

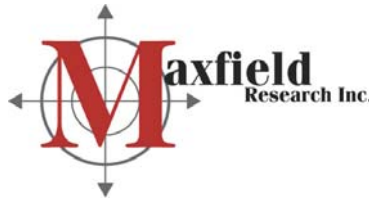
An Economic Impact Analysis for Kettle Park West Commercial Development Phase-I in Stoughton, Wisconsin

Prepared for:

City of Stoughton
Stoughton, Wisconsin
September 2014



1221 Nicollet Mall
Suite 218
Minneapolis, MN 55403
612.338.0012



September 4, 2014

Mr. Rodney Scheel
Director of Planning and Development
City of Stoughton
381 E. Main Street
Stoughton, WI 53589

Dear Mr. Scheel:

Attached is the analysis titled, "*An Economic Impact Analysis for Kettle Park West Commercial Center-Phase I in Stoughton, Wisconsin*". The analysis focuses on the potential impacts to the City of Stoughton economy resulting from the development of commercial space in the Kettle Park West development. Information collected for this analysis includes demographic growth trends, information on existing land uses and the existing operations of the major anchor tenant, a Walmart supercenter, infrastructure improvements, current retail expenditures in the community and surrounding area and the amount of leakage that existing in various retail categories, retail spending patterns, commute patterns of local residents and employees, and a review of figures for the proposed TIF district for this project.

Findings are found in the *Summary and Conclusions* section at the end of the report.

Please contact us if you have questions or require additional information.

Sincerely,

MAXFIELD RESEARCH INC.

A handwritten signature in black ink that reads 'Mary C. Bujold'. The signature is written in a cursive, flowing style.

Mary Bujold
President

Attachment

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Purpose and Scope of Study

Maxfield Research Inc. was engaged by the City of Stoughton, Wisconsin to conduct an analysis of the economic impacts of the development of commercial retail space that would be part of a larger phased commercial development known as Kettle Park West. The Kettle Park West land area including the land designated for the commercial retail space has been annexed into the City of Stoughton for future development.

Phase I of the Kettle Park West Commercial Center development and the focus of the economic impact analysis, is intended to consist of primarily neighborhood commercial uses on a total of approximately 42 acres of land including permanent open space and right-of-way. The Kettle Park West Commercial Center property is situated in the northwest quadrant of the intersection of US Highway 51 and State Highway 138 on the west side of the City. Future development is intended to incorporate residential neighborhoods, civic uses, park and open space and locations for employment.

Research undertaken for this analysis includes a review of pertinent land use and planning documents for the City of Stoughton and for the Kettle Park West Development, information on the Phase I commercial uses, infrastructure improvements that would occur as a part of the Phase I development, demographic analysis and documentation of future growth patterns in the community, analysis of existing retail businesses and retail sales, analysis of property and sales taxes, among other components. Impacts to the City of Stoughton and the surrounding area were identified and examined through economic modeling which considers the potential impacts of construction and development on the existing local economy. Maxfield Research Inc. also conferred with Springsted Inc. and the City of Stoughton regarding the initial tax increment financing plan outlined for Phase I of Kettle Park West.

Where appropriate, Maxfield Research Inc. cites other economic analyses and research studies to document and support specific points made in the analysis.

Site Location and Characteristics

The West Side Neighborhood Plan, of which the Kettle Park West Commercial Center is a part, encompasses roughly 295 acres of land west of the City of Stoughton. The land for the Kettle Park West Commercial Center was annexed into the City of Stoughton from the adjacent township and is intended to provide the City with land area for future expansion and development as Stoughton grows. As mentioned, Phase I of the Kettle Park West Commercial Center is located at the apex of the intersection of US Highway 51 and State Highway 138, includes about 34 acres of developable land and is approximately 1.5 miles from the center of Downtown Stoughton. Stoughton is situated about six miles west of Interstate 90. US Highway 51 provides Stoughton with a direct connection between Stoughton and other southern Madison communities such as McFarland and Monona and south central Madison. US Highway 51 connects with

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US Highway 12 which extends across the southern edge of Madison and connects residents and visitors with many commercial retail and job opportunities. The distance from Stoughton to US Highway 12 is approximately 10 miles and about 15 minutes. The subject property identified for development is currently vacant and through the adoption of the West Side Neighborhood Plan has been identified for commercial retail use.

Access and Visibility

Access to the Site will be available from two primary locations:

From State Highway 138 located on the south end of the property and from Jackson Street via US Highway 51. Jackson Street is proposed to be extended to the west into the Kettle Park West property to provide access to other commercial and residential parcels that will be developed in the future and to provide access to the northern parcels of the Kettle Park West Commercial Center development. Improvements to US Highway 51 and to State Highway 138 are planned to be undertaken in conjunction with the beginning of the development. The West Side Plan identifies two roundabouts that are to be constructed for the area, one on US Highway 51 at its intersection with State Highway 138 and one on State Highway 138 to the west of US Highway 51. In addition to these major access points, there will also be a right-in, right out access off and onto US Highway 51 for access into the Commercial Center development.

Demographic Overview

As a part of this analysis, Maxfield Research Inc. examined population and household growth trends and demographic characteristics for geographic areas that include a two-mile radius, a five mile radius and a ten-mile radius from the subject Site. Each of these geographic areas will be affected to different degrees by the opening of retail uses in Phase I of the Kettle Park West Commercial Center. During the course of the analysis, each of the proposed uses that are known at this time was examined individually in terms of their potential impacts on residents and businesses in Stoughton. The Primary Market Area (PMA) is comprised of residents that would likely consider shopping at retail businesses located on the subject property. The PMA includes the City of Stoughton and an area surrounding the City that was identified as the geographic boundaries from which a majority of the demand for the Commercial Center would be drawn. We acknowledge that additional demand will be generated from areas outside of the PMA from households that will come to Stoughton for a variety of reasons including tourism, visiting, medical/health visits, seasonal festivals destination shopping in Stoughton's downtown business district and may also visit the Kettle Park West Commercial Center. We estimate that this additional business could account for as much as 25% of the visits to KPWCC.

As of 2010, the PMA contained 34,629 people and 13,935 households. Over the past decade, the population increased 2.1% while the number of households expanded by 8.4%. By 2020, the PMA is projected to add 2,732 people and 1,283 households. The majority of the population growth is expected to occur in the City of Stoughton and in Oregon village.

Between 2010 and 2020, Dane County's population and household bases are expected to increase by 7.9% and 8.2 percent, respectively. As of 2010, the PMA contained only 7.0% of the County's population and 6.8% of its households. These proportions are projected to remain relatively stable to 2030, suggesting that the PMA will increase its population and household base in roughly the same proportion as it has over the past decade.

An analysis of age distribution reveals the aging of the PMA population as the baby boom generation ages into their senior years. The age 65 and older population grew by 175 people between 2000 and 2010 for an increase of almost 9.0%. The 35 to 44 age group experienced the largest proportional increase at 9.0%, while the largest numerical increase occurred among children and teens (421 people). In the PMA, no age groups experienced decreases between 2000 and 2010. As the baby boom generation ages into the age group 65 to 74, growth is expected to be substantial, with this cohort gaining 1,480 people or 64.1%.

The 2014 estimated median income in the PMA is \$71,434, which is 13.5% higher than the median income in Dane County (\$62,919). Therefore, the Primary Market Area is relatively affluent compared to Dane County as a whole, suggesting that households have more resources to devote to retail goods and services.

