



Small Business CEOs Talk About Downtown

Prepared for:
Milwaukee Downtown, BID #21



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Small Businesses and Downtown

Small businesses are central to downtown Milwaukee's economy and they are a strong regional driver of jobs and income. More than 90% of businesses in the Milwaukee region have fewer than 100 employees. Given that scores of these small companies call downtown home, we need to learn more about how they experience downtown. To that end, one-on-one visits with 46 small business CEOs were conducted from June – December 2008. The visits reveal that despite a challenging economic environment, these CEOs look favorably on downtown, are running successful companies, and are optimistic about downtown's future.¹ The following are specific findings of note.

Companies rate downtown business climate slightly above average, but.... Several of the interviews reflected a sense of worry and agitation among the CEOs concerning the global financial crisis, which likely influenced their assessment of the local picture. Respondents were asked to rate the overall downtown business climate on a five-point scale (5 = excellent, 1 = poor). The average rating for this critical summary measure is a middling 3.29, which is significantly lower than the 3.63 rating offered by large company CEOs during our last round of CEO calls in 2007. In addition to the broad economic downtown, it is also important to note that the interviews were conducted as Milwaukee voters were considering a referendum mandating employee sick leave benefits. Most businesses vehemently oppose the ordinance (which was eventually approved by voters in November 2008), arguing that it is

an unfair competitive disadvantage for firms located in the City of Milwaukee.

The hypothesis above, suggesting that extraneous factors impacted the respondents' mediocre rating the business climate, is indirectly confirmed by the respondents' detailed ranking of 21 specific aspects of the climate. These scores were nearly identical to the ratings offered by the large company CEOs in 2007. One suspects that if the small company CEOs had been interviewed 18 months ago, their overall rating of the downtown business climate would have been higher.

Downtown business climate trending positive. Irrespective of the current problems besetting respondents, most are optimistic in the long term. Fully 60% believe the business climate is better today than three years ago, and 70% believe it will be better still three years from now.

Why locate downtown? Small companies choose to locate downtown for the same reasons as larger companies. They cite the classic advantages – proximity to clients and workforce, centrality, vibrancy, and prestige – as their reasons for being downtown. It is helpful to remember that financial, business and professional services firms (most respondents fell into one of these categories) are largely people operations. Their intellectual property comes not in the form of patents and processes, but in the expertise of the people working for them. Downtown is an asset that helps companies recruit these employees, provides a high-status, central place for them to meet with clients, and offers an energizing environment.

Living and working downtown. It is encouraging to note that 11% of respondents' workers live downtown, nearly double the proportion reported in our large company report issued in 2007. By living downtown, these workers reduce pressure on regional infrastructure and also contribute to the density needed to support downtown retail, dining and entertainment.

Improving the Downtown Business Climate: The BID's Role

The following are three areas of focus for the BID to consider in its efforts to enhance downtown as a place to do business.

Continue to participate in the Downtown Master Plan update. BID staff is actively engaged in the City of Milwaukee's process of updating the downtown master plan. This "broad strokes" plan is formulating a place-based strategy for downtown that will likely guide development for the next decade. The previous plan gave us projects like the Milwaukee Public Market, extension of the Riverwalk, and the Pabst redevelopment. As the plan update takes shape, the BID board should, where appropriate, advocate for projects that enhance the downtown business climate. If the first plan is any indicator, the City will actively use it to guide development.

"Stay the course" on the BID retail plan despite the economic downturn. If, as some predict, the economic crisis deepens, the BID

may come under increasing pressure to shelve its retail strategy until conditions improve. Similarly, some may judge the BID's retail efforts to be a failure if they don't render quick results due to the economic slowdown. We urge the BID to be patient during these difficult times. Under the best of conditions, a downtown retail strategy will take time before it bears fruit. The BID must have its strategy in order, ready to pounce when the environment turns.

Continue to "plan for success." As stated in the last CEO call report, increasing density is a measure of success for any downtown. More residents. More businesses. More visitors. More activity. However, density brings with it challenges all their own, many of which can stymie development if not addressed. The two most obvious problems are transportation and safety. If these problems are not anticipated and planned for, they impose an artificial ceiling on downtown growth. Given the high importance assigned to public safety by our CEO respondents, continued monitoring is paramount to downtown's success.

NOTES

¹ Some visits were conducted before the depth of the global financial crisis was understood.

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Small Businesses and Downtown

The term “small business” is a bit of a misnomer and an occasional irritant to those who run these companies. They may be individually small as measured by employment, but collectively are responsible for the lion’s share of job growth in the U.S. MIT researcher David Birch, who is widely credited with initiating the contemporary study of small businesses, wrote famously in 1981 that 82% of job creation comes from firms with fewer than 100 employees. Birch later coined the term “gazelles” to describe the small, fast growing companies (20% growth in sales for five consecutive years) that were remaking the business landscape, often through development and application of new technologies. Birch’s point? Small businesses drive wealth, innovation and job creation. Put simply, small businesses matter.

82% of U.S. job creation is generated by firms with <100 employees

Small businesses indeed play a prominent role in the Milwaukee regional economy. Firms with fewer than 100 employees comprise 92% of all businesses and 34% of total regional employment. Milwaukee’s downtown has long been a centripetal economic force in the region due to the natural advantages most downtowns possess – centrality, density of economic activity, prestige, proximity to workforce, and cultural and entertainment assets. Small businesses are an important part of the downtown equation. Nestled between the headquarters of longtime corporate

heavyweights like M&I Bank, Northwestern Mutual, We Energies, Manpower and MGIC are small, but frequently world class companies in sectors from international money management to architecture to brand development. Their names may be unknown to many Milwaukeeans, but they are integral to the region’s prosperity, generating significant wealth and, as we’ll see shortly, high-paying jobs.

The standalone value of small companies to downtown and the region as a whole is significant, but there is more. Specifically, some of these businesses will likely make it big. Our region is full of home-grown success stories – Quad/Graphics, Marquette Electronics (now part of GE Healthcare), Fiserv, Harley-Davidson and scores of others – that grew from small beginnings to become market leaders.

In large measure, investment in downtown is an indirect investment in the companies, large and small, that reside there. Upgrades to downtown’s transportation, housing, entertainment, cultural and commercial assets benefit each company located downtown, enhancing their ability to compete in a global environment. Whether a company has 5 employees or 5,000, quality of place has an impact. Our collective willingness to invest, both public and private dollars, in projects like the Milwaukee Art Museum, the Pabst Brewery redevelopment, the Riverwalk, the Marquette Interchange and Pier Wisconsin directly affects the companies downtown, providing them with a quality platform from which to recruit employees, serve customers, entertain clients and have some fun along the way.

