



ECONOMIC IMPACT ANALYSIS

Wisconsin Center District

MILWAUKEE, WISCONSIN



SUBMITTED TO:

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Re: Wisconsin Center District
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Dear Mr. Geyer:

Pursuant to your request, we herewith submit our Economic Impact Analysis of the Wisconsin Center District in Milwaukee, Wisconsin.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure working with you. We look forward to hearing your comments.

Sincerely,
HVS Convention, Sports & Entertainment
Facilities Consulting

Thomas A Hazinski
Managing Director



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1. Introduction and Executive Summary

Nature of the Assignment

The Wisconsin Center District engaged HVS Convention, Sports & Entertainment Facilities Consulting (“HVS”) to conduct an Economic Impact Analysis of the Wisconsin Center District (“WCD” or “District”) in Milwaukee, Wisconsin. The WCD owns and operates Milwaukee Theatre, Delta Center, and U.S. Cellular Arena.

As developer and operator of Delta Center, Milwaukee Theatre, and US Cellular Arena, the WCD serves a wide range of community needs including conventions, sports, entertainment and other community activities. It attracts visitors from the local area, the region and nationally and these visitors and activities generate significant positive economic impact to the City of Milwaukee. The spending associated with the WCD facilities made by attendees, day trip visitors, event organizers, and exhibitors who come from outside the market inject new income into the state and local economies. In addition, tax revenues generated from this new spending flow to state and local governments and generate net new fiscal impacts. This analysis quantifies the economic impact of the historical operations of the WCD facilities on the City of Milwaukee (“City”).

While the purpose of this study is to quantify spending impacts, other non-quantifiable benefits generated by WCD facilities should not be overlooked. By providing assembly space, the WCD offers forums where business, cultural and entertainment activities take place. Whether through theatrical experiences, a business interactions, or sports events, the WCD fosters the cultural, economic, and social lives of the citizens of Milwaukee. The unquantifiable value of the business and social interactions fostered by the WCD may well exceed any measurable amounts of economic impact.

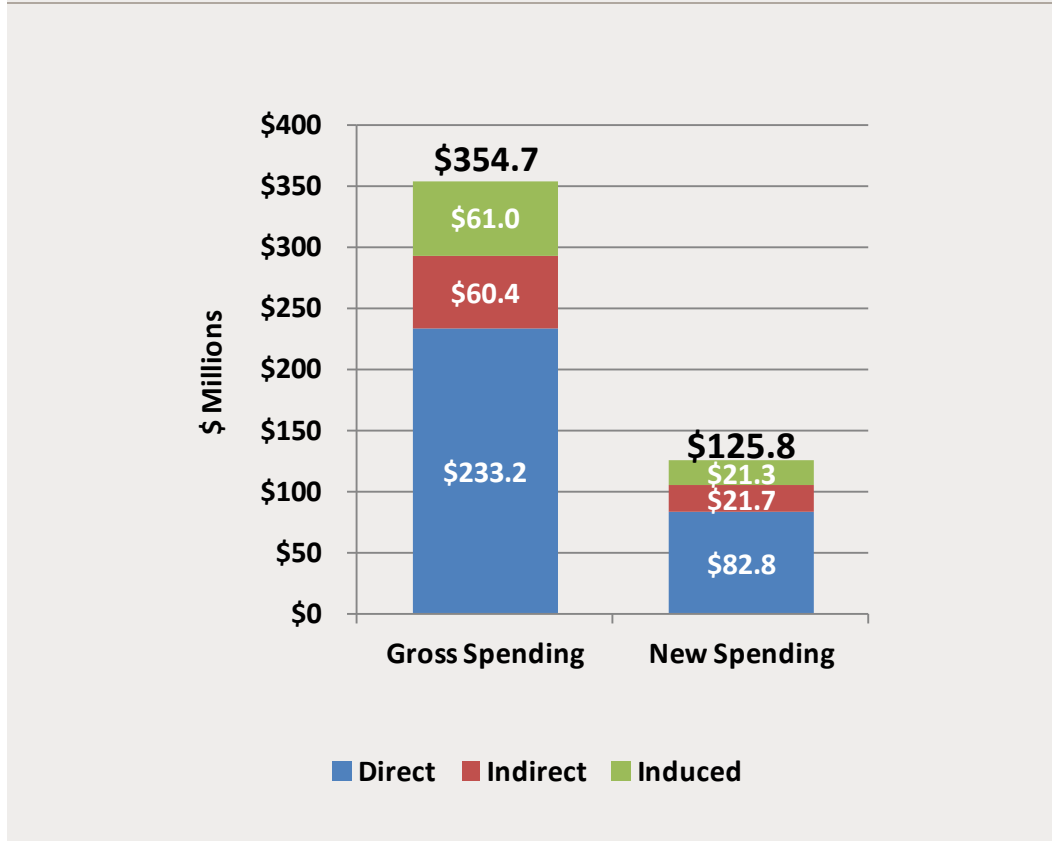
Summary of Results

HVS received event data, including room nights, from the WCD. Based on the findings of that information and other data on operations at comparable properties, HVS estimated the number of overnight visitors, day-trippers, event organizers, and exhibitors that the WCD attracted. HVS estimated the daily spending of each of these sources using information from national surveys of visitor spending. By combining the spending parameters with spending sources, HVS produced estimates of total spending associated with each spending category.