Employment

By 2020, 1,250 jobs are forecast to be added in the PMA. Employment of the decade is expected to increase by 7.8% in the PMA, compared to 22.5% in Dane County. The strong employment growth in Dane County identifies the County's strong economic pull for new commercial and industrial development. Stoughton is expected to add the majority of the new jobs in the PMA, 800, during this decade.

Commuting Patterns of Area Workers

Close proximity to employment centers is often a strong consideration when choosing where to live and shop. About 1,400 workers live and work in the City of Stoughton. Nearly 38% of all Stoughton residents that are employed work in Madison, about 2,890 workers. Other common work destinations for those living in Stoughton include McFarland, Monona, Fitchburg, Oregon and Milwaukee.

Stoughton is the top employment destination for residents of the City that work in the community with a 24.2% share followed by another 8.9% that live in Madison, 5.3% that live in Janesville and 2.6% that live in Edgerton.

Retail Sales and Consumer Expenditures

Overall, residents from the PMA are estimated to have spent approximately \$946.4 million on retail goods and services in 2013, excluding housing, finance/insurance, and travel expenditures and vehicle purchases. Average annual expenditures (excluding the categories mentioned above) are estimated to be \$26,935 per household in the PMA. This compares to a Dane County average of \$26,621 per household in 2013. In virtually every product and service category, expenditures by PMA households are higher than the national average and somewhat higher than Dane County.

In 2013, the Primary Market Area had leakage in retail sales in nearly all retail industry groups except for Other Motor Vehicle Dealers, Lawn & Garden Equipment & Supply Stores, Health and Personal Care Stores, Gasoline Stations and Department Stores, Florists, Used Merchandise Stores and Drinking Places. Highest leakage factors (percent) in retail sales occurred in Shoe Stores, Clothing Stores, Furniture Stores, Other General Merchandise Stores, Specialty Food Services and Electronic Retailing.

Miscellaneous Store Retailers and Food Services and Drinking Places represented the largest number of retailers in the Primary Market area, each at 11%. Clothing and Clothing Accessories Stores and Sporting Goods Stores each represented 9% and 8%, respectively, of all retailers in the PMA. By comparison, Food and Beverage Stores and Grocery Stores represented 4% and 2%, respectively.

Economic Impacts

A variety of economic impacts were identified to the community. Positive retail impacts include:

- increased retail sales overall from the opening of an expanded Walmart supercenter and additional retail outlets
- the potential to recapture retail dollars currently being spent outside of the community;
- the potential to capture retail dollars from households in the PMA that would transfer some of their shopping to Stoughton
- increased property taxes from high quality new commercial development

EXECUTIVE SUMMARY

- the potential to attract new businesses to Stoughton to expand the community business and retail mix.
- the provision of financial guarantees in the development agreement to make the City financially whole should the developer experience a delay in completing various segments of the Kettle Park West development
- the creation of jobs through the construction of Kettle Park West (short-term) and the creation of additional full- and part-time jobs in Stoughton from the additional commercial space that will be occupied by new businesses.

Potential negative impacts include:

- Some potential loss of business at existing retailers in the community from the expansion of Walmart to a supercenter; the loss of business to existing retailers will vary in degree depending on the extent to which businesses have products and services that compete directly with products offered at the Walmart Supercenter or other businesses at Kettle Park West.
- Uncertainty as to the total potential impacts of the Kettle Park West development (positive and negative) because a number of the parcels in the development are not committed at this time and impacts from development on these parcels cannot be fully quantified.
- Uncertainty in the timeframe for the build-out of the Kettle Park West development (any potential financial losses to the City will be covered by the developer under the City's agreement).

Summary and Conclusions

The analysis identified a higher level of positive impacts than negative impacts to the community with the development of the Kettle Park West Commercial Center. The development of Phase I of Kettle Park West is expected to generate more than sufficient property tax revenue to cover the required payments for the bonds to be issued under the TIF agreement. If there is a shortfall, the developer agreement provides for guarantees to ensure that the bond payments will be covered with funds provided by the developer.

We note that information on some of the committed and all of the uncommitted parcels limits our ability to quantify the impacts for those parcels where only limited or incomplete information was available. These parcels are identified in the report.

Purpose and Scope of Study

Maxfield Research Inc. was engaged by the City of Stoughton, Wisconsin to complete an economic impact analysis evaluating the potential economic impacts of the development of the Kettle Park West Commercial Center. Kettle Park West Commercial Center is proposed as neighborhood and community retail goods and services that would be situated on approximately 35 acres of land and located in the northwest quadrant of the intersection of US Highway 51 and State Highway 138. The property is part of a larger commercial area (46 acres) and other property (249 acres) that is planned to be developed in the future with a broad mix of uses including residential neighborhoods, employment centers and additional commercial retail and office space. Phase I of Kettle Park West is planned to have primarily retail goods and services with a Walmart Supercenter as the anchor tenant.

The development plan for Kettle Park West Commercial Center is described in a document by the same title dated September 2013. The zoning district for the Commercial Center was agreed to by Forward Development Group and the City of Stoughton as PD (Planned Development District). The Planned Development District zoning is intended to allow some degree of flexibility in the ultimate use of the property due to potential economic changes, potential shifts in real estate market conditions and demographic changes which may dictate a need for modifications to the overall plan. All changes to the plan are subject to the review and approval of the City of Stoughton in accordance with its Comprehensive Plan and other development regulations.

The land use plan for the Kettle Park West area is conceived to be mixed use with the Kettle Park West Commercial Center located at the “gateway” to the City of Stoughton on the west side. Kettle Park West Commercial Center is intended to serve as a local concentration of retail goods and services that will serve the existing residents of Stoughton and the surrounding area as well as future residents that will reside within new residential neighborhoods that will be constructed to satisfy future expansion needs of the City. The land use plan is generally commercial uses for the property that abuts US Highway 51 on its west side transitioning over to residential uses at a greater distance from the Highway.

Retail development plans at Kettle Park West Commercial Center call for approximately 138,000 square feet of anchor space, 195,000 square feet of junior anchor space, 114,500 square feet of small shop space, and 33,000 square feet designated for restaurant use. Not all of this space would be developed at once. At this time, there are four tenants planned for the Kettle Park West Commercial Center, a Walmart supercenter, a Kwik Trip fuel and convenience store, a bank and additional multitenant retail space. Other parcels are expected to be developed, but there are no agreements in place at this time for the sale or leasing of any spaces other than those mentioned here.

PURPOSE AND SCOPE OF STUDY

Our research includes demographic analysis to document an effective Trade Area and an analysis of the existing supply of retail real estate along with market conditions for retail uses. The market analysis focuses on the amount of development supportable on the subject property with attention given to a potential mix of retail categories based on the demographic characteristics and growth trends in the area.

Sources of Information:

- Kettle Park West Commercial Center Development Plan – September 2013
- Kettle Park West Commercial Center Economic and Public Service Considerations - October 2013
- City of Stoughton – Comprehensive Plan 2005 with adopted revisions including the West Side Neighborhood and Linnerud Neighborhood Plans
- Stoughton Area Chamber of Commerce – Downtown Business Listing and Chamber Directory
- Literature Review on the research of the impacts of Walmart stores on urban and rural communities (documented in footnotes in the report)
- ESRI Inc. – national demographics forecasting firm – income, consumer expenditures, retail leakage
- Wisconsin Demographic Center – population and household growth projections
- Wisconsin Workforce Development – Labor Market Information
- US Bureau of Labor Statistics
- Progressive Grocer (Trade Publication)
- Chain Store Age (Trade Publication)
- Dane County Assessor's Office
- City of Stoughton Assessor's Office
- Wisconsin Department of Transportation
- Various articles and research reports which are cited in the document.