We can certainly speculate as to how small companies experience downtown, but there is no substitute for the direct voice of the customer. How do the CEOs running small businesses feel about downtown? What do they view as its strengths and weaknesses? How does downtown support or hinder their operations? How might downtown change to better suit their needs? The purpose of this study is to answer these and other questions from the viewpoint of the CEOs managing small downtown firms.

We find that despite a challenging economic environment, these CEOs:

- **Look favorably on downtown.**
- **Are running successful companies.**
- **Are optimistic about downtown's future.**

The Study

In summer 2006, Milwaukee Downtown Business Improvement District (BID) #21 hired the Milwaukee Development Corporation (MDC), which administers the *Milwaukee 7* regional CEO call initiative (600 companies have been visited region-wide in the past three years), to implement a downtown CEO call program. The obvious first step to achieving the BID's overall objective – enhancing the downtown business climate – is to seek out the “voice of the customer” (i.e., the executives running downtown companies). There is no shortage of anecdotes and conjecture concerning the senior executive's views of doing business downtown. The purpose of the CEO call program is to put speculation aside and to take a systematic,

data-based approach to assessing the downtown business climate and understanding the companies doing business there.

The BID and MDC decided to focus efforts on companies best described as “regional income producers.” These companies, no matter what their work, are the true drivers of growth. It is the regional income producer that exports its goods and services to customers located outside the region, which brings in *new* income, investment and jobs. Put simply, these companies grow the regional economic pie.

Our calls on small company CEOs represent the second round of visits. The first round, which focused on large corporations, netted visits with 89 CEOs. A report of findings was issued in April 2007 and is available via the BID or MDC. For the second round of visits, companies meeting the following criteria were targeted:

- Located within the downtown market survey boundaries, as demarcated in the UW-Extension market study (Appendix A).
- Belonging to a sector associated with regional income production. Specifically, the study targets the following broad sectors: manufacturing; finance, insurance and real estate (FIRE); and business and professional services. Not all companies in these industry groups are regional income producers, but the groups are generally recognized as appropriate proxies.
- Downtown employment of 10 – 19 workers, irrespective of firm-wide employment.

Using two commercial list services, MDC identified 95 organizations satisfying all of these criteria. Staff checked and verified the list to ensure accuracy. Letters were sent to the target CEOs in June 2008 requesting a visit. The *Milwaukee 7's* cadre of volunteer interviewers was deployed to conduct the CEO visits. When the last visit was completed in December, 46 CEO calls had been completed (48% “hit rate”). This rate is lower than the rate for the first round of calls – 61% – but similar to the rate experienced for regional rounds of calls over the past three years. The rate is sufficiently high that we can have confidence that the findings are reflective of the target group as a whole.

The response rate was likely impacted by the global financial crisis, which began to take hold just as the interviews were commencing. Several targets expressed an unwillingness to meet at a time when their businesses were coming under added pressure. For the 46 CEOs that met with us, the crisis clearly colored their responses, especially for those interviews conducted after October, when the full impact of crisis was becoming more apparent.

Table 1: Respondents by Industry Group

Industry	Companies	%
Construction	0	0%
Manufacturing	3	7%
Transportation & utilities	3	7%
Wholesale trade	2	4%
FIRE	13	28%
Business & other services	10	22%
Professional services	14	30%
Non-profit	1	2%
Total	46	100%

Each interview was comprised of two parts: the Pre-Meeting Questionnaire (Appendix B), which was sent to the CEO prior to the visit, and the Mandatory Questions (Appendix C), which were asked of the CEO during the in-person interview. Both questionnaires were intended to draw out information about the company, the challenges it faces doing business downtown, and its assessment of the downtown business climate. The same questions were asked of all companies, although some companies chose not to answer specific questions, resulting in sample sizes of less than 46 for several questions. Information collected by the individual interviewers was summarized in a standard form and transmitted to MDC. In keeping with the CEO Call Program Confidentiality Policy, the names of the participating companies and their respective CEOs are not made public.

This report profiles the responding companies and the people who work for them, summarizes several key findings from the interviews, and suggests action steps for the BID to consider in its efforts to enhance the downtown business climate. As described earlier, only regional income producers were targeted for this round of CEO calls. Thus, the conclusions drawn from this report are not necessarily reflective of the downtown business community as a whole.

The Companies

The following is a brief demographic profile of the companies that were visited.

Table 2: Geographic Distribution of Operations

Location of company facilities	Companies	%
All company operations are housed downtown	23	50%
The company has additional operations located inside the 7-county region	5	10%
The company has additional operations located outside the region	9	20%
The company has additional operations located inside AND outside the region	9	20%
Total	46	100%

Industry. Given our sector targeting criteria, it is not surprising that more than half of the firms interviewed are in the professional services and FIRE sectors (Table 1). These, along with corporate headquarters, are the traditional occupants of downtowns across the U.S. As will be discussed later, a downtown address confers prestige, which is important to professional services firms intent on conveying a high-status image to their potential and actual customers and employees.

Headquarters, branches and multiple facilities. As detailed in Table 2, downtown serves as the only operating location for half of the respondents, which stands in marked contrast to the location footprint for the larger

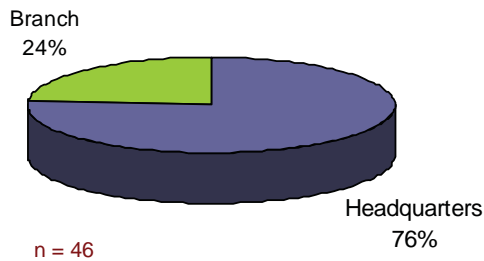
firms visited in the prior round of CEO calls. For the latter, less than a quarter of respondents reported downtown to be their only location. Given the smaller scale of operations for the second group, this is to be expected.

It is also instructive to know which firms have their corporate headquarters located in downtown Milwaukee. Headquarters are important for myriad reasons, most important of which is the local presence of the corporation's top decision makers, which generally is manifest in deeper roots in, and commitment to, civic life. The headquarters designation is not, of course, a guarantee of community engagement, but certainly makes it more likely.