The figure below shows the estimated direct spending impacts for a stabilized year of demand. Gross spending numbers count the spending impact by those that live in the City and that may spend in the City regardless of the operations of the

District. The following figure shows gross and new spending generated by the District.

FIGURE 1-1 AVERAGE SPENDING IMPACT 2007-2011 (\$MILLIONS)

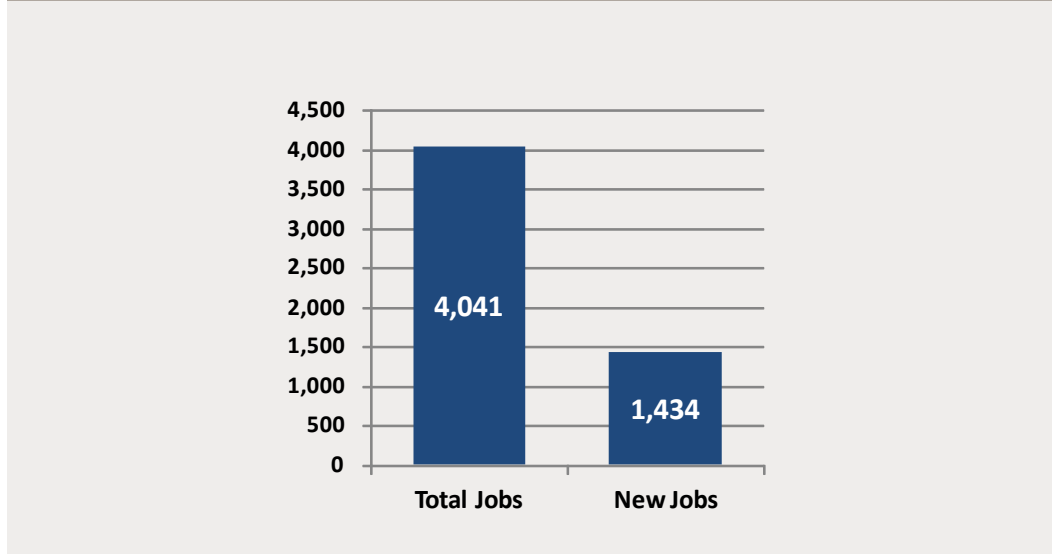


- Over the past five years, the District has generated over \$350 million in annual gross spending of which nearly \$130 million is new to the Milwaukee economy.
- Direct Impacts include the initial round of spending generated by District operations, both on site and by visitors to the District. Gross spending averages over \$233 million per year and of that approximately \$83 million is new to the City of Milwaukee.
- Indirect Impacts include the change in business spending caused by the direct spending, which a gross total \$60 million per year and new indirect spending of \$22 million per year.

- Induced Impacts include the change in employee income due to Direct and Indirect Impacts that is spent in Milwaukee. Gross impacts average \$61 million annually and generate approximately \$21 million in new spending.

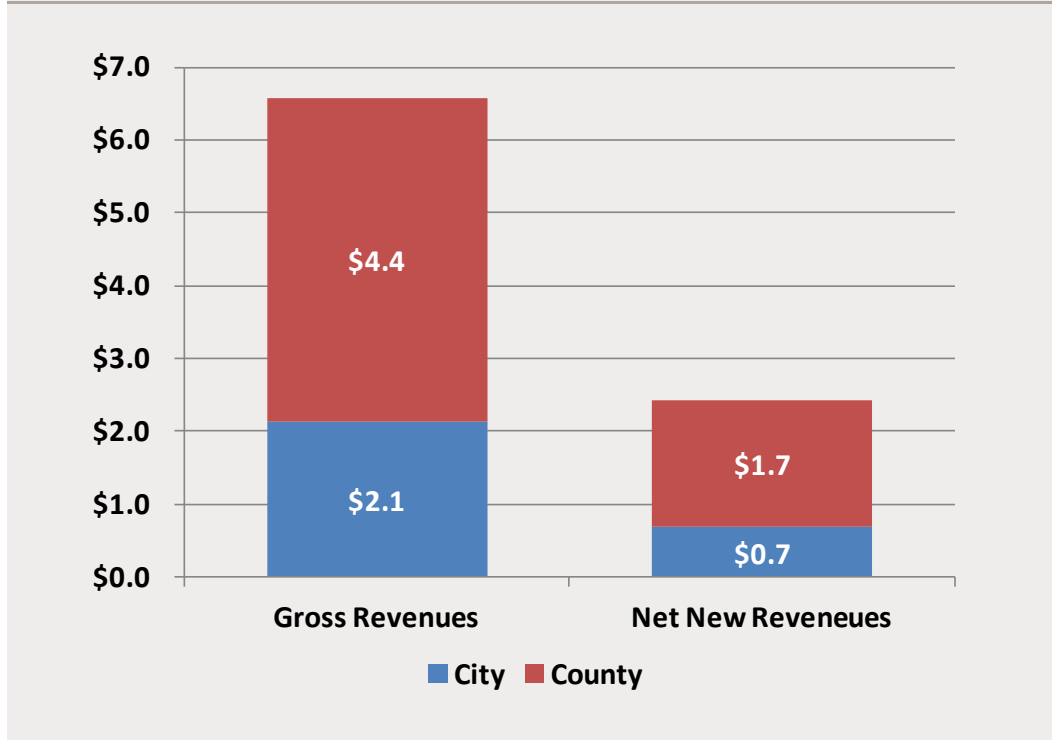
Using an input-output model called IMPLAN, HVS generated estimates of average annual full-time equivalent jobs. The figure below shows the estimated employment supported by the Direct, Indirect and Induced spending.