Information Requested from Developer and the City

A list of the data items requested from the Developer and from the City is included in Appendix A. The following information requested to be provided by the Developer, but not provided to us includes the following information items:

- Complete list of committed tenants, along with the space/parcel sizes they would occupy.
- Projected draw area for the Walmart Supercenter (this information was deemed by Walmart to be proprietary).
- Annual salary for Walmart Supercenter manager (this information was deemed by Walmart to be proprietary).
- Number of SKUs to be carried at the Walmart Supercenter (this information was deemed by Walmart to be proprietary). SKUs = equals stock keeping units

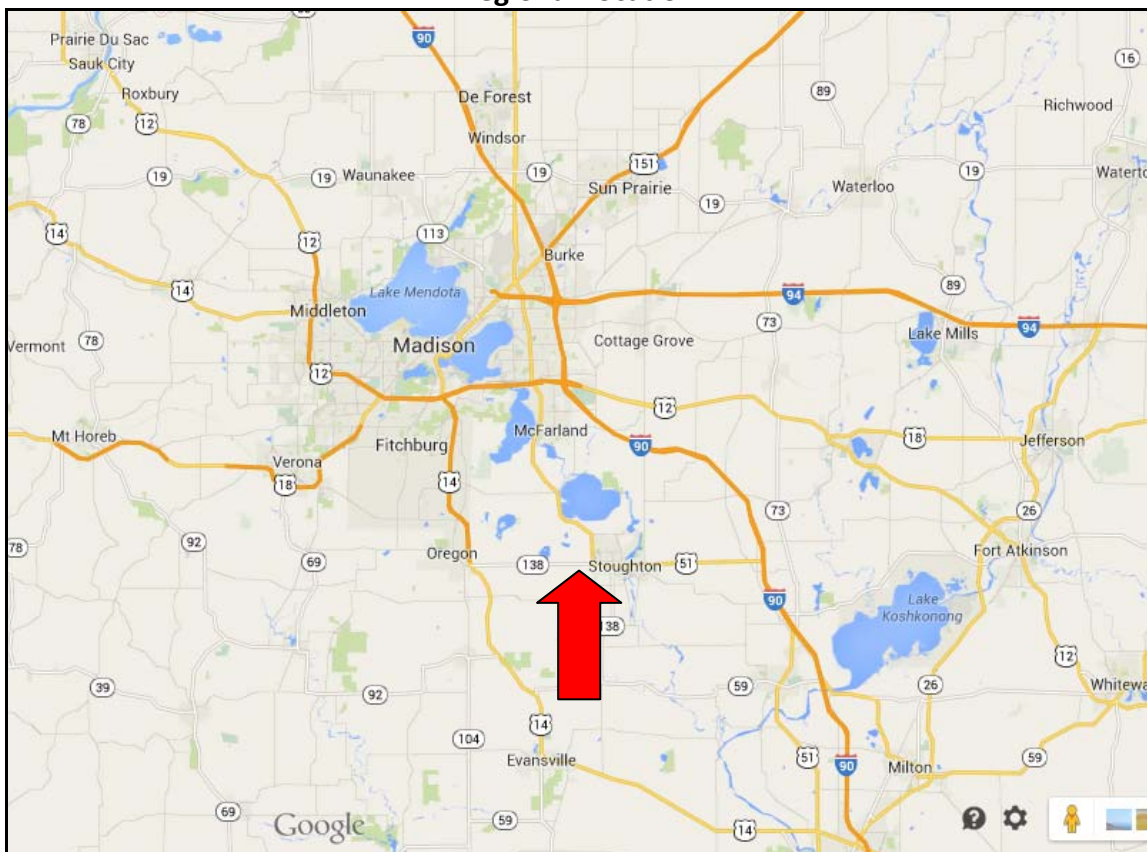
Introduction

This section of the report presents an assessment of the location and characteristics of the subject property in Stoughton, Wisconsin discussing the regional location, the City of Stoughton, and the property's general characteristics. Adjacent land uses, accessibility to and visibility of the subject property and the Site's proximity to other compatible land uses are presented. Finally, this section discusses the general appropriateness of the Kettle Park West Commercial Center for the intended use.

Regional Location

Stoughton is a community of an estimated 12,641 people (2014) located in Dane County and within the Madison Metropolitan Area. The Madison Metropolitan Area (Columbia, Dane, and Iowa Counties) includes an estimated 582,855 people (estimated) as of 2014. Stoughton is located southeast of the City of Madison in Dane County. Dane County is the 2nd most populated county in Wisconsin after Milwaukee. As of 2014, Dane County is estimated to have reached a population of 502,251 people. The map below shows the Site's location in the Madison Metropolitan Area.

**Map 1
Regional Location**



The map shows that the Site is located on the western edge of the City of Stoughton in an area that is partially developed with commercial uses further north along US Highway 51. The Site is essentially vacant and undeveloped and infrastructure, utilities and other features will be created as the property develops. The Central Business District of the City of Stoughton (or CBD) is located about 1.5 miles from the new Kettle Park West Commercial Center. The existing Walmart store and the adjacent and attached Pick 'n Save grocery store are located on US Highway 51 less than one-quarter mile from the new retail Site.

