68,043 in household earnings per job. Overall, the approximately 540 estimated jobs that would be generated by the Project within the Region's economy would generate average earnings of almost \$59,234 per job.