Table 3: Companywide vs. Downtown Site Sales

Range	Companywide	%	DT only	%
Less than \$500,000	1	3%	1	3%
\$500,000 to \$1 million	4	14%	4	13%
\$1,000,001 to \$10 million	15	52%	20	67%
\$10,000,001 to \$100 million	3	10%	4	13%
\$100,000,001 to \$1 billion	5	17%	1	3%
Over \$1 billion	1	3%	0	0%
Total	29	100%	30	100%

Figure 1: Headquarters or Branch



As shown in Figure 1, downtown serves as the headquarters location for 76% of respondents. This proportion is obviously buoyed by the fact, as stated earlier, that downtown is the only location for half of the respondents (thereby making it the default headquarters). Regardless, that 3 of 4 respondents are headquartered downtown is a notable positive.

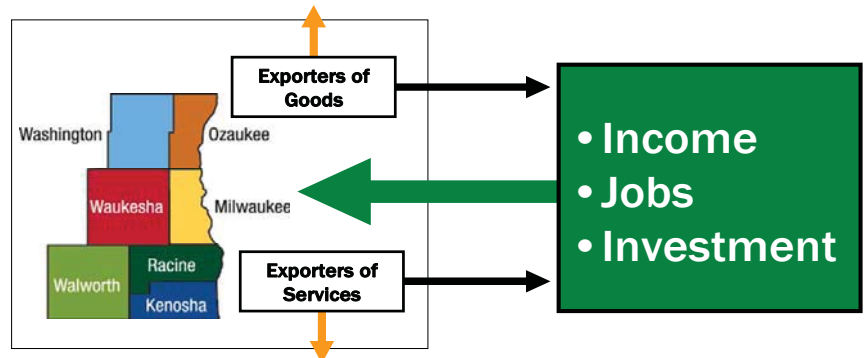
Sales. Most of the firms visited are privately held and, as such, reticent to share sales numbers. Although only 30 respondents provided these numbers, a look at the data in Table 3 reveals that 67% have sales between \$1-10 million, an expected level for smaller companies.

Employment. Table 4 details the employment

Table 4: Downtown Employment		
# of employees	Companies	%
1 - 9	9	20%
10 - 19	27	60%
20 - 100	9	20%
101+	0	0%
Total	45	100%

demographics for the companies that were interviewed. Indeed, 60% of the firms interviewed fell within the 10-19 employee target range. All but a few that fell outside the range were slightly above or below because of recent expansions or contractions. As Table 5 shows, the respondents collectively employ 868 workers downtown and an astonishing 149,525 globally (although 140,000 of these employees are accounted for by two respondents with very large parent companies).

Figure 2: Regional Income Producers



Regional income producers. The concept of regional income producers, as described earlier, is not a new one, but it is a useful and powerful indicator of a region's ability to generate jobs and create wealth (Figure 2). Firms that draw customers from outside the

Table 5: Employment by Place

Location	Collective employment	High
Downtown	868	100
Region	1,307	188
Wisconsin	1,728	275
U.S.	43,023	30,000
Worldwide	149,525	72,000

n = 45

Table 6: Percent of Downtown Location's Sales Generated by Customers Inside the Region

% of sales inside region	Companies	%
1 - 9%	6	16%
10 - 25%	7	18%
26 - 50%	7	18%
51 - 75%	8	21%
76 - 100%	10	26%
Total	38	100%

region are the horsepower behind the regional economy, creating multipliers that grow the economic pie rather than reallocate its slices.

The data in Table 6 shows that most of the respondents are, in fact, regional income producers. Only 26% earn three-quarters or more of their annual income from customers located inside the region. Conversely, 52% earn half or more of their income from customers located *outside* the region. These respondents

Table 7: Geographic Distribution of Supplier Spend

% of sales inside region	Avg. %
Downtown	34%
Region (7-county, excluding DT)	55%
Wisconsin (excluding region)	12%
U.S. (excluding all of Wisconsin)	33%
International (excluding U.S.)	9%

Average of a percentage - does not weight companies with larger supplier budgets

n = 30

are fueling regional growth by bringing new dollars into the community.

The power of the regional income producer model is found in the multipliers that it generates. As income flows into the region from elsewhere – perhaps as close as out-state Wisconsin or as far away as Singapore – it does not lay dormant. Regional income producers subsequently hire *local* staff and contract with

local firms to deliver services they need.

Table 7 tangibly demonstrates the manner in which regional income producers create spin-off benefits: a remarkable 89% of respondents' supplier dollars are spent with companies located in the *Milwaukee 7* region.

89% of respondents' supplier spend is made in the Milwaukee 7 region

Why Downtown?

In *New York Times* columnist Tom Friedman's flat world, businesses can increasingly be run from almost anywhere. What causes a small company to select downtown Milwaukee? We come to find that the reasons small companies choose downtown are nearly identical to the reasons offered by big companies.

Respondents are drawn downtown for time-tested reasons: proximity to clients/employees, centrality, vibrancy and prestige

Respondents were asked several open-ended questions to help us understand the reasons explaining their downtown location. The results are shown in

Table 8: Benefits of a Downtown Location

Location benefit	Companies	%
Proximity to clients/workers	26	62%
Centrality	22	52%
Vibrancy	14	33%
Prestige or credibility	12	29%
Transportation access	2	5%

Some companies provided multiple answers

n = 42

Table 8. As discussed earlier, a considerable share of respondents are in the financial, professional and business services sectors. The respondents cite the classic advantages – proximity to clients and workforce, centrality, vibrancy, and prestige – as their reasons for being downtown. It is helpful to remember that

Table 9: Reasons for Locating Downtown (Force Ranking)

Factor	Average ranking
Downtown vibrancy	6.22
Prestige	6.14
Access to qualified workforce	5.44
Available space	5.31
Access to customers	5.05
History	4.93
Access to transportation	4.76
Cost competitiveness	4.60
Proximity to competitors	2.90

9 = most important, 1 = least important

n = 44

businesses in these sectors are largely people operations. Their intellectual property comes not in the form of patents and processes, but in the expertise of the people working for them. Downtown is an asset that helps companies recruit these employees, provides a high-status, central place for them to meet with clients, and offers an energizing environment. There is density of people, activity and business downtown, all of which are critical to small business owners in these sectors.

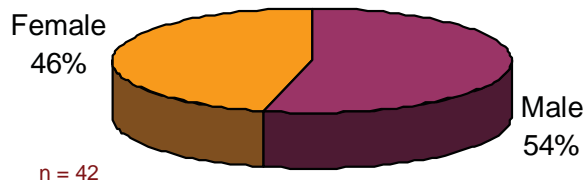
The importance of the locational factors listed in Table 8 are confirmed by the results from another query that asked the respondents to rank their reasons for being downtown. They were given nine criteria and asked to force-rank them on a nine-point scale (9 = most important, 1 = least important). As shown in Table 9, this question surfaced many of the same explanations as to why small companies choose to locate and stay downtown.