Stoughton Characteristics

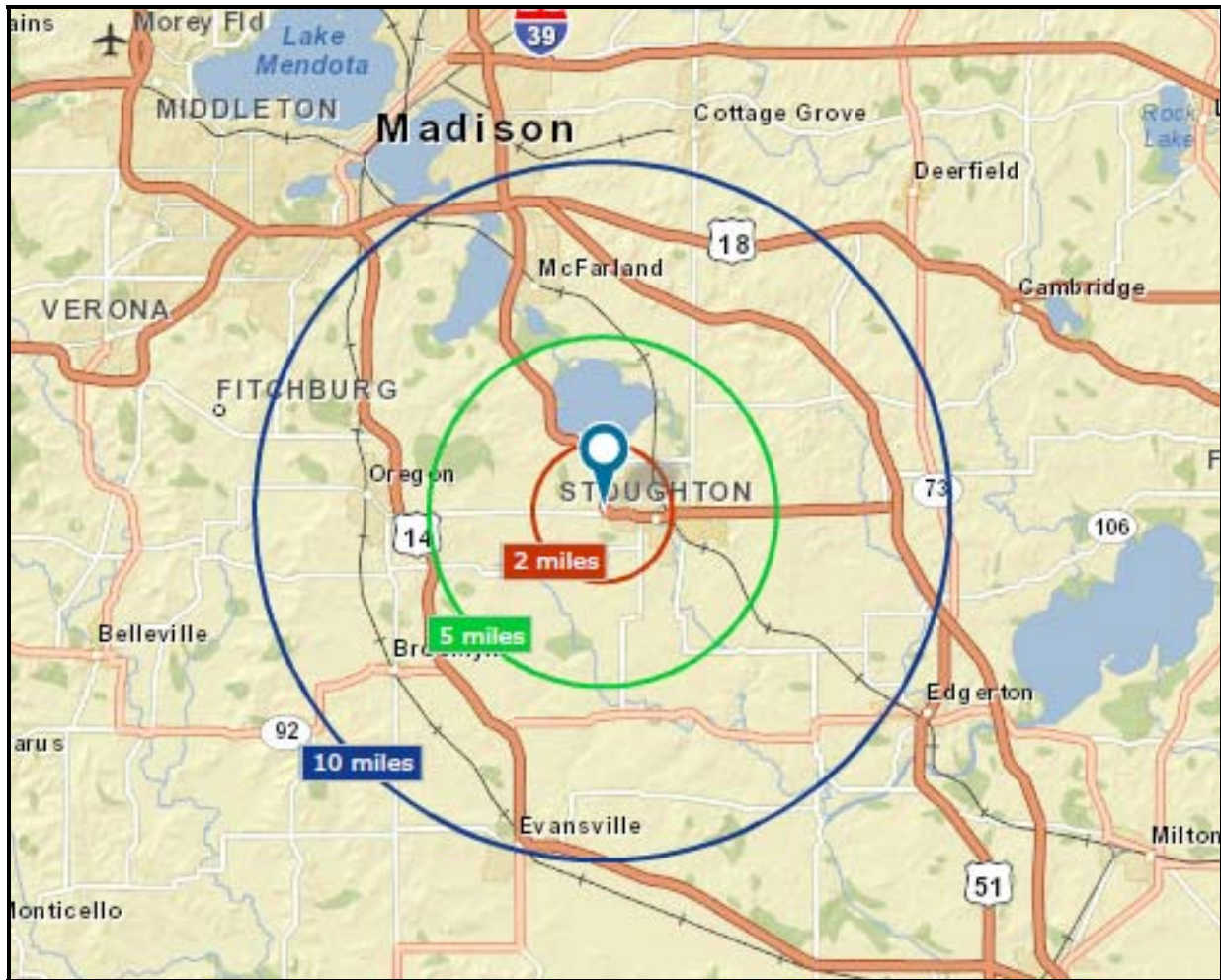
The City of Stoughton covers about 5.09 square miles of which 4.92 square miles is land and 0.17 square miles is water for a total amount of 820 acres of land. Stoughton straddles the Yahara River which connects the lakes around which the City of Madison is built. Along with the Rock River, the Yahara River is part of the watershed of the Mississippi River. Stoughton is bounded by rural townships (on all of its sides). A short distance to the west of Stoughton is the Village of Oregon. The Village of McFarland and the City of Fitchburg (pop. 26,090) are located to the north, a distance of approximately five miles. Immediately south of Stoughton is the City of Evansville (pop. 5,124) and to the southeast near Interstate 90 is the City of Edgerton (pop. 5,512)..

Stoughton expanded rapidly in the 1990's, adding an average of 357 people and 144 households per year for growth rates of 40.6% and 43.7%, respectively, between 1990 and 2000. The 2000s were a period of slower growth for the City, adding only 26 people and 40 households, respectively, per year or growth rates of 2.1% for population and 8.4% for households. By comparison, Dane County's population and household bases expanded 16.2% and 21.5%, respectively, between 1990 and 2000 which was followed by growth rates of 14.4% and 17.4% during the 2000s.

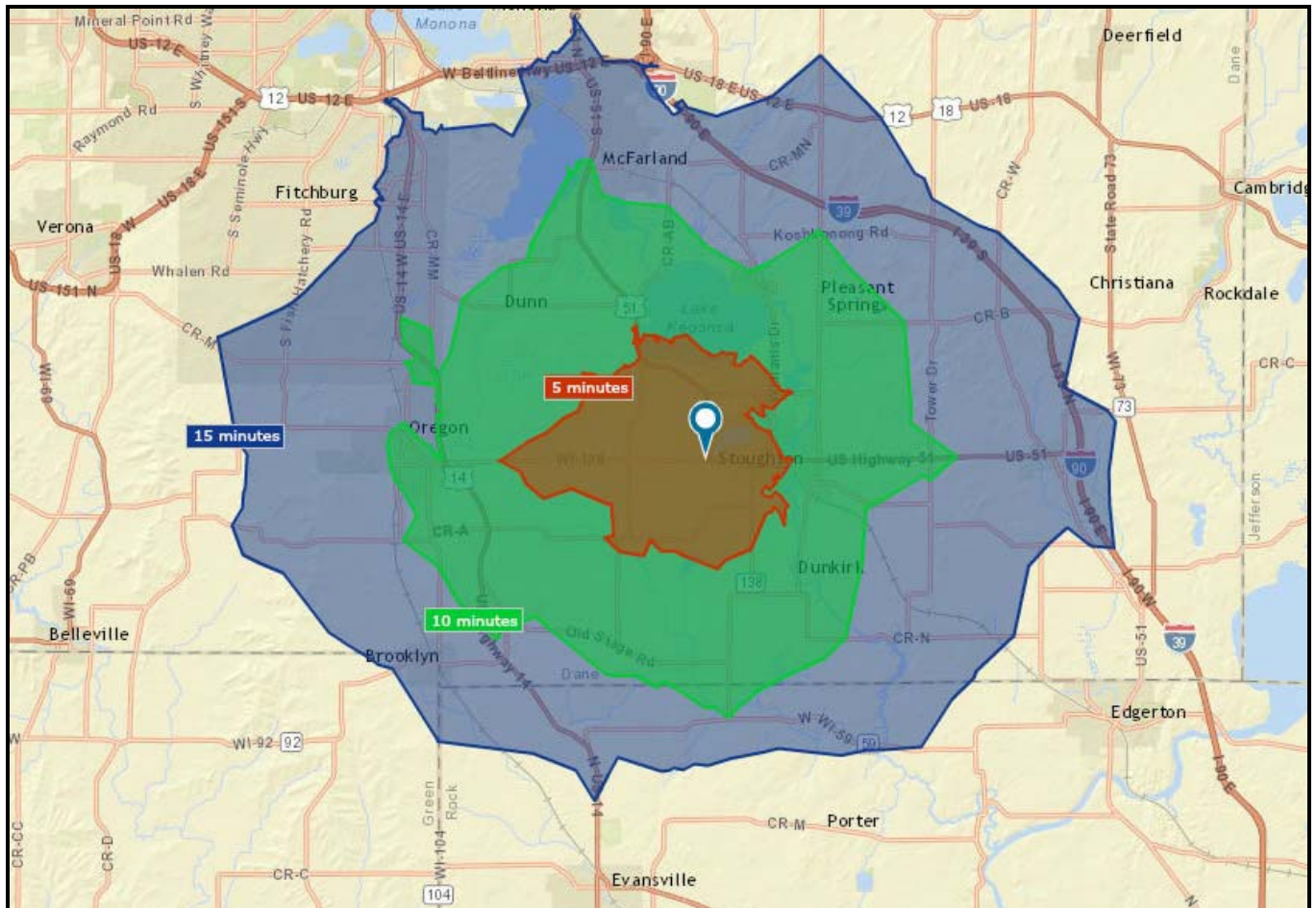
Map 2 shows Stoughton and the Kettle Park West Commercial Center's positioning in the southeast Madison Metropolitan Area. The property is located on US Highway 51 which connects eight miles to the east with Interstate 90.

Map 3 illustrates drive times from the Kettle Park West Commercial Center property. This information is helpful in determining a draw area for retail goods and services on the Site. As shown on the map, the Kettle Park West property can be reached within a 10-minute drive of much of the surrounding area. Because of the large population base in the City of Madison and substantial retail commercial concentrations located along Highway 12 on the northern border of Fitchburg, the primary draw for Kettle Park West Commercial Center will be concentrated in an area that extends further west, east and south than north. A more limited array of goods and services available in smaller communities will encourage a portion of households in these areas to travel to Stoughton to obtain items that they would not be able to readily obtain in their own communities. The ability to draw a portion of household spending from these communities is discussed in greater detail later in the report.