FIGURE 1-2 ESTIMATED SUPPORTED JOBS IN AN AVERAGE YEAR 2007-2011



Employment associated with gross direct, indirect, and induced spending supports over 4,000 annual full-time equivalent jobs a year. Net spending supports over 1,430 annual full-time equivalent jobs a year.

FIGURE 1-3 ESTIMATED TAX REVENUES FOR 2011



Tax revenues collected because of direct, indirect, and induced changes in revenues add over six million in tax revenues, approximately 2.4 of which is new to the economy.

This economic impact analysis demonstrates that the WCD generates significant and ongoing economic impact in the City of Milwaukee.

2. Economic Impact

Methodology

HVS estimated the economic impacts of the operations of the WCD. Economic impact is defined as the new spending that occurs in Milwaukee due to the operation of the WCD.

HVS spending estimates include only spending that originates from outside the market area, which for the purposes of this study is defined as the City of Milwaukee. Spending by persons or companies that reside within Milwaukee is considered a transfer of income from one sector of the economy to another and is not counted as a new economic impact.

Direct, Indirect, and Induced Spending

Spending falls into three categories:

- Direct spending includes the new spending from overnight guests, daytrip attendees, event organizers, and exhibitors. For example, a delegate's expenditure on a restaurant meal is direct spending.
- Indirect spending represents the business spending resulting from the initial direct spending. For example, a delegate's direct expenditure on a restaurant meal causes the restaurant to purchase additional food and other items from suppliers. The portion of these restaurant purchases that remain within the market area is counted as indirect spending.
- Induced spending represents the change in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending. For example, waiters at local restaurants may have more personal income because convention delegates dine at their restaurants. The amount of the increased income that waiters spend in the local economy is considered induced spending.

Sources of Direct Spending

HVS identified four sources of new direct spending impact:

- Overnight Guests: Visitors to Milwaukee that require overnight lodging, including convention delegates, meeting attendees, and attendees at other WCD events.
- Daytrip Attendees: Visitors to the WCD venues who do not require paid lodging.

- **Event Organizers:** Individuals, associations, or other organizations that plan, sponsor, organize, and coordinate events that take place at WCD facilities.
- **Exhibitors:** Individuals or companies that rent exhibition space, typically from event organizers, to display information or products at events.

Estimation of new spending of each of these sources involves three sets of assumptions: 1) the number of new visitors to the market, 2) the geographic location of their spending, and 3) the amounts typically spent by each of the sources.

Event Types

HVS classified events using organization, attendees, and space set-up.

- **Conventions**—associations, government, and SMERFE organizations register attendees for multi-day events. Facility set up includes breakout, banquet and exhibit space set-up and may include plenary sessions. Typically, the primary purpose of a convention is information exchange.
- **Tradeshows**—provide a means for wholesalers and retailers to transact business with industry buyers. Like conventions, tradeshows offer a forum for exchanging industry ideas. In order to clearly differentiate conventions from tradeshows, HVS assumes that only corporations and enterprises can sponsor and produce tradeshows. Similar to conventions, tradeshows require registered attendees. While they also require exhibit space set-up, they only sometimes require banquet, plenary, and/or breakout space set-up.
- **Combination Shows**—are either corporate or enterprise produced, typically with an initial period of attendance by registered attendees only, and later by the public. Always requiring exhibit set-up, they sometimes also require plenary, banquet and/or breakout set-up for additional portions of their show.
- **Consumer Shows**—public, ticketed events featuring the exhibitions of merchandise for sale or display. Exhibition companies produce consumer shows, as they provide a means of product distribution and advertising. They only require exhibit space set-up.
- **Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space, but do not require any exhibit set-up. Conferences can be conducted by any organization type, but always require attendees to be registered.

- **Meetings**—only require breakout space set-up. Like conferences, they can be produced from any of the organization types, but unlike conferences, they are private events to which one must be invited.
- **Banquets**—only require a banquet set-up for food and beverage meal service. These events also can be produced by any organizational type, and are either held privately or require guests to register.
- **Assemblies**—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.
- **Fairs**—usually involve an exhibit booth set-up for a public event in which a number of organizations or companies represent themselves and/or a product or service, with a similar theme or purpose uniting the event. Corporations, associations, governments, or SMERFE groups may present a fair.
- **Concert/Entertainment**—usually a concert or some form of live entertainment, owned and organized by an event promoter for the public. Entertainment events only require production set-up.
- **Sports/Amateur Sports**—require only a production set-up. Attendees to sporting events, which are always organized by sports enterprises, may be public or registered. Some sporting events have both a registered and public aspect to the event over the span of a few days.

New Visitors

HVS estimated the percentage of each visitor type that would come from outside the market rather than from the local area. Only new visitor spending is included in the spending estimates because non-residents import income, whereas residents transfer income already in the market area.

- **Overnight Guests** – HVS assumes that 100 percent of overnight guests are new to Milwaukee and that the City is able to capture all of the spending from these guests.
- **Day Trips** – Estimates are based on the percentage of the population within a 30 minute drive-time radius of the WCD.
- **Exhibitor/Organizer spending on Attendees/Delegates** – HVS estimates are based on the percentage of attendees by events organized and exhibited at by companies that would not otherwise hold/participate in an event in the city.