The Employees

What do we know about the people who work for the downtown companies that were surveyed (e.g, gender, age, occupation)? Where do they live? How do they get to work? The following will answer these and other questions.

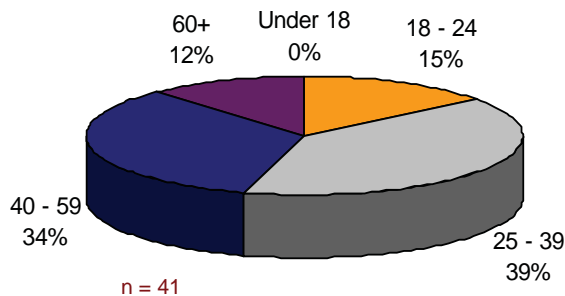
Gender. Figure 3 shows that unlike the workforce for larger companies that participated in the previous round of CEO calls, the workforce for the small company respondents is tilted decidedly toward men.

Figure 3: Workforce Gender Composition



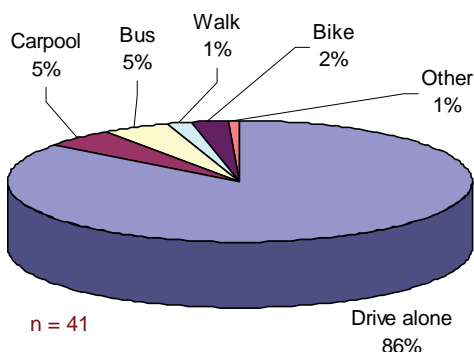
Age. Given the professional and often sophisticated nature of the work performed by the responding companies, only a small portion of their workforce is young: 15% are between the ages of 18 and 24, and none are less than 18, whereas 73% are between the ages of 25 and 59 (Figure 4).

Figure 4: Workforce Age



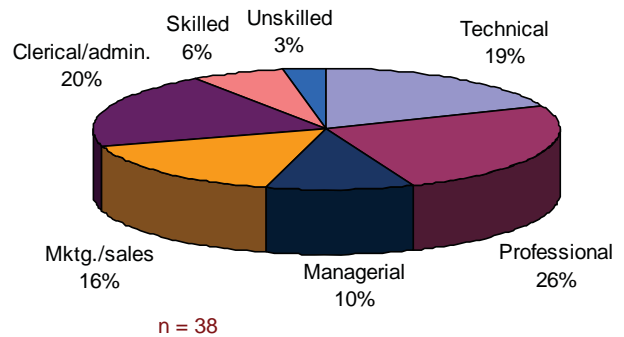
Commuting. Despite the gyrations of fuel prices over the past 12 months, the automobile remains the commuting mode of choice for almost all Milwaukeeans. As shown in Figure 5, 86% of respondents' employees drive to/from work alone in their cars.

Figure 5: Workforce Commute Mode



Job types. Figure 6 illustrates the white-collar, highly skilled nature of the respondents' employees – 71% fall into the Technical, Professional, Managerial or Marketing/Sales occupational categories.

Figure 6: Workforce Occupational Composition



Workforce's personal residence. One of Milwaukee's key advantages compared to other metropolitan areas is ease of access. A person can live on the far edges of the region and still commute downtown relatively painlessly. *Forbes.com* recently ranked Milwaukee's commute as third best among large U.S. metros (see below). As downtown continues its upward trajectory and more people, businesses and activity are drawn downtown, ease of access may become compromised. For the time being, however, access is an important asset.

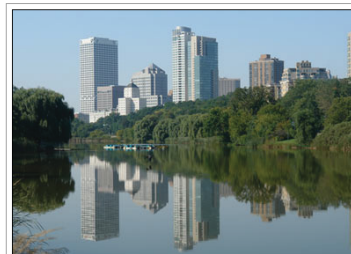


In Depth: 10 Best Cities For Commuters

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Speed



No. 3: Milwaukee, Wis.
Commuting to work in downtown Milwaukee is pretty easy. The city is compact enough that 45% of people get to their job in under 20 minutes, with only 3.2% of residents spending an hour or more en route to work. Both figures are significantly better than national averages. Only 15% of residents use an option other than driving alone, but you can't really blame them; the average citizen spends only 19 hours a year in traffic.

Source: *Forbes.com* (April 2008)

Figure 7: Workforce Personal Residence

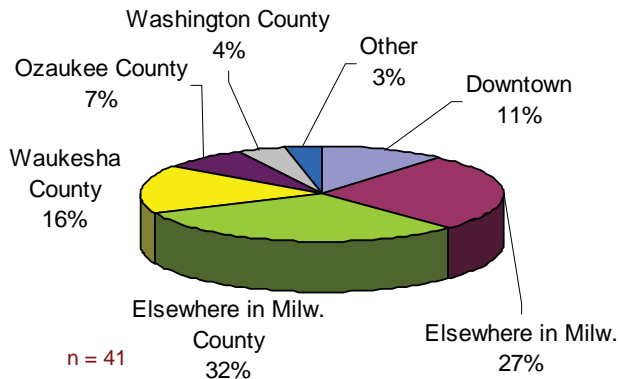


Figure 7 shows that the respondents' workforce indeed resides across the region, although the largest portion lives close-by in Milwaukee County (70%). It is encouraging to note that 11% of respondents' workers live downtown, nearly double the proportion reported in our large company report.

The Findings

The uncertainty brought about by the global financial crisis has left all of us on edge. As stated by one respondent:

“Economic problems have frozen a lot of things. People are paralyzed and waiting to see what happens, putting off projects and investments until they see what shakes out.”

Several of the CEO interviews reflected a sense of worry and sometimes agitation concerning economic conditions. Although the survey instrument did not query respondents on the crisis and how they are handling it, their answers to other questions made plain that it was weighing heavily on their minds and impacting plans for the future.

Companies rate downtown business climate slightly above average.

Respondents were asked to rate the overall climate on a five-point scale (5 = excellent, 1 = poor). The average rating for this critical summary measure is a middling 3.29 (n = 45). Although this is significantly lower than the average rating offered by large company CEOs during our last round of calls (3.63), extraneous factors may be to blame. Again, it is important to keep in mind when the interviews for the respective groups were conducted. The large company interviews

Global financial crisis, as well as mandatory sick leave ordinance, likely impacted rating of the business climate

were done in late 2006 and early 2007, long before signs of the current financial quagmire were apparent. One suspects that concerns about

macro-level economic problems have filtered into the respondents' thoughts on the downtown business climate. Downtown's parochial challenges, such as expense associated with parking, are perhaps a greater irritant to CEOs when business conditions are more generally deteriorating.

