



Research Brief

Growing up

Analysis of city of Milwaukee economic development efforts

The city of Milwaukee once was – and potentially still is – an economic powerhouse, the financial heart of our region, the driver of the entire state of Wisconsin, and one of the great engines of growth and prosperity in the Midwest. To develop this economic potential, the city of Milwaukee invests more than \$100 million every year. But it does so without a comprehensive economic development plan, which would include concrete objectives, specific goals, and an overall strategy. Therefore, the return on this investment is elusive. To provide citizens and government with a better understanding of the situation, this report tracks how economic development funds are procured and spent, and analyzes policies to

allocate and monitor this investment.

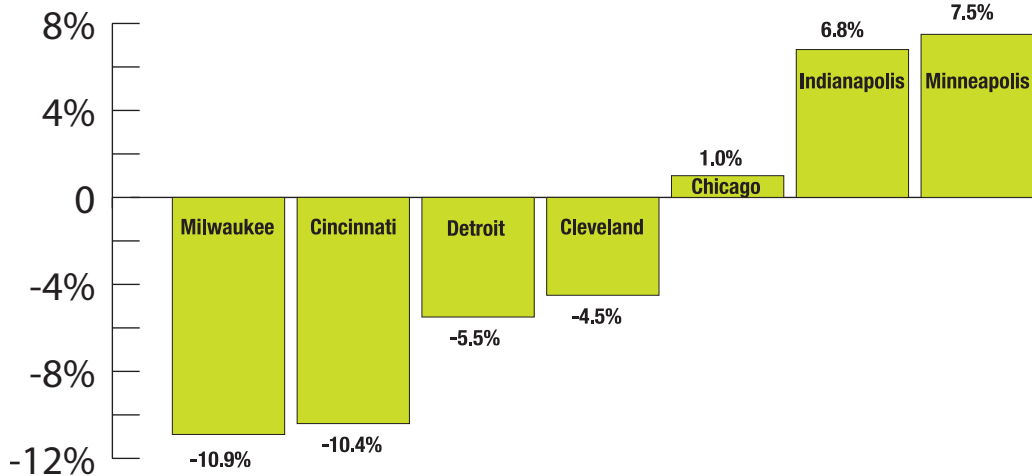
In the cutthroat game of big-city economic development, Milwaukee has wagered millions on real estate development and community development to boost the city's tax base and stimulate investment in poor neighborhoods. In placing this bet, the city has largely neglected business and workforce development expenditures that aim to bolster personal incomes, create jobs, and grow a skilled labor pool.

Has the gamble paid off? Yes and no. In 2005, for the first time in decades, tax base growth in the city outpaced the state of Wisconsin. Unfortunately, however, these property value gains have done little to stem the tide of job losses or reverse the flow of income and workers out of the city, raising the question of whether recent gains in the tax base are sustainable.

Absent a plan or guiding vision, the city invests in its economy in an ad-hoc fashion. In a time of intense international competition to produce skilled workers and wealth-producing jobs, city leaders need to craft an economic development plan with concrete objectives, goals, and strategies.

To aid in this discussion, the Public Policy Forum assembled an overview of the city's economic development investments. Borrowing from

Job growth in Midwest cities, 1990-2005



Local Area Unemployment Statistics (LAUS)

an award-winning methodology first used in assessing pre-Katrina economic development priorities in New Orleans, this report outlines city of Milwaukee economic development revenues and expenditures from 2002-2005.

Key findings

- *The city of Milwaukee government is a major player in the region's economic development.* It invested \$413 million in a variety of economic development programs and projects between 2002 and 2005. By comparison, the region-wide Milwaukee 7 effort boasts a \$12 million, three-year budget.
- *Milwaukee spends little taxpayer money on economic development.* In fact, between 2002 and 2005, only 8% of economic development revenue came directly out of general fund tax dollars.
- *The city does not have an economic development plan to guide its investment.* Not having an economic development plan places Milwaukee out of step with 80% of peer cities around the country and into a select group of rust-belt cities without plans that includes Pittsburgh, Detroit, and Cleveland.