The product of the visitor forecasts and the percent of demand that is new to the market yield an estimate of the sources of impact shown in the table below. That is:

$$\text{Total Overnight Guests} \times \text{Percent New} = \text{New Overnight Stays}$$

$$\text{Total Day Trips} \times \text{Percent New} = \text{New Day Trips}$$

$$\text{Total Delegate Days} \times \text{Percent New} = \text{New Exhibitor Delegate Days}$$

FIGURE 2-1 ESTIMATES OF OUT-OF-TOWN VISITATION

	2007	2008	2009	2010	2011
Room Nights					
Conventions	40,365	42,055	24,633	61,387	40,172
Tradeshows	15,921	15,031	15,206	1,865	871
Combo Shows	2,225	0	1,380	0	0
Consumer Shows & Fairs	4,040	5,695	4,915	4,670	3,455
Conferences	17,340	36,331	21,645	46,447	53,177
Banquets	3,900	865	865	0	0
Meetings	2,697	2,461	2,977	1,050	4,850
Assemblies	3,700	0	770	0	0
Sports	305	0	0	1,735	3,635
Other	0	0	0	0	600
Total	90,493	102,438	72,391	117,154	106,760
Day Trips					
Conventions	58,441	46,611	33,757	114,753	23,889
Tradeshows	31,680	20,367	19,195	1,769	451
Combo Shows	1,085	0	316	0	0
Consumer Shows & Fairs	36,804	37,008	93,395	41,915	56,385
Conferences	19,397	51,706	33,992	67,401	53,690
Banquets	15,640	12,343	10,513	10,048	9,721
Meetings	11,316	11,843	6,655	5,124	7,918
Assemblies	43,129	45,780	29,774	58,469	42,740
Sports	70,143	82,090	109,795	62,058	117,714
Concerts & Entertainment	71,552	131,234	78,318	70,626	76,454
Other	1,161	175	397	460	2,508
Total	360,347	439,158	416,106	432,622	391,470
Convention Delegate Days with non-local Exhibitors and Event Organizers					
Conventions	168,378	143,853	98,535	313,297	91,774
Tradeshows	75,600	52,714	50,571	5,057	1,629
Combo Shows	4,700	0	2,100	0	0
Consumer Shows & Fairs	27,412	28,072	67,899	31,240	41,145
Total	276,090	224,640	219,106	349,594	134,547

Source: HVS

The figure above shows the number of visitors to Milwaukee that are not from Milwaukee and therefore are counted as new sources of spending. Visitors are estimated based on a proportion of total attendees as provided from the WCD, who enter the City to attend events. Convention Delegate Days are estimated based on the attendance at events held by non-local organizers. In addition to event and attendance data, the WCD facility management provided HVS with information regarding the estimated number of room nights associated with events as tracked by the Visit Milwaukee Convention and Visitor's Bureau ("CVB"). The room night numbers reflect room night blocks reserved for events booked by the CVB, which is in charge of booking events over 18 months in advance. While room night pick-up is lower than reserved room blocks, on the whole the numbers are presumed to be conservative, as the estimates include neither room nights booked outside of the event, nor the associated room nights booked by the convention center.

Spending Parameters

Delegates, attendees, event organizers, and exhibitors spend locally on lodging, meals, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

HVS based expenditures on facility spaces and services on the proportion of facility revenues received from spending on events held by out-of-market retailers. In order to estimate average spending in other categories, HVS evaluated data from three visitor data source surveys. First, the 2004 Destination Marketing Association International ("DMAI") survey (the most recent one available) focuses on spending by convention and tradeshow participants. Second, the 2011 Corporate Travel Index ("CTI") survey focuses on visitor spending in the top 100 business destinations in the country. HVS used the CTI survey to index the national results contained in the DMAI survey so that they more accurately reflect the probable level of spending in the City. Numbers are adjusted to reflect inflation using the government released year-to-year changes in the Consumer Price Index ("CPI").

The "Daily Spending Parameters" include the daily spending by individual overnight delegates, day-trippers, event organizers, and exhibitors. All Daily Spending Parameters shown in the figures below are stated in 2011 dollars.

Overnight Attendee Spending

Multiplying the number of new overnight stays by the Daily Spending Parameters produces an estimate of new direct spending by delegates as shown in the figure below. Delegate spending includes the spending on hotel catering by exhibitors and event organizers in addition to the personal spending of individual guests.

FIGURE 2-2 ESTIMATED DAILY SPENDING BY OVERNIGHT VISITORS (IN 2011 DOLLARS)

Daily Spending Parameter	Spending Per Overnight Stay
Isolated Hotel Rate	\$133.60
Hotels and motels, including casino hotels	\$44.94
Automotive Equipment Rental and leasing	\$7.88
Food services and drinking places	\$58.45
Retail Stores - Gasoline Stations	\$1.81
Retail Stores - General Merchandise	\$27.00
Transit and ground passenger transportation	\$8.23
Scenic and sightseeing transportation and support activities for transportation	\$4.36
Motion picture and video industries	\$1.22
Performing Arts Companies	\$3.66
Spectator Sports Companies	\$1.97
Museums, Historical Sites, Zoos, and Parks	\$9.31
State and local government passenger transit	\$1.59
Total	\$321.96

Sources: DMAI, CTI, BLS, WCD, HVS

\$321.96	Spending per overnight stay
<u>x 106,760</u>	New Overnight visitors (2011)
\$34.4 Million	Overnight visitor spending

Daytrip Spending

Daytrip spending is generated by delegates and other attendees to conventions, tradeshows, and consumer shows who do not stay overnight. In most markets, day-trippers typically spend money on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.