It is also important to note that the interviews were conducted as Milwaukee voters were considering a referendum mandating employee sick leave benefits (and some interviews were conducted after the referendum was overwhelmingly approved). Most businesses in Milwaukee oppose, some vehemently, the ordinance, claiming it will add expense in a time of declining revenues. In addition to their ideological opposition to mandates, respondents

Table 10: Downtown Business Climate Ranking

Evaluation Factor	Rating <i>5 = Excellent, 1 = Poor</i>	Importance <i>5 = Very important, 1 = Not Important</i>
Feeling of safety	3.74	4.80
Police/fire protection & responsiveness	4.12	4.51
Parking access	3.51	4.50
Visual attractiveness of downtown	3.88	4.46
Cleanliness	3.93	4.44
Commercial lease rates	3.49	4.30
Parking expense	2.98	4.27
Downtown atmosphere	3.71	4.27
Restaurant selection	4.14	4.17
Graffiti removal/vandalism control	3.85	4.15
Inebriate, transient, vagrant control	3.66	4.13
Special assessments, taxes, fees	2.63	3.95
Commercial space availability	3.88	3.78
Retail variety	2.69	3.76
Pedestrian access	3.82	3.75
Sporting events/festivals	4.20	3.70
Arts and cultural amenities	4.22	3.68
Public transportation	3.38	3.54
Nightlife/entertainment	3.93	3.44
Access to green space	3.29	3.25
Housing	3.72	3.25
n = 44		

It is telling to note the following. First, the numerical ratings for each factor are nearly identical to the ratings offered by larger companies in the previous round of CEO calls. The average variation for the 21 factors is only .01! This supports the hypothesis that the overall rating of the business climate is being colored by extraneous factors. Second, downtown was rated above average on 18 of the 21 factors. The importance assigned to each of the factors is also remarkably similar to the findings from the interviews with the large company CEOs.

What are we to make of these ratings? It seems unlikely that the small company CEOs view downtown materially differently than their larger counterparts. The lower

are concerned because the ordinance is aimed squarely at companies located within the City of Milwaukee (not the suburbs). This hot-button issue likely had a *significant* impact on rating of the downtown business climate.

The suggestion above of extraneous factors impacting the rating of the downtown business climate is indirectly confirmed by the data found in Table 10. In addition to rating the general business climate, respondents were asked to assess 21 specific aspects of the climate and to determine the importance of each factor.

overall business climate rating was likely influenced by a pair of extraordinary factors – the global financial crisis and the mandatory sick leave ordinance – not specific to downtown. One suspects that if the small company CEOs had been interviewed 18 months ago, their overall rating of the downtown business climate would have been higher.

Business climate trending positive.

Respondents were asked not only to rate the business climate as it stands today, but to compare it to three years ago and to project how it will stack-up three years hence. The results from these comparison questions, shown in Figures 8 and 9, suggest that irrespective of the current problems besetting companies, most are optimistic in the long term. Fully 60% of companies believe the business climate is better today than three years ago, and 70% believe it will be better still three years from now. The positive trend is not quite as pronounced as we found when surveying the CEOs of larger companies 18 months ago, but still notable given current economic conditions.

Downtown wages remain high. Changing workforce demographics continue to put

Figure 8: Downtown Business Climate Today vs. 3 Years Ago

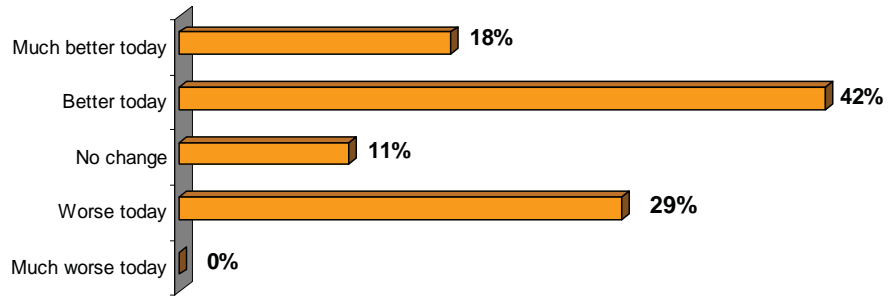
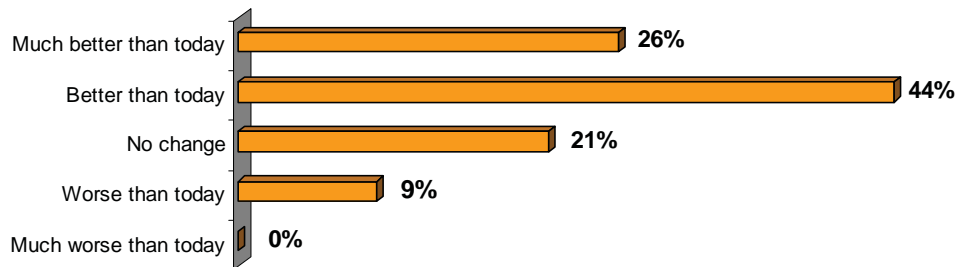


Figure 9: Downtown Business Climate Forecast 3 Years From Now



pressure on companies to attract and retain talent (this topic will be revisited shortly). As a result, employers must keep wages high to lure and keep the highly skilled employees they need. The data in Table 11 indicates that the average wage for jobs with responding companies is \$36.89 per hour, which equates to nearly \$77,000 annually (i.e., the average wage for respondents is double that for the metro as a whole).

Employment holding steady. Nearly two-thirds of respondents report no change in their employment levels downtown over the previous 12 months (Table 12), likely attributable to economic uncertainty. Whereas 51% of large company CEOs reported employment increases prior to their interviews, only 18% of the small

Downtown wages are double the regional average

Table 11: Average Wage by Profession

Profession	Avg. wage/hr.
Technical (engineers, IT, etc.)	\$40.23
Professional (lawyers, etc.)	\$46.60
Managerial and supervisory	\$47.73
Marketing/sales	\$39.84
Clerical and administrative support	\$17.49
Skilled workers (trades)	\$20.66
Unskilled workers	\$10.00
All jobs	\$36.89
n = 26	

Table 12: Employment Change During the Previous 12 Months

Change	Companies	%
Significantly increased	0	0%
Increased	8	18%
About the same	28	62%
Declined	7	16%
Significantly declined	2	4%
Total	45	100%

Table 13: Expected Employment Change During Next 12 Months

Expected change	Companies	%
Significantly increasing	2	5%
Increasing	16	36%
Staying about the same	23	52%
Declining	2	5%
Significantly declining	1	2%
Total	44	100%

company respondents report the same. Slightly more than half expect to hold employment steady in the coming 12 months (Table 13). It is encouraging to note that 36% expect to increase employment in the coming year, again reflecting

Table 14: Sales Trend

Trend	Company-wide	%	Downtown	%
Growing	18	51%	18	50%
Stable	11	31%	13	36%
Declining	6	17%	5	14%
Total	35	100%	36	100%

respondents' long-run optimism.