Map 2
Kettle Park West Commercial Center-Radii

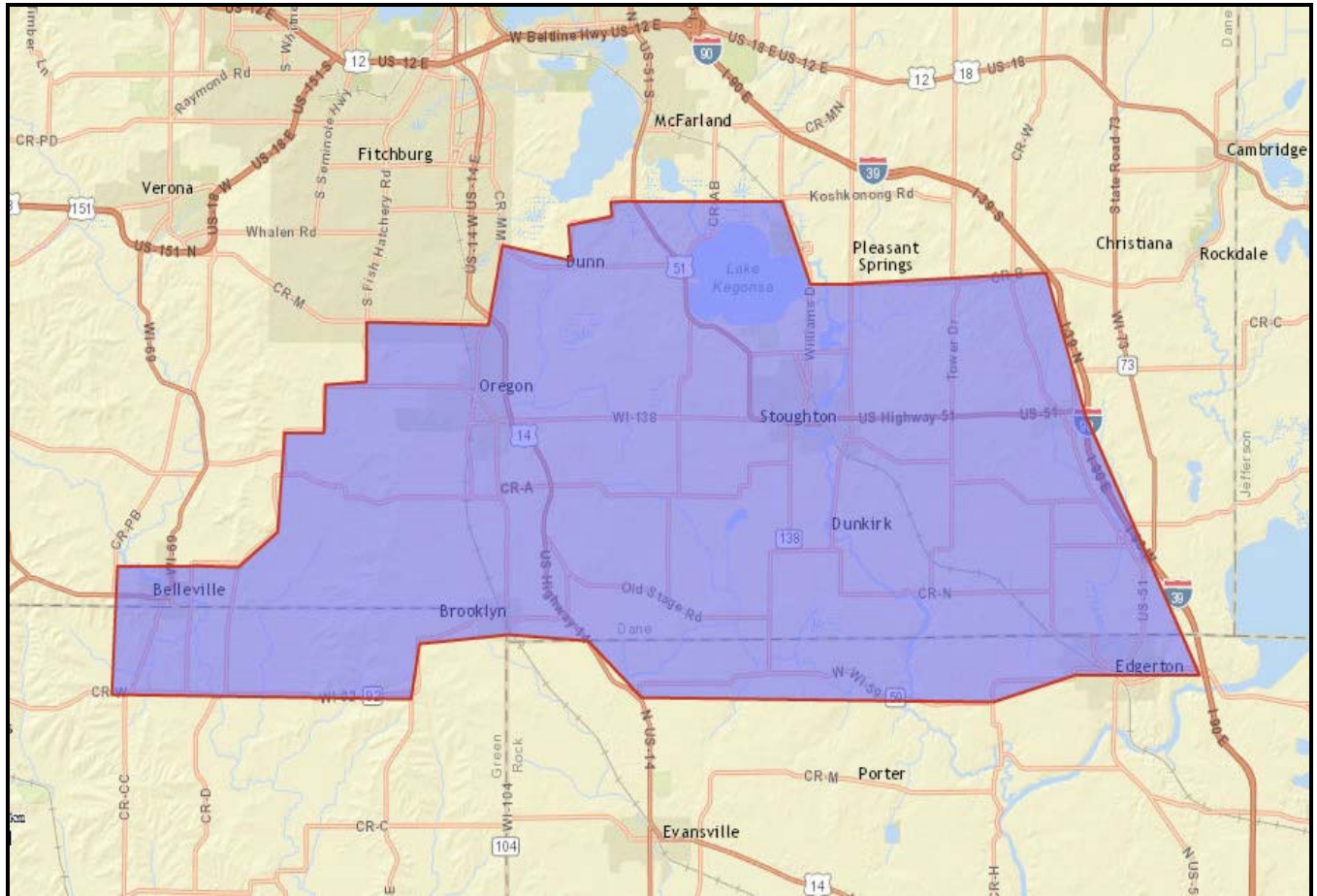


Map 3
Kettle Park West Commercial Center-Drive Times

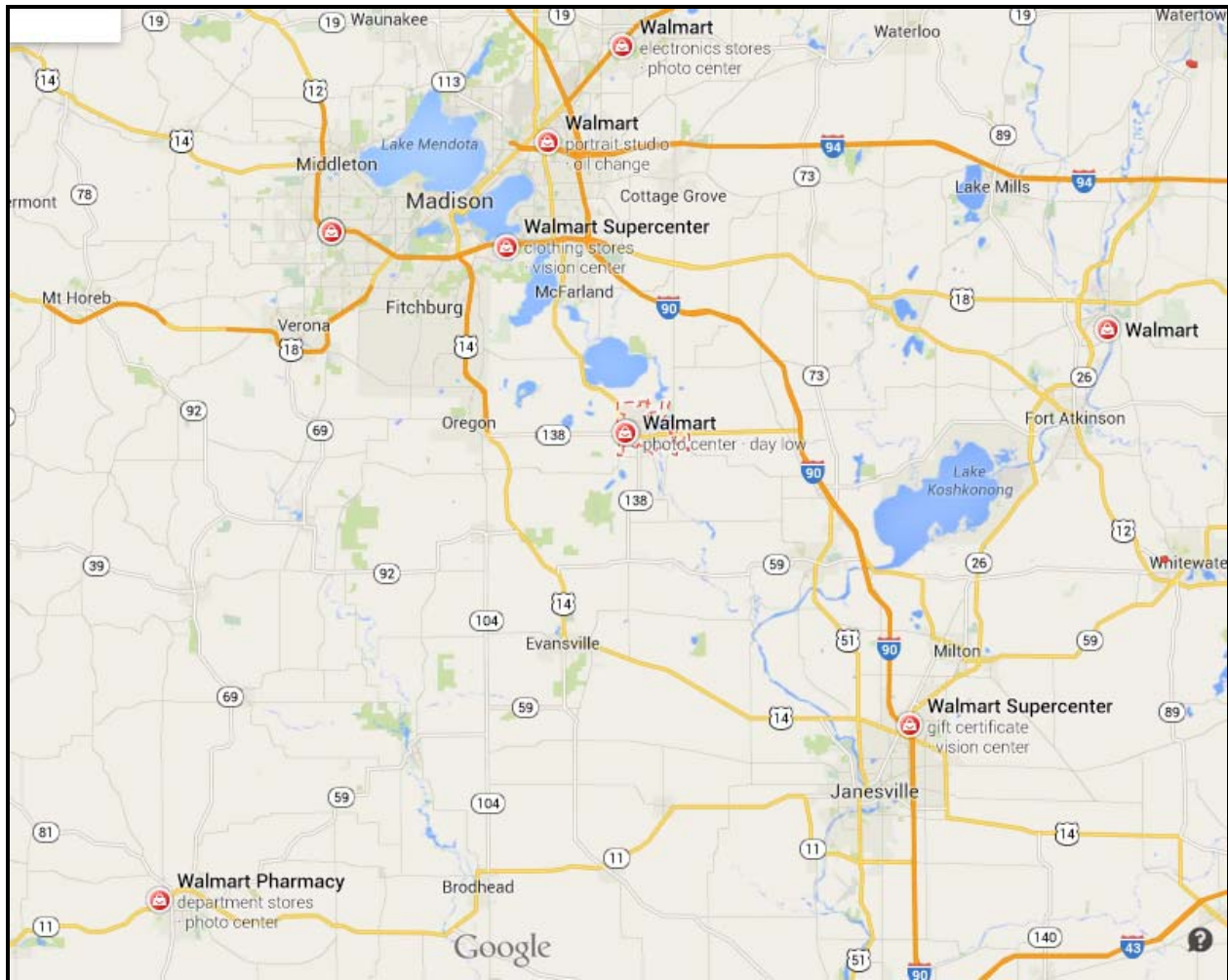


Map 4 shows the defined Trade Area for the proposed Kettle Park West Commercial Center. Because of the Site and Stoughton’s locations south of Madison and Highway 18, a Trade Area has been configured to incorporate geographic locations to the east, west and south of Stoughton as those areas that would be most likely to draw customers into the City regularly for retail goods and services. While each of these communities has their own commercial retail base, the closest Walmart at this time is located in Stoughton. An expanded Walmart supercenter is more likely to draw additional customers to the community from those areas that do not have ready access to the merchandise that will be carried at the larger outlet. However, with regards to groceries and produce, the draw of households to the Walmart supercenter is expected to be limited primarily to the household base that is within about a ten-minute drive of the location. Households residing further than ten minutes from the location or more than 15 miles away are likely to prefer to purchase groceries closer to their home because of the perishable nature of many grocery items. The grocery impacts are discussed in greater detail later in the report.