Multiplying the number of day trips by the estimated daily spending figure produces an estimate of new spending by daytrip visitors in each geographic area.

FIGURE 2-3 ESTIMATED DAYTRIP SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Spending Per Daytrip
Food services and drinking places	\$58.45
Retail Stores - Gasoline Stations	\$1.81
Retail Stores - General Merchandise	\$27.00
Scenic and sightseeing transportation and support activities for transportation	\$4.36
Motion picture and video industries	\$1.22
Performing Arts Companies	\$3.66
Spectator Sports Companies	\$1.97
Museums, Historical Sites, Zoos, and Parks	\$9.31
Amusement parks, arcades, and gambling industries	\$17.94
State and local government passenger transit	\$1.59
Total	\$127.30

Sources: DMAI, BLS, WCD, HVS

$$\begin{array}{r}
 \$127.30 \\
 \times \quad 391,470 \\
 \hline
 \$49.8 \text{ Million}
 \end{array}
 \begin{array}{l}
 \text{Spending per daytrip} \\
 \text{New Daytrips new to market (2011)} \\
 \text{Daytrip spending}
 \end{array}$$

Facility Revenue from Outside Spending

Event organizers spend money to rent the convention center facility. Organizers and exhibitors pay for event services and parking at the facilities. By examining operating revenue histories, HVS captured this spending for the facility specifically for the facility being reviewed. HVS used event data to create a percentage of spending new to the area of impact.

Facility Revenues

HVS estimated new exhibitor and event organizer spending on facility services and rental fees by examining facility event histories and facility revenue statements. Historical revenue statements are reclassified into standard HVS line items, including facility rental, event services, food and beverage sales, and other revenue.

Facility Rental—Facility rental revenue includes the revenue received by the WCD from clients that reserve one or more function areas in the District. Despite having published rates, facilities typically charge rental fees based on negotiated daily rental fees. Not all events are charged a facility rental fee. A facility may waive the space rental charges if the event meets a certain minimum of food and beverage charges as is usually the case for most banquets, meetings, and conferences.

Food and Beverage—Most events that use the WCD’s convention center’s function space will also arrange for food service for their attendees during their

events. This food service includes catering, which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Consumer shows, theatre performances, and arena events may generate concession revenue. Most conventions and conferences generate demand for multiple meals during the course of these multi-day events. Meetings and banquets generally include a single meal or refreshment services. Events like conventions and tradeshow typically spend the most per attendee.

Event Services—Event Services include the fees charged to tenants for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, electricity and other utilities, commissions from decorators, and other services provided by third-party contractors at events. Many events also require audio, video, communications, and Internet services. Banquets and other upscale events often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for most events, while cleaning services offered to individual exhibitors can represent a significant source of revenue. Service charges vary by type of event. Some of these services may be included in the rental charges for using the facility, but others will be add-on service charges.

Other Revenue—Other revenue could include damages billed to tenants, special fees or dues, interest income, and certain non-recurring income. Other revenue may also include daily parking charges for spaces in convention center lots.

FIGURE 2-4 RECLASSIFIED HISTORY OF OPERATING REVENUES, NOMINAL 2007 - 2011 DOLLARS

	Calendar Year				
	2007	2008	2009	2010	2011
OPERATING REVENUE					
Facility Rental	\$3,151,000	\$3,320,000	\$3,074,000	\$3,680,000	\$3,201,000
Food & Beverage (Gross)	\$6,186,000	\$5,899,000	\$5,021,000	\$6,513,000	\$6,613,000
Event Services (Gross)	\$4,732,000	\$4,359,000	\$4,336,000	\$5,102,000	\$5,016,000
Advertising & Sponsorships	\$1,328,000	\$1,267,000	\$1,319,000	\$1,335,000	\$1,276,000
Parking (Gross)	\$588,000	\$630,000	\$511,000	\$607,000	\$581,000
Box Office	\$701,000	\$799,000	\$528,000	\$490,000	\$555,000
Other Revenue	\$368,000	\$570,000	\$553,000	\$821,000	\$642,000
Total	\$17,054,000	\$16,844,000	\$15,342,000	\$18,548,000	\$17,884,000

Sources: WCD

HVS estimated out-of-market spending by determining the origin of organizers and exhibitors on a per event basis. Out-of-market revenues are evaluated as a percentage of total event revenues for each type of facility revenue.

FIGURE 2-5 AVERAGE PERCENT OF FACILITY REVENUE NEW TO THE MARKET

Geographic Area/Revenue Type	Venue Revenue New to Market
Milwaukee	
Facility Rental	66%
Food & Beverage (Gross)	54%
Event Services (Gross)	64%
Advertising & Sponsorships	66%
Parking (Gross)	66%
Naming Rights	66%
Pouring Rights	66%
Box Office	32%
Other Revenue	66%

HVS combined estimates of revenue new to the market with the amount of revenue received each year as classified into IMPLAN industry codes. The following figure shows revenues received by the WCD from organizations based outside of the City.