Milwaukee and 25 peer cities: Status of economic development planning efforts

Cities with a plan	
Austin	Minneapolis
Baltimore	Nashville-Davidson
Buffalo	Philadelphia
Charlotte	Portland
Colulmbus	Sacramento
Denver	San Antonio
Indianapolis	St. Louis
Kansas City	St. Paul
Louisville-Jefferson	Toronto
Madison	Virginia Beach

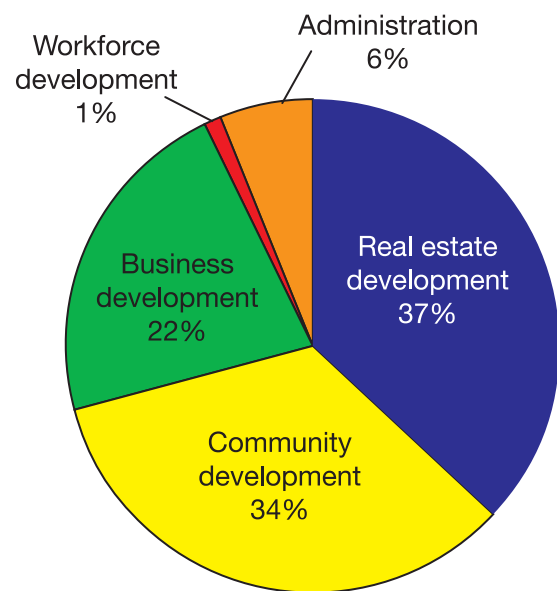
Cities without a plan	
Chicago	Detroit
Cincinnati	Milwaukee
Cleveland	Pittsburgh

- *The city lacks the reporting, tracking, and accountability necessary to critique its economic development investment.* The city has not provided a comprehensive annual report to the common council since 2004. The mayor and Department of City Development (DCD) no longer publish an annual report of accomplishments and financial results as they did cooperatively in the 1980s. DCD's annual "Tax Increment Financing District Annual Report" is neither robust, nor widely available.
- *The city of Milwaukee is a real estate and community development machine.* Conversely, the city's job creation machine is not so well oiled. Almost 70% of the city's economic development budget goes toward

neighborhood and real estate development projects. Despite a continually eroding jobs base in the city, relatively little money is spent to create, retain, and expand the city's job opportunities.

- *Only 1% of expenditures go toward workforce development.* Although workforce issues also are the responsibility of other entities, such as the Private Industry Council (PIC), Milwaukee Area Technical College (MATC), and Milwaukee Public Schools (MPS), the city could play a much bigger role in ensuring a quality workforce, borrowing from a variety of city workforce development models nationwide.

Milwaukee's investment portfolio, 2002-2005



- *Community Development Block Grant (CDBG) dollars funded social service programs to a much larger extent than job creation activities.* This is not in accordance with Milwaukee's current federal plan submitted to the US Department of Housing and Urban Development every four years. That plan calls for the "creation of jobs through aggressive economic development." Although job creation/business development was one of four strategies the city earmarked for CDBG funding, that priority received just 3% of total CDBG funding from 2002 to 2005.

CDBG allocations, 2002-2005

	Total	%
Social services**	\$22,811,437	27%
Community development	\$19,826,902	24%
Housing	\$17,207,274	20%
Administration	\$11,154,236	13%
Real estate development	\$6,429,431	8%
Workforce development (training)	\$4,624,998	5%
Business development (jobs)	\$2,214,467	3%
Total	\$84,268,745	

** Homeless, domestic violence, youth and senior services, education, crime prevention, health, etc.

- *The city's economic development efforts are disjointed.* Thirteen separate city entities legislate and administer economic development programs. With so many hands in the pot, it is difficult to determine who is ultimately accountable for the performance of the city's economic development investment. The mayor? The common council president? The DCD commissioner? While it is doubtful that there is one perfect way to organize city economic development functions, reorganization would seem to be beneficial.

Policy options

Policy #1: Draft a city-wide economic development plan. The need for an economic development plan is urgent, as the city of Milwaukee has been without one for decades. The purpose of such a plan would be to:

- Hold leadership accountable to specific goals;
- Mobilize business, community, and the public sector behind a unified agenda;
- Allocate dollars strategically (i.e., make sure Milwaukee gets the most “bang for its economic development buck”).

Example: New Century Economic Development Plan, Atlanta. Approved in 2004, the plan sets goals to be achieved by 2009, including the creation of 60,000 jobs, adding 10,000 workforce housing units through the use of incentives, and decreasing the crime rate to 5,600 crimes per 100,000 residents. Goals are accompanied by specific strategies and parties responsible for implementation.

Policy #2: Get involved in a meaningful way in workforce development. Milwaukee could partner with local employers, MATC, MPS, the University of Wisconsin-Milwaukee (UWM), PIC, and other workforce development leaders to gain consensus on how the city could use its resource capacity to train workers for careers in local industries.