Sales and profitability are trending positive.

Despite a challenging economic environment, most respondents experienced growth in sales over the previous 12 months (Table 14).

Impressively, 50% of respondents reported sales increases from their downtown operations while only 14% reported decreases. Given that the economic crisis

did not take hold until the second half of 2008, sales

Despite economic conditions, many firms are growing

numbers are likely

to soften significantly in 2009. Profitability tells a similar story (Table 15). Nearly 60% of respondents say they are more profitable now than three years ago while only 25% are less profitable.

The parking “problem.” As discussed in the earlier CEO report, cities and parking woes are inseparable. Not surprisingly, 67% of our small company respondents mentioned parking as a negative during the interview. For some, it's the expense. For others, it's the inconvenience, both for employees and for clients. A few respondents acknowledged that the problem is less burdensome here than other cities, but this was not the norm. For most, parking is a daily irritation that elicited emotional rants from a few respondents.

Unfortunately, parking problems are a byproduct of a vibrant downtown, perhaps even an affirmation of vibrancy. As density increases, demand for space is squeezed and Adam Smith's invisible hand drives up the cost. For those

Table 15: Three-Year Profitability Trend

Trend	Companies	%
Significantly more profitable than 3 years ago	7	16%
More profitable	18	41%
About the same	8	18%
Less profitable	9	20%
Significantly less profitable	2	5%
Total	44	100%

baby boomers that have watched their retirement nest egg deteriorate in the last six months may need to work longer), but employers continue to be concerned about where they'll find their future workforce. As shown in Table 16, recruiting and retaining workers remain at the top of the list of CEOs' workforce-related concerns.

unwilling to pay, the only alternative is a long walk. For a population with, as one CEO put it, a "genetic aversion to paying for parking," this will continue to be a sore spot in the years to come, especially if downtown continues to grow.

Attracting and retaining qualified workers remains a critical threat. As stated earlier, workforce demographics are changing. As the baby boom cohort ages out of the workforce, employers are facing an unprecedented exodus of talent. The current economic crisis will likely mitigate the talent outflow to some degree (i.e.,

The BID's Role

“There is great potential downtown. The City is on the right track.”

- CEO Respondent

Small downtown companies appear to be handling the economic crisis as best they can, remaining optimistic about their businesses and downtown despite unusual pressures. One respondent said that this is the most challenging environment he's faced in 30 years. There is obviously little the BID can do to affect a global crisis. However, there may be some answers on the local level. Respondents offered several suggestions when asked the following question: "If you were in the BID's shoes, what is the first action you would take to spur improvement?" A summary of responses appears in Table 17.

A few points deserve comment. First, the numbers suggest there is no consensus among respondents as to what needs to be done to improve downtown. Second, the BID is addressing the call to enhance downtown retail

Table 16: Most Critical Workforce Challenge in the Next Three Years

Challenge	Companies	%
Recruit new workers	25	66%
Retain current workers	9	24%
Control healthcare costs	3	8%
<i>Some companies provided multiple answers</i>		
n = 38		

Table 17: The “One” Local Thing CEOs Would Like to See Changed

Challenge	Companies	%
Attract more companies	8	20%
Improve retail	6	15%
Enhance downtown vibrancy	4	10%
Reduce taxes	4	10%
Improve transportation	3	7%
Increase business incentives	3	7%

Some companies provided multiple answers

n = 41

(second factor listed in Table 17), having already hired both a consultant to develop a retail strategy and a staff person to coordinate implementation. Third, the BID should not expect local businesses, especially in this environment, to offer robust prescriptions for improvement. Although many CEOs are civically active, they do not possess the same knowledge and experience as those for whom growing downtown is their full-time job. This task falls to the City, the BID and other downtown stakeholders. The following are three areas of focus for the BID to consider in its efforts to enhance downtown as a place to do business.

Continue to participate in the Downtown Master Plan update. BID staff is actively engaged in the City of Milwaukee’s process of updating the downtown master plan. This “broad strokes” plan is formulating a place-based strategy for downtown that will likely

guide development for the next decade. The previous plan gave us projects like the Milwaukee Public Market, extension of the Riverwalk, and the Pabst redevelopment. As the plan update takes shape, the BID board should, where appropriate, advocate for projects that enhance the downtown business climate. If the first plan is any indicator, the City will actively use it to guide development.