FIGURE 2-6 NEW FACILITY REVENUE BY YEAR (IN NOMINAL DOLLARS)

Spending Category	2007	2008	2009	2010	2011
Other support services	\$6,145,000	\$6,162,000	\$5,926,000	\$6,905,000	\$6,418,000
Food services and drinking places	\$3,698,000	\$3,524,000	\$3,034,000	\$3,935,000	\$3,970,000
Parking	\$351,000	\$377,000	\$309,000	\$366,000	\$349,000
Total	\$10,194,000	\$10,063,000	\$9,269,000	\$11,206,000	\$10,737,000
Spending on Facility Services (\$ millions)	\$10.2	\$10.1	\$9.3	\$11.2	\$10.7

Exhibitor Spending

In addition to spending at the facility, exhibitors purchase lodging, meals, local transportation, vendor services, meeting room rentals, equipment rentals, and other goods and services. Adjusted DMAI data provides estimates of exhibitor spending per attendee day. Exhibitor spending on facility rental and facility services is included in the facility revenue estimates.

FIGURE 2-7 ESTIMATED EXHIBITOR SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Spending Per Convention Delegate Day
Hotel Room Rate	\$30.01
Hotels and motels, including casino hotels	\$4.14
Automotive Equipment Rental and leasing	\$2.44
Food services and drinking places	\$28.97
Retail Stores - Gasoline Stations	\$0.47
Retail Stores - General Merchandise	\$1.33
Transit and ground passenger transportation	\$0.99
Commercial and industrial machinery and equipment rental and leasing	\$1.70
Advertising and Related Services	\$3.12
Other amusement and recreation industries	\$3.07
State and local government passenger transit	\$0.15
Total	\$76.38

Sources: DMAI, BLS, WCD, HVS

\$76.38	Exhibitor spending per convention delegate day
x 134,547	New Convention delegate days
\$10.3 Million	Exhibitor spending



Event Organizer Spending

In addition to facility spending, event organizers also spend on lodging, meals, local transportation, facility rentals, equipment rentals, and other goods and services required to plan and organize a successful event. Adjusted DMAI data provides estimates of organizer spending per attendee day as shown in the figure below. Event organizer spending on facility rental, facility services, and event food and beverage is included in the facility revenue estimates.

FIGURE 2-8 ESTIMATED EVENT ORGANIZER SPENDING (IN 2011 DOLLARS)

Daily Spending Parameter	Spending Per Convention Delegate Day
Hotel Room Rate	\$0.10
Hotels and motels, including casino hotels	\$0.13
Automotive Equipment Rental and leasing	\$0.05
Food services and drinking places	\$0.39
Retail Stores - General Merchandise	\$1.20
Transit and ground passenger transportation	\$0.02
Advertising and Related Services	\$0.93
State and local government passenger transit	\$0.04
Total	\$2.84

Sources: DMAI, BLS, WCD, HVS

\$2.82	Event organizer spending per convention delegate day
<u>x 134,547</u>	New Convention delegate days
\$0.4 Million	Event organizer spending

Summary of Direct Spending

The figure below shows the gross spending generated by the activities of the District.

FIGURE 2-9 GROSS SPENDING (IN MILLIONS OF DOLLARS - NOMINAL) BEFORE LEAKAGE

Source	2007	2008	2009	2010	2011
Overnight Visitors	\$26.9	\$31.6	\$22.2	\$36.5	\$34.4
Daytrip Spending	\$96.6	\$122.1	\$115.3	\$121.8	\$113.7
Exhibitor	\$64.3	\$80.8	\$74.4	\$81.7	\$76.4
Event Organizer	\$2.4	\$3.0	\$2.8	\$3.0	\$2.8
Facility Revenue	\$17.1	\$16.8	\$15.3	\$18.5	\$17.9
Total New Spending	\$207.2	\$254.3	\$230.0	\$261.6	\$245.2

The following table summarizes the estimates of spending new to the City derived from delegates, daytrip visitors, event organizers, and exhibitors new to the City.