Example: Mayor's Office of Workforce Development (MOWD), Chicago. The MOWD is the central organizational point of contact for city training programs. In 2002, the city of Chicago created the TIFWORKS program to defray an employer's cost of customized training programs. Administered through MOWD, TIFWORKS has allocated \$2.7 million to employers to train 3,000 new and incumbent workers since its inception.

Policy #3: Assemble a business development team. The city could benefit from establishing a highly qualified team of business developers —smart, energized, and connected people with an understanding of their industry sector, whether it be food processing or biomedical technology. This will enable the city to create a highly coordinated response when businesses inquire about relocation or expansion.

Example: World Business Chicago (WBC). This is a not-for profit economic development agency, chaired by Mayor Richard M. Daley, and is credited with landing Boeing's headquarters from Seattle in 2001. One of the

nation's most effective economic development groups, WBC has as its goal to expand Chicago's economy by providing “point of first contact” assistance for industry data, site location, contacts, and incentives.

Policy #4: Bring CDBG expenditures in line with program goals. The city should comply with the intent of its 2005-2009 consolidated plan that it submitted to the federal government, and increase CDBG funding for business development programming above the current 3% level. Additional dollars could bolster programs that have proven successful.

Example: Milwaukee Economic Development Corporation (MEDC). In 1985, the city provided \$800,000 in CDBG funds for MEDC's below-market interest rate revolving loan fund. As of 2005, this initial \$800,000 investment has grown to over \$3 million, creating hundreds of jobs and adding millions to the tax base. Despite MEDC's track record of success, CDBG dollars no longer flow into its loan fund.

Policy #5: Submit a comprehensive annual report on economic development progress to the common council, the mayor, and general public.

At a minimum, this document should include progress on each measurable goal from the city's new economic development plan (see policy #1), critique the performance of tax increment finance districts, and report on jobs created and private dollars leveraged for all major economic development projects and programs.

Example: The Economic Development Office, Charlotte. This office issues quarterly and annual reports to the mayor and common council, and posts each update on its Web site. Named “BusinessWorks,” these publications measure progress on all strategic focus areas from the city's economic development plan, including workforce development, tourism & hospitality, small business development, and business retention and attraction.

Policy #6: Streamline city's economic development organization. Hire an outside, independent consultant to determine the best way to organize economic development functions. The goal is to make sure everything that needs to get done is getting done. Additionally, if a more aggressive economic development agenda is adopted, deep staffing cuts at DCD over the past decade may have to be revisited.

Example: Economic development restructuring, Madison. The city of Madison is in the process of restructuring all financial resources and economic development tools under a new economic development director reporting directly to the mayor. The director will manage the city's tax increment financing portfolio, bonding authority, redevelopment real estate powers, federal and state grants, and revolving loan fund dollars.

Policy #7: Lobby aggressively for more resources in Washington D.C. and Madison. It is imperative that the city of Milwaukee make the case to state and national authorities that investing in Milwaukee makes economic sense. A strong economic development plan (see policy #1)

could be the catalyst needed to funnel more dollars into the city.

Example: Menomonee Valley Partners, Milwaukee.

Starting in 1999, the city began implementation of a plan to bring jobs and recreational opportunities back to the heart of Milwaukee. This plan leveraged local investment (TIF) to attract large federal, state, and private financial commitments. Broad community support, an inclusive and sustainable plan, and buy-in from Wisconsin's congressional delegation all helped make this project a reality.

Policy #8: Increase investment in "high-growth" sectors of the economy. The city should focus investment in those industries with the strongest potential for future employment growth. One idea is to partner with area universities (UWM, Marquette, Milwaukee School of Engineering, Medical College of Wisconsin, etc.) and research groups (TechStar, Biomedical Technology Alliance, etc.) to form a business incubator or technology transfer campus.

Example: Business incubation efforts, Austin, Orlando, and St. Louis. Business incubators support entrepreneurs to generate new products, patents, jobs, and private investment. The city of Austin (Austin Technology Incubator), the city of Orlando (University of Central Florida Technology Incubator) and the city of St. Louis (Center for Emerging Technologies) all have provided financial contributions to create incubators.

Conclusion

The city of Milwaukee has a role to play in the economic development of the region. The question is: what is that role? The city needs to answer this question by creating a long-term economic plan that takes maximum advantage of its impressive array of flexible development tools.

Reversing the entrenched economic malaise of the city and the region will not be up to municipal governments alone. In fact, the public sector works at the margins of the macroeconomic forces that are currently deindustrializing the Great Lakes economy. But this should not be an excuse for inaction. The city of Milwaukee spends millions to stimulate development every year. It is critical that we make sure our expenditures provide a solid return.

For full report,
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