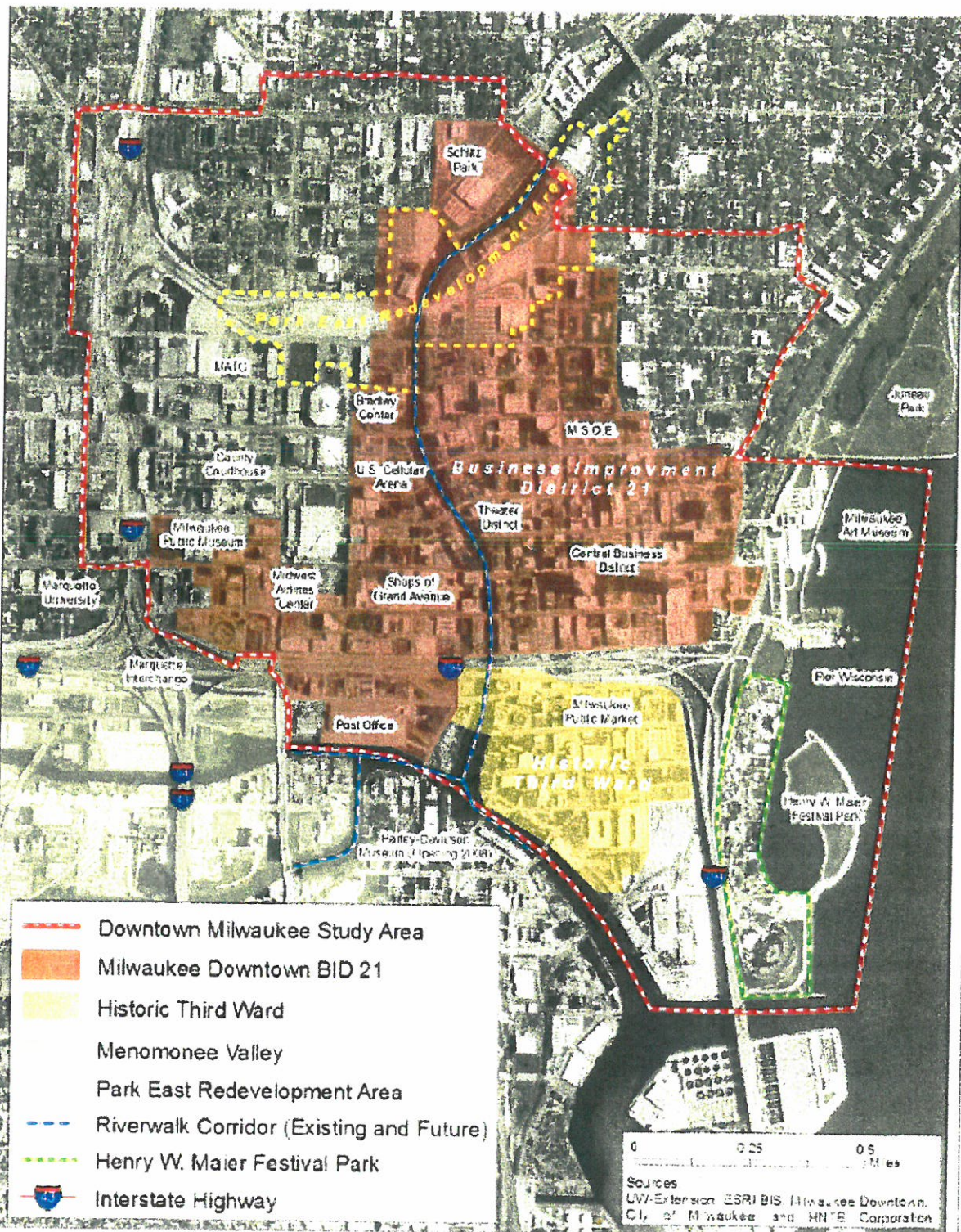
“Stay the course” on the BID retail plan despite the economic downturn. If, as some predict, the economic crisis deepens, the BID may come under increasing pressure to shelve its retail strategy until conditions improve. Similarly, some may judge the BID’s retail efforts to be a failure if they don’t render quick results due to the economic slowdown. We urge the BID to be patient during these difficult times. Under the best of conditions, a downtown retail strategy will take time before it bears fruit. The BID must have its strategy in order, ready to pounce when the environment turns.

Continue to “plan for success.” As stated in the last CEO call report, increasing density is a measure of success for any downtown. More residents. More businesses. More visitors. More activity. However, density brings with it challenges all their own, many of which can stymie development if not addressed (e.g., parking, as discussed earlier). The two most obvious problems are transportation and safety. If these problems are not anticipated and planned for, they impose an artificial ceiling on downtown growth. Given the high importance assigned to public safety by our CEO respondents (see Table 10), continued monitoring is paramount to downtown’s success.

Appendix A

UW – Extension Market Study Boundaries

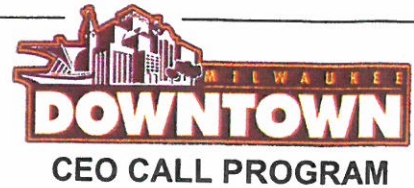
Downtown Milwaukee Study Area Overview



Appendix B

Pre-Meeting Questionnaire

PRE-MEETING QUESTIONNAIRE



Company name: _____ Date: _____
Survey completed by: _____
Downtown BID volunteer: _____

Instructions: Thank you for agreeing to meet with a representative of Downtown BID #21 to help us learn more about the challenges you face running a company downtown. The information you provide will remain confidential (see attached Confidentiality Policy).

Please complete this questionnaire prior to the in-person interview and return it to our representative at the time of the interview.

Note: The term "region" is defined as the seven counties that comprise the Milwaukee7: Kenosha, Milwaukee, Ozaukee, Racine, Waukesha, Washington and Walworth.

1. Does the downtown site serve as the company's headquarters?

Yes No

2. If no (Question #1), what is the name of the parent company and where is it located?

Name: _____
Location: _____

3. Where are your company's operations located (choose one)?

- All company operations are housed downtown
- The company has additional operations located inside the 7-county region
- The company has additional operations located outside the region
- The company has additional operations located inside **AND** outside the region

4. What is total employment (full-time equivalent) for your company?

Downtown: _____
Region (7-county, including Downtown): _____
Wisconsin (including Region): _____
U.S. (including Wisconsin): _____
Worldwide (including U.S.): _____

5. Please indicate the portion of your downtown workforce in each of the following job classifications **AND** the average hourly wage (minus benefits) for employees in each classification:

	<u>% of workforce</u>	<u>Avg. hourly wage</u>
Technical (engineers, IT, etc.)	%	\$
Professional (lawyers, accountants, analysts, specialists, etc.)	%	\$
Managerial and supervisory	%	\$
Marketing/sales	%	\$
Clerical and administrative support	%	\$
Skilled workers (trades)	%	\$
Unskilled workers	%	\$
	100 %	

6. Please characterize the change in employment at your downtown site in the last 12 months:

- Significantly increased
 Increased
 About the same
 Declined
 Significantly declined

7. Please characterize the expected change in employment at your downtown site for the upcoming 12 months:

- Significantly increasing
 Increasing
 Staying about the same
 Declining
 Significantly declining

8. What percent of your company's workforce do you expect to lose to retirement in the next 3 years? _____%

9. Please indicate the difficulty your company has experienced in the previous 12 months hiring **AND** retaining qualified employees at your downtown site in the following job classifications:

HIRING DIFFICULTY RETAINING DIFFICULTY
 5 = Not at all difficult 5 = Not at all difficult
 1 = Very difficult 1 = Very difficult

Technical (engineers, IT, etc.)		
Professional (lawyers, accountants, analysts, specialists, etc.)		
Managerial and supervisory		
Marketing/sales		
Clerical and administrative support		
Skilled workers (trades)		
Unskilled workers		

10. Where do your company's downtown site employees live (i.e., location of personal residence)?

Downtown	_____	%
Elsewhere in the City of Milwaukee	_____	%
Elsewhere in Milwaukee County	_____	%
Waukesha County	_____	%
Ozaukee County	_____	%
Washington County	_____	%
Other	_____	%
Total		100 %