FIGURE 2-10 NEW SPENDING (IN MILLIONS OF DOLLARS - NOMINAL) BEFORE LEAKAGE

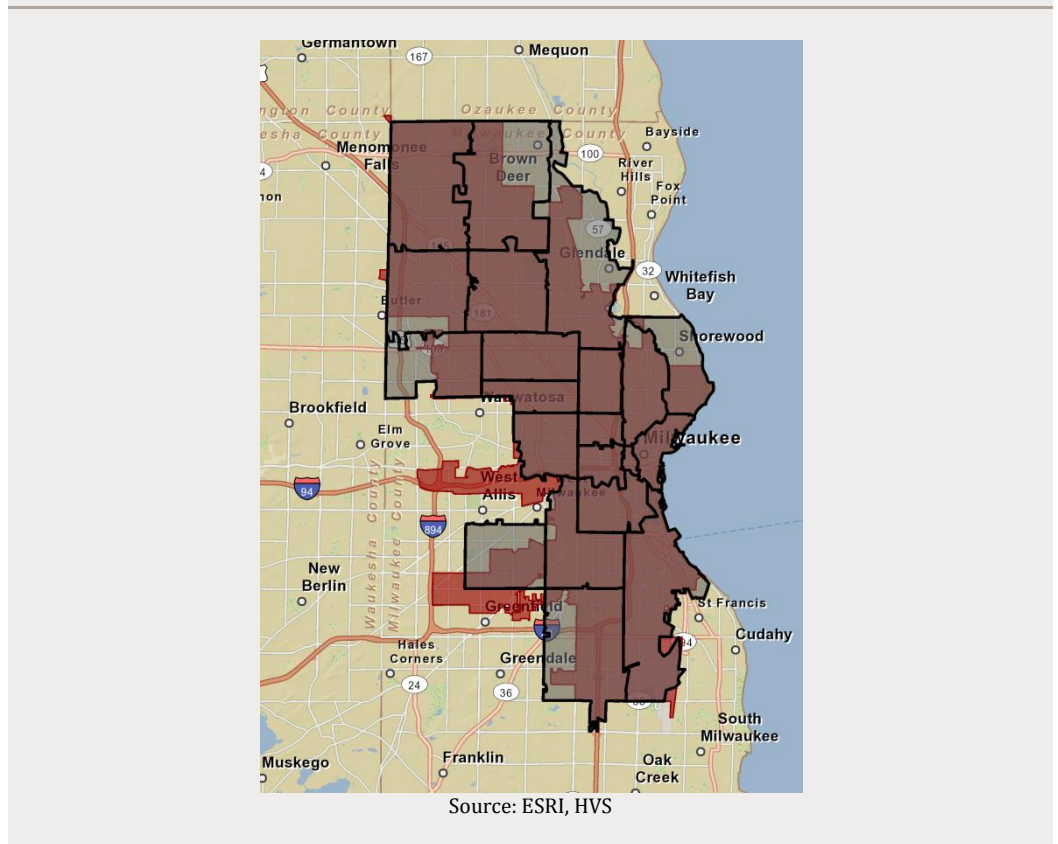
Source	2007	2008	2009	2010	2011
Overnight Visitors	\$26.9	\$31.6	\$22.2	\$36.5	\$34.4
Daytrip Spending	\$42.3	\$53.5	\$50.5	\$53.4	\$49.8
Exhibitor	\$19.5	\$16.4	\$16.0	\$25.9	\$10.3
Event Organizer	\$0.7	\$0.6	\$0.6	\$1.0	\$0.4
Facility Revenue	\$10.2	\$10.1	\$9.3	\$11.2	\$10.7
Total New Spending	\$99.6	\$112.2	\$98.6	\$128.0	\$105.6

IMPLAN Impact Modeling

HVS uses the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota to estimate indirect and induced economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects shown here represent the estimated changes in the flow of income and goods caused by the estimated direct spending generated by events in the District. The IMPLAN model accounts for specific characteristics of the local area economy and estimates the share of direct, indirect, and induced spending that it will capture.

IMPLAN relies on zip code based statistical information. In order to closely match the City with zip codes, HVS used ESRI map information to select the zip codes used, shown in the figure below.

FIGURE 2-11 MAP OF SELECTED ZIP CODES USED IN IMPLAN MODEL AND CITY OF MILWAUKEE



HVS categorized new direct expenditures into spending categories that are inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending categories defined by the U.S. Census Bureau according to the NAICS. Because the spending data from the DMAI surveys and facility revenue statements do not match the NAICS spending categories, HVS translates the DMAI spending categories into the NAICS spending categories that most closely match the intent of the survey.

Retail Margining

Spending at retailers does not create as large of an impact on the economy as spending in other industries. Retailers add value equal to the margin or price increase of the good above what was paid to obtain the good. The IMPLAN model

Indirect and Induced Spending

is product based, so HVS uses IMPLAN margin numbers to account for the discrepancy between retail purchaser prices and producer prices.

Indirect and induced impacts (as defined earlier in the report) are often referred to as multiplier effects. The relationship between direct spending and the multiplier effects can vary based on the specific size and characteristics of a local area’s economy. HVS enters the direct spending estimate into the IMPLAN input-output model of the local economy to estimate indirect and induced spending. HVS obtained data from IMPLAN on Milwaukee County and created an input-output model for the City.

HVS converted the direct spending estimates (as previously described in this report) into IMPLAN categories of expenditures, which serves as the inputs for the IMPLAN model. The following table shows the output of the IMPLAN model—the estimated direct, indirect, and induced economic impacts that are attributable to the WCD.

The figure below shows the gross economic impact of the WCD facilities for the years 2007-2011 in millions of 2012 dollars.

FIGURE 2-12 GROSS DIRECT, INDIRECT, AND INDUCED SPENDING (MILLIONS OF 2012 DOLLARS)

Effect Type	Average	2007	2008	2009	2010	2011
Direct	\$233.2	\$213.0	\$251.9	\$224.2	\$249.4	\$227.7
Indirect	\$60.4	\$55.2	\$65.2	\$57.9	\$64.7	\$59.1
Induced	\$61.0	\$55.6	\$65.9	\$58.8	\$65.1	\$59.4
Total	\$354.7	\$323.8	\$383.1	\$341.0	\$379.2	\$346.2

Local Purchase Percentage

To accurately measure spending impacts, HVS counts spending on products and services located in the market area. Some of the direct spending demand in the market area cannot be accommodated within the City. For example, an exhibition company may need to buy novelty items for all attendees, but these items are not produced in the market area. The direct spending leaks outside the market area to the extent that services and products are produced outside the market. This effect occurs for direct, indirect, and induced spending. HVS uses the IMPLAN SAM values to track the percentage of a good that is purchased within the market area. As a result, the realized direct spending in a region is lower than the spending in the market area.