Map 4
Kettle Park West Commercial Center-Trade Area



**Map 5
Area Locations of Walmart Stores**



According to information obtained from Yellow Page listings and the Walmart corporate website, there are two Walmart Supercenter stores located in the general area and five other Walmart locations which are not supercenters. The newest Walmart store was constructed in Monona, Wisconsin. The other Walmart supercenter is located in Janesville, Wisconsin about 25 to 30 minutes southeast of Stoughton. The Walmart Supercenter in Monona, Wisconsin has 175,000 square feet with features such as an elevator, skylights, and other cost-saving features incorporated into the building for greater energy efficiency. Shoppers looking for a Walmart store are more likely to travel first to the store that is located in their hometown or the closest location, although there is a natural travel pattern for consumers that tends to drive into a more concentrated area than out from it. Selection and choice are other factors that tend to drive demand and consumer traffic to a location. Although there is a Walmart located in Stoughton, it was the first Walmart constructed in Dane County in 1988. Customers may be interested in shopping at the larger supercenter store if they also work in Madison and currently travel US Highway 51 for their daily commute.

Site Location and Characteristics

The Kettle Park West Commercial Center property totals approximately 35 acres and is west of the Central Business District of the City of Stoughton. The Site is situated in the northwest corner of the intersection of US Highway 51 and State Highway 138. US Highway 51 borders the site on the east and State Highway 138 borders the Site on the south. The property is part of the West Side neighborhood that is planned to be developed with a mix of uses. The West Side neighborhood area totals about 295 acres.

Map 6
Kettle Park West Commercial Center Site Location



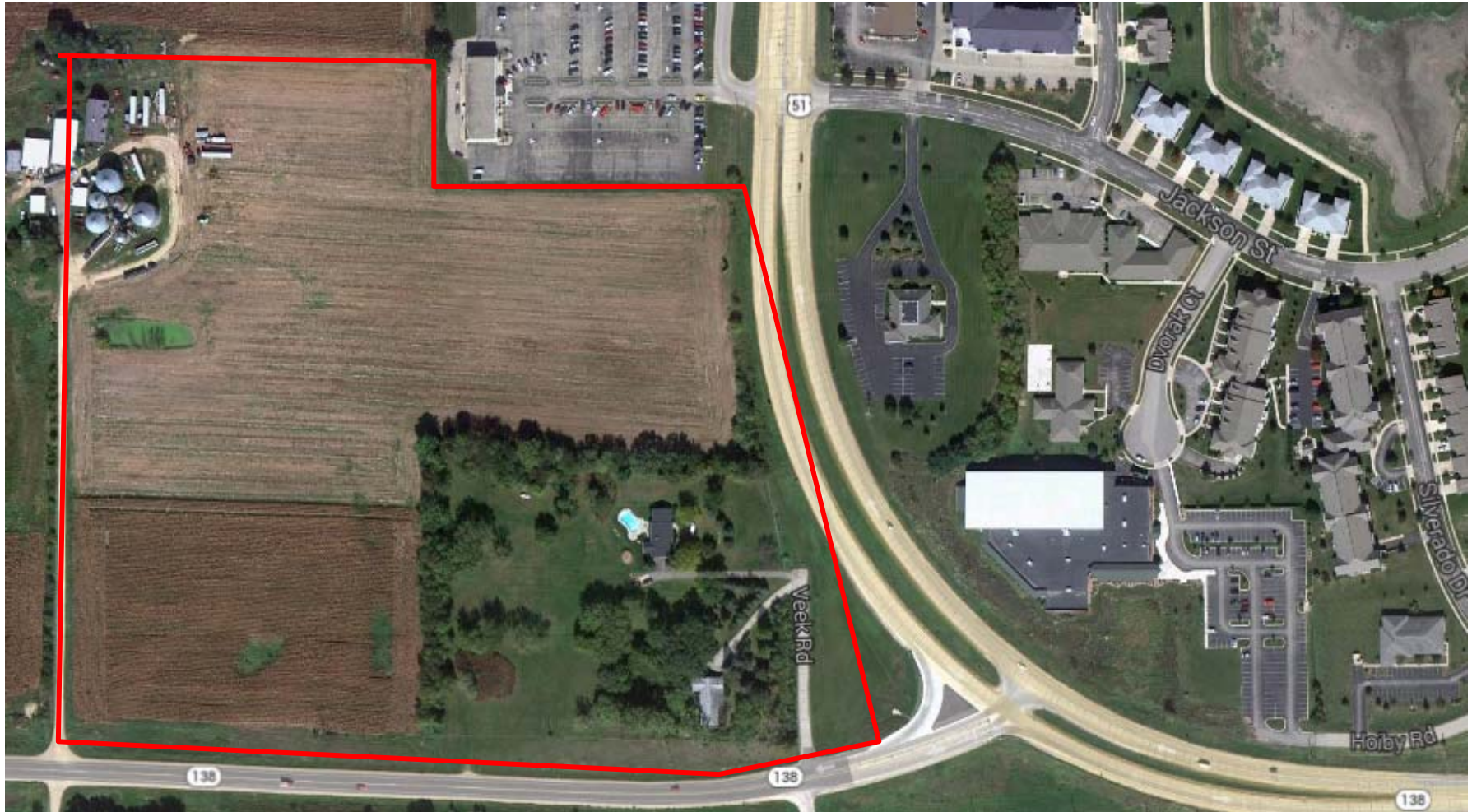
Adjacent and Surrounding Land Uses

- North: Primarily auto-oriented uses and automobile dealerships
- East: Commercial retail and office and residential beyond.
- South: Limited commercial uses and primarily vacant land
- West: Agricultural land.