11. Where does your company's chief executive/owner live (city name)? _____

12. Who oversees human resources for your organization?

Name: _____
 Title: _____

13. What is the age composition of your company's downtown workforce?

Under 18	_____	%
18-24	_____	%
25-39	_____	%
40-59	_____	%
60 or older	_____	%
Total		100 %

14. How do your company's downtown employees get to work?

Drive alone	_____	%
Drive carpool	_____	%
Bus	_____	%
Walk	_____	%
Bike	_____	%
Other	_____	%
Total		100 %

15. What is the gender composition of your company's downtown workforce?

Male	_____	%
Female	_____	%
Total		100 %

16. Please list annual gross revenue for your company. What has been the gross revenue trend over the past three years?

	<u>Gross Revenue</u>	<u>Growing/Declining/Stable</u>
Companywide	\$ _____	_____
Downtown site	\$ _____	_____

17. What percent of gross revenue from your downtown operation is generated by your top three customers?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

18. What percent of gross revenue from your downtown operation is generated by customers located within the region?

- 1 – 9%
- 10 – 25%
- 26 – 50%
- 51 – 75%
- 76 – 100%

19. With regard to the location of your company's suppliers, please indicate the portion of total supplier expenditure directed to firms in the following locales (if your company has operations located outside of downtown, please limit your response to only those suppliers that provide goods or services for your downtown operation):

Downtown	_____ %
Region (7-county, excluding downtown)	_____ %
Wisconsin (excluding region)	_____ %
U.S. (excluding all of Wisconsin)	_____ %
International (excluding U.S.)	_____ %
Total	100 %

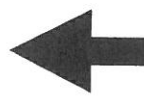
ADDITIONAL QUESTIONS APPEAR ON NEXT PAGE!

20. Please rate the following aspects of the downtown business climate **AND** rate the importance of each factor:

	RATING (5 = Excellent, 1 = Poor)	IMPORTANCE (5 = Very important, 1 = Not important)
Police/fire protection & responsiveness		
Graffiti removal/vandalism control		
Special assessments, taxes, fees		
Commercial lease rates		
Commercial space availability		
Inebriate, transient, vagrant control		
Cleanliness		
Visual attractiveness of downtown		
Public transportation		
Parking access		
Parking expense		
Pedestrian access		
Nightlife/entertainment		
Retail variety		
Restaurant selection		
Access to green space		
Arts and cultural amenities		
Housing		
Sporting events/festivals		
Downtown atmosphere		
Feeling of safety		

21. Why is your business located downtown (rank each of the following factors from most to least important)?

- _____ Access to customers
- _____ Access to qualified workforce
- _____ Prestige
- _____ Historical link to downtown
- _____ Cost competitiveness
- _____ Access to transportation
- _____ Available space
- _____ Downtown vibrancy
- _____ Proximity to competitors



**9 = Most important,
1 = least important**

22. Status of downtown physical facility:

- Owned Leased (expiration ____/____/____ (mm/dd/yyyy))

23. How much of this facility's space are you currently using? _____%

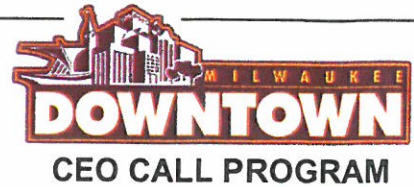
24. Is there room for physical expansion of your business at this site?

- Yes No

Appendix C

Mandatory Questions

MANDATORY QUESTIONS



Company name: _____ Date: _____
Interviewee: _____
Downtown BID volunteer: _____

Instructions for interviewers: The following questions should be asked of all companies during the in-person meeting.

COMPANY INFORMATION

1. What are your company's competitive advantages? _____

2. What are the top three business challenges facing your company?
a. _____
b. _____
c. _____

3. How is being located downtown *advantageous* for your company? _____

4. How is being located downtown *disadvantageous* for your company? _____

5. Are you expecting significant growth in downtown operations in any of the following areas during the next 12 months (check all that apply)?

- Employment
- Capital (equipment) expenditure
- Physical space

6. Company information notes: _____

LOCAL WORKFORCE

7. Please describe the three most positive attributes of the local workforce:
a. _____
b. _____
c. _____

8. Please describe the three most critical shortcomings of the local workforce:
a. _____
b. _____
c. _____

9. What are the most significant workforce challenges your company will face in the next three years? _____

10. How does being located downtown affect your employee recruitment and retention efforts?

11. Workforce notes: _____

SALES

12. Compared to three years ago, please describe the current profitability of your company?

- Significantly more profitable
- More profitable
- About the same
- Less profitable
- Significantly less profitable

13. Please forecast the profitability of your company in three years:

- Significantly more profitable than today
- More profitable than today
- About the same as today
- Less profitable than today
- Significantly less profitable than today

14. How does being located downtown positively impact your profitability? _____

15. How does being located downtown negatively impact your profitability? _____

16. Sales notes: _____

TECHNOLOGY AND INNOVATION

17. What are your company's immediate technology needs? _____

18. How important is it to your company's future to continually develop intellectual property (5 = Very important, 1 = Not at all important)? _____

19. Describe the character of your company's intellectual property (e.g., processes, functions, devices, etc.): _____

20. Technology notes: _____

BUSINESS CLIMATE

21. Please rate the overall downtown business climate (5 = Excellent, 1 = Poor): _____

22. Please compare the downtown business climate today versus three years ago:

- Much better today
- Better today
- No change
- Worse today
- Much worse today

23. Please forecast the condition of the downtown business climate three years from today:

- Much better than today
- Better than today
- No change
- Worse than today
- Much worse than today

24. The Downtown BID wishes to continually improve downtown as a place to do business. If you were in our shoes, what is the first action you would take to spur improvement? _____

25. Business climate notes: _____

FOLLOW-UP

The purpose of Question #26 is to determine if City of Milwaukee or BID officials should contact the company to address any pressing issues (e.g., municipal service delivery, relocation) identified during the interview.

26. Would you like for a local government or Downtown BID #21 official to follow-up with you via phone to further discuss issues that surfaced during this interview and to identify resources for assisting?

- Yes No

ASSESSMENT (to be completed by the interviewer)

27. Please rate local management's affinity to the downtown (1 = Excellent, 5 = Poor): _____

28. Please rate the risk of this site closing in the next 3 years (1 = Very high, 5 = Very low):

29. Please rate the risk of this site downsizing in the next 3 years (1 = Very high, 5 = Very low):

30. Assessment notes: _____