All inputs are nominal and all outputs from the model are stated in 2012 dollars. The figure below shows the net new economic impact of the WCD facilities for the years 2007-2011 in millions of 2012 dollars.

**FIGURE 2-13 NET NEW DIRECT, INDIRECT, AND INDUCED SPENDING
(MILLIONS OF 2012 DOLLARS)**

Effect Type	Average	2007	2008	2009	2010	2011
Direct	\$82.8	\$80.6	\$86.6	\$75.0	\$95.5	\$76.3
Indirect	\$21.7	\$21.2	\$22.7	\$19.6	\$25.1	\$20.0
Induced	\$21.3	\$20.7	\$22.3	\$19.4	\$24.4	\$19.7
Total	\$125.8	\$122.5	\$131.6	\$114.0	\$145.1	\$116.0

Employment can also be used to measure economic impact. Using the IMPLAN model, HVS estimated the direct, indirect, and induced jobs supported by the spending. IMPLAN defines employment as the number of full-time equivalent jobs.

**FIGURE 2-14 NET NEW JOB ESTIMATES – NUMBER OF FULL TIME
EQUIVALENT POSITIONS SUPPORTED PER YEAR 2007-2011**

Effect Type	Average	2007	2008	2009	2010	2011
Direct	1,120	1,087	1,176	1,022	1,283	1,033
Indirect	152	148	158	137	176	140
Induced	162	157	170	148	186	150
Total	1,434	1,392	1,505	1,306	1,645	1,323

Fiscal Impacts

Fiscal impacts represent the public sector share of the economic impacts, as represented by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue as some of the spending will be subject to taxation.

The IMPLAN analysis results in indirect and induced spending classified into hundreds of detailed spending categories. HVS evaluated each of these spending categories to determine which taxes would apply to each type of spending output. The appropriate tax rates are then used to estimate the amount of tax revenue. The following table lists the local sales and use taxes that apply to spending in the City

and the County. The table also shows the respective tax rates for each category. The business tax rates vary depending on the nature of the business.

FIGURE 2-15 SALES AND USE TAX RATES

Tax Category	Taxing Body	Tax Rate
Automobile Rental	County	3.00%
Food & Beverage Tax	City	0.50%
Lodging	City	7.00%
Lodging	County	2.50%
Sales & Use	County	0.50%

HVS applied these tax rates to a detailed breakdown of spending categories that result from direct, indirect and induced spending in the local economy. HVS then estimated the potential revenue from each tax source as shown in the following table.

FIGURE 2-16 REVENUES SUPPORTED BY GROSS SPENDING

Tax Category	Estimated Gross Tax Base (\$)	Tax Rate	Estimated Tax Revenue (\$)
Automobile Rental - County	4,089,880	3.00%	122,696
Food & Beverage Tax	102,523,000	0.50%	513,000
Lodging - City	56,054,000	7.00%	3,924,000
Lodging - County	56,054,000	2.50%	1,401,350
Sales & Use - County	121,731,000	0.50%	609,000
Total			\$6,573,046

FIGURE 2-17 REVENUES SUPPORTED BY NET SPENDING

Tax Category	Estimated Net New Tax Base (\$)	Tax Rate	Estimated Tax Revenue (\$)
Automobile Rental - County	1,310,673	3.00%	39,320
Food & Beverage Tax	36,514,000	0.50%	183,000
Lodging - City	17,591,000	7.00%	1,231,000
Lodging - County	17,591,000	2.50%	439,775
Sales & Use - County	41,595,000	0.50%	208,000
Total			\$2,435,103

FIGURE 2-18 REVENUES SUPPORTED BY NET SPENDING

Government Body	Gross Revenues	Net New Revenues
City	\$2,133,000	\$687,000
County	4,437,000	1,747,000
Total Tax Revenue	\$6,570,000	\$2,434,000

HVS estimates that the event activity associated with the WCD will generate approximately 2.4 million net new dollars in total tax revenues, with 687,000 dollars collected by the city.

**Summary and
Conclusion**

This analysis demonstrates that the WCD facilities generated significant amounts of economic impact in each of the five years examined.

These economic impact estimates are subject to numerous assumptions and limiting conditions described throughout the report. Although we consider these assumptions to be reasonable, we cannot provide assurances that the WCD achieved the estimated results. Actual events and circumstances are likely to differ from the assumptions in this report and some of those differences may be material. The readers should consider these estimates as a mid-point in a range of possible impacts.

3. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. All information, financial operating statements, estimates, and opinions obtained from parties not employed by HVS are assumed to be true and correct. We can assume no liability resulting from misinformation.
3. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
4. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
5. We take no responsibility for any events or circumstances that take place subsequent to the date of our report.
6. The impact analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the facility's management.
7. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect reasonable expectations.
8. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded. Thus, these figures may be subject to rounding errors.
9. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

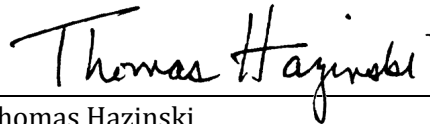


10. Although this analysis employs various mathematical calculations, the final estimates are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
11. This report was prepared by HVS Convention, Sports & Entertainment Facilities Consulting, a division of HVS Global Hospitality Services. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of these two organizations as employees rather than as individuals.

4. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no unspecified present or prospective interest in the properties that are the subject of this report and no unspecified personal interest with respect to the parties involved;
4. we have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment; and
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results.



Thomas Hazinski
Managing Director, HVS