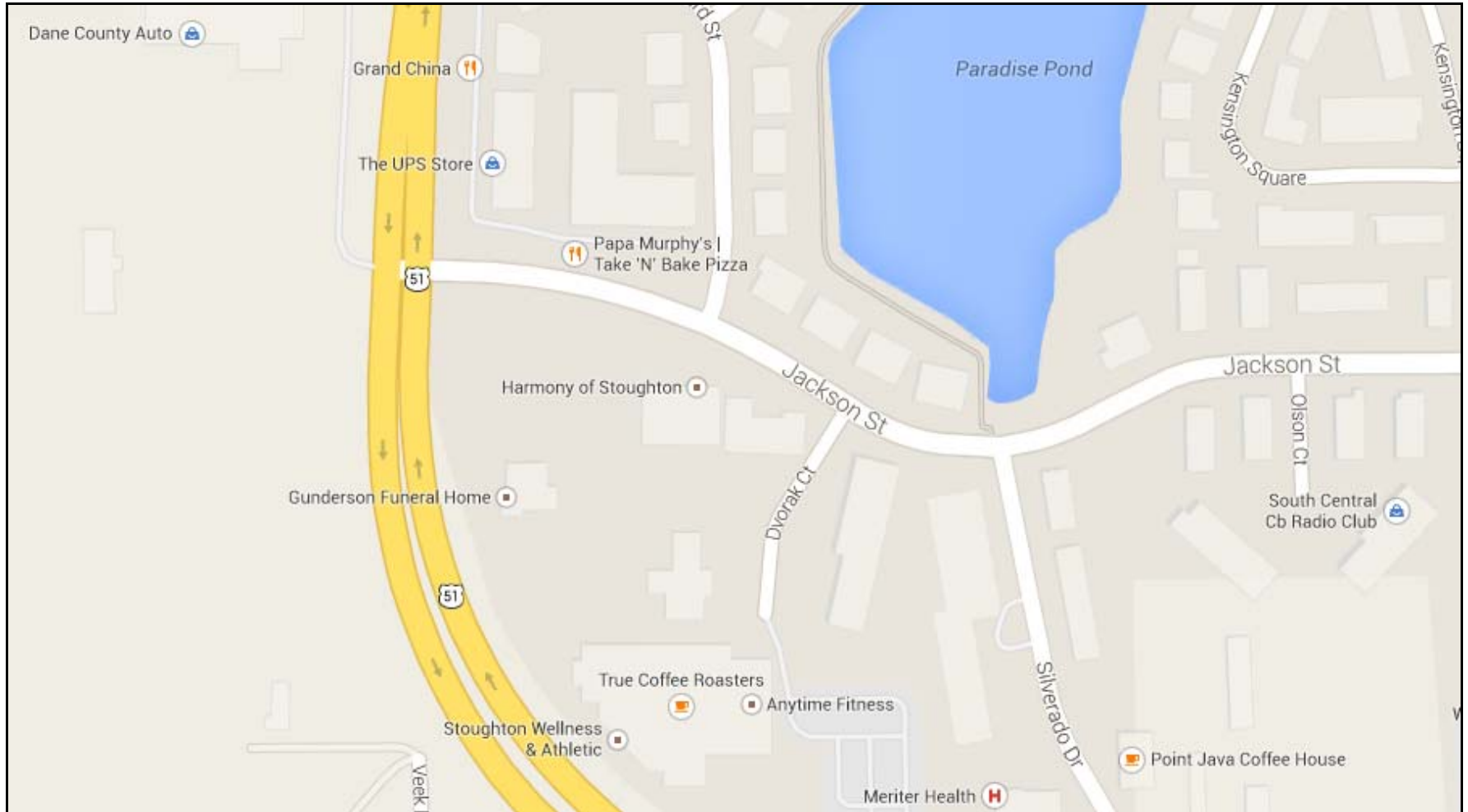
Map 7
Bird's Eye View of Existing Walmart and Pick 'n Save Stores



Map 8
Bird's Eye View of Kettle Park West Commercial Center



Map 9
Surrounding Commercial Uses



Access and Visibility

Excellent access and visibility are vital to the success of retail and service. Currently, access to the Site is anticipated to be primarily from State Highway 138 for Phase I, and a northern access road is planned for the northern portion of the Phase I area which will be an extension of Jackson Street. This will provide access to development parcels B and C from the north side for customers traveling south on US 51. A right-in, right out access point is also shown from US Highway 51 into the Kettle Park West Commercial Center. Additional access will be available via an internal road system that will connect all of the development parcels and will extend south from Jackson Street to State Highway 138.

The Kettle Park West Commercial Center is proposed to be served by eight access points including internal access points. The access points from KPWCC that will connect to US Highway 51 and State Highway 138 were provisionally approved by WISDOT pending final site plan approval for the Center. These were identified in the Development Plan document prepared by JSD Professional Services Inc. for the Forward Development Group.

The West Side Neighborhood Plan and the City of Stoughton's Comprehensive Plan identify the area designated as the Kettle Park West Commercial Center to include 46 acres which extends from the north side of State Highway 138, west of US Highway 51 to the north along US Highway 51 and includes the existing automobile dealerships and auto uses that are currently located north of the Kettle Park West CC property.

Improvements to US Highway 51 and State Highway 138 are planned to both accommodate the development of Kettle Park West in addition to improving travel along US Highway 51 overall. As US 51 extends north up to Madison, connecting to Highway 18, many Stoughton residents use Highway 51 to commute to and from Madison for work. Improvements to US 51 will also facilitate transportation to and from Stoughton. WISDOT is expected to coordinate, complete and pay for most of the transportation improvements for US Highway 51 that extends north to McFarland. Except for the round about that will be located at the intersection of US Highway 51 and State Highway 138 (WISDOT construction), all other improvements to the highways that are adjacent to the Kettle Park West Commercial Center are the responsibility of the developer.

According to the Kettle Park West Commercial Center development plan, the following improvements are preliminarily planned for the adjacent roadways:

Reconstruction of:

- Approximately 1,500 feet of State Highway 138 (funded by the development)
- Approximately 1,500 feet of US Highway 51 (funded by WISDOT)
- US Highway 51 and State Highway 138 intersection (roundabout installed) funded by WISDOT
- US Highway 51 and Jackson Street intersection (funded by the development)

SITE LOCATION ASSESSMENT

Average annual traffic counts on US Highway 51 at its intersection with State Highway 138 are:

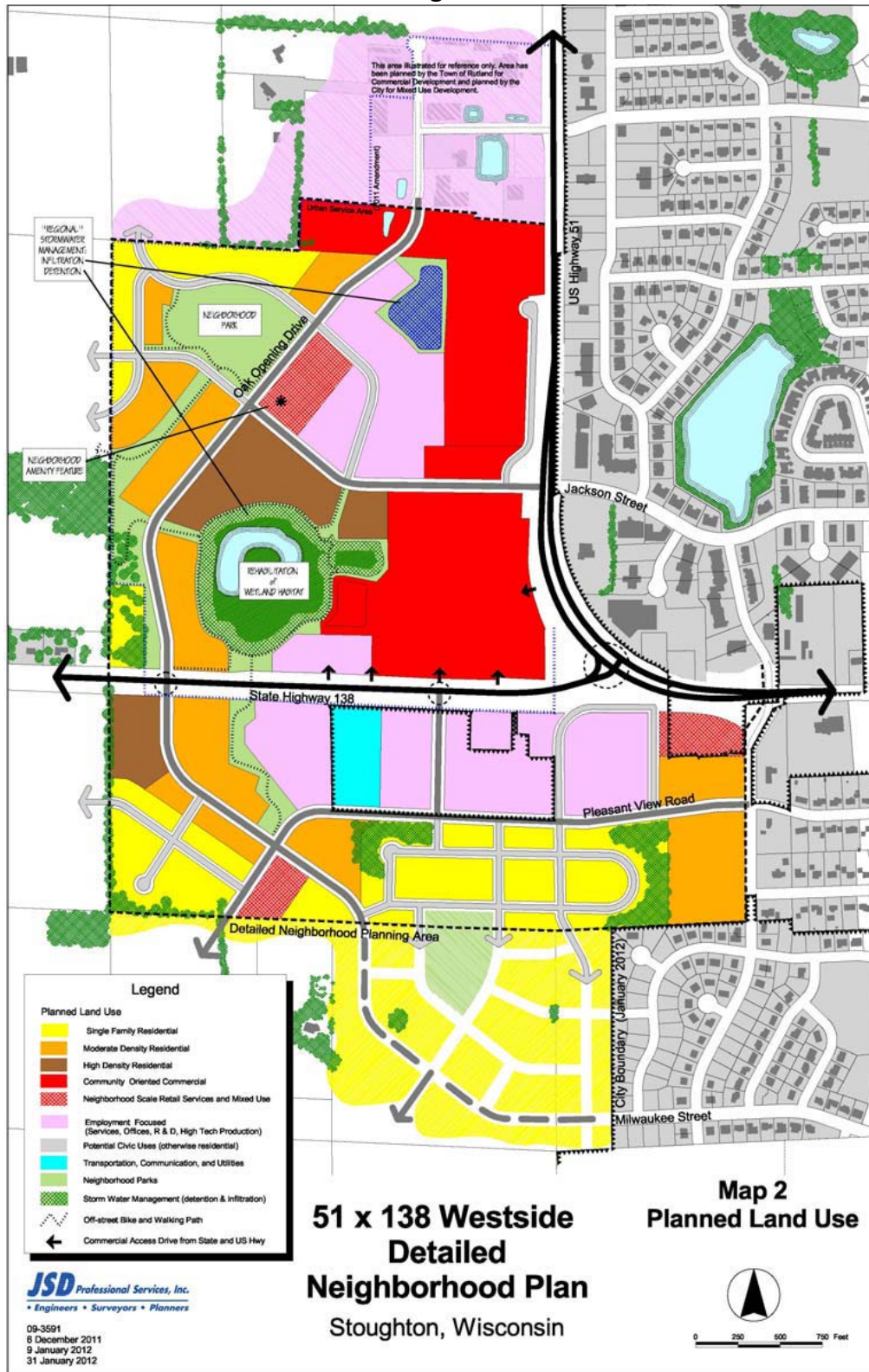
- 12,700 vpd south of the intersection with Highway 138
- 8,500 vpd north of the intersection with Highway 138
- 9,100 vpd west of the intersection with Highway 51 on Highway 138

Traffic on both of these roadways is estimated to have increased at an annual rate of 1.8% annually according to JSD Professional Engineers and Surveyors Inc. (September 2013). The Level of Service (LOS) for the US Highway 51 and State Highway 138 intersection has been steadily decreasing. Current service is rated as “D” for the intersection at peak morning rush and “C” for the intersection at afternoon rush. The left hand turn movement for the intersection from Highway 138 onto US Highway 51 is currently rated as “F.” Two roundabouts are proposed to be constructed, one at the intersection on Highway 51 and a second on Highway 138 at the interior road that will be constructed for the KPWCC Phase I development.

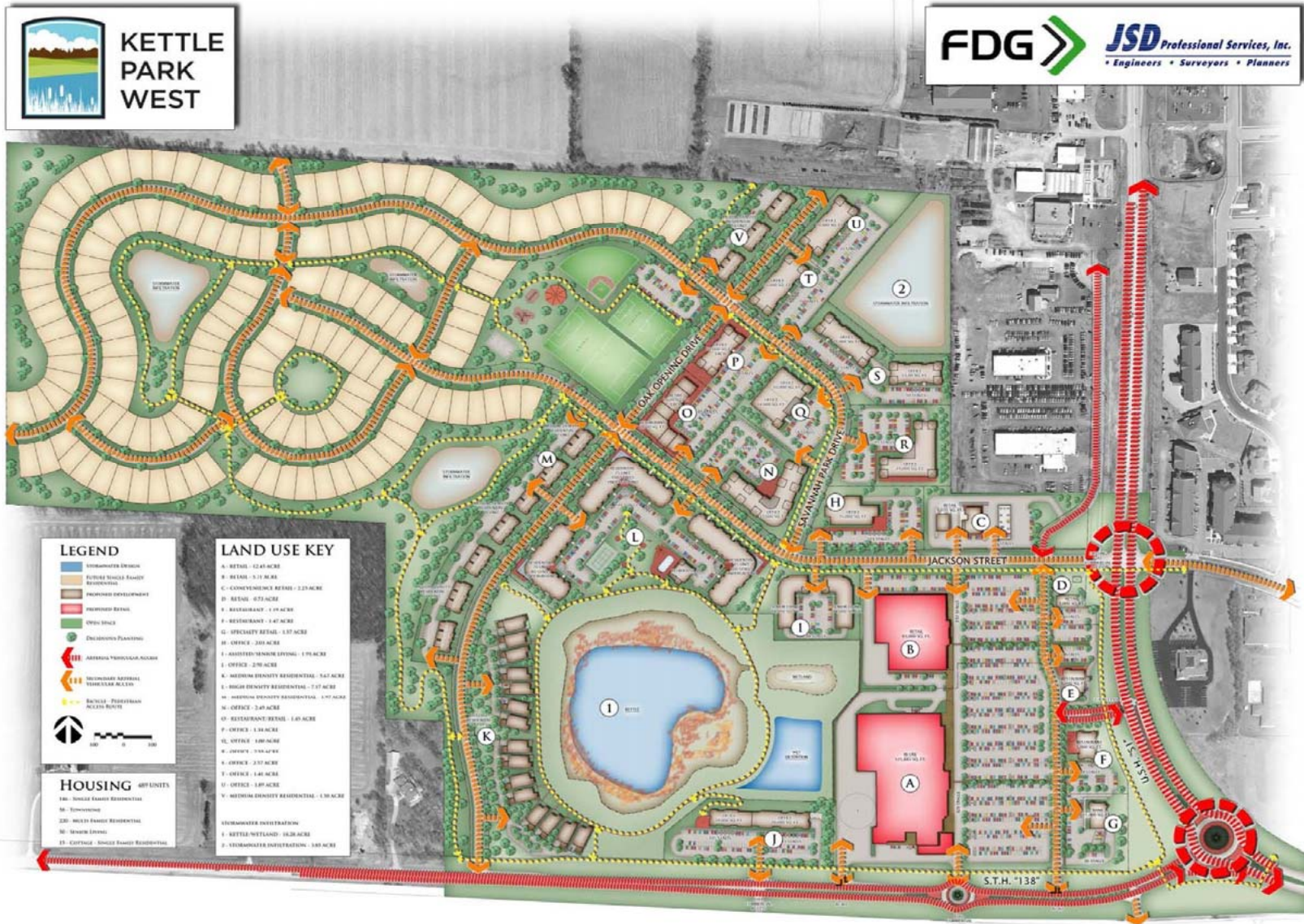
Table 1 displays the 2010 and 2012 estimated traffic volumes (measured in annual average daily trips) for adjacent roads surrounding the Site. In reviewing the Comprehensive Plan, traffic on US Highway 51 has increased by more than 85% since the late 1990s on this section of roadway.

TABLE 1				
TRAFFIC VOLUME TRENDS				
NEAR KETTLE PARK WEST COMMERCIAL CENTER SITE				
2010 and 2012				
	Annual Avg. Traffic (AADT)		Change, 2010-2012	
	Estimate 2010	Estimate 2012	No.	Pct.
US HIGHWAY 51				
North of Jackson Street	9,900	11,400	1,500	15.2%
North of STH 138	9,200	8,500	-700	-7.6%
South of STH 138	12,100	14,300	2,200	18.2%
STATE HIGHWAY 138				
West of US Highway 51	8,200	9,100	900	11.0%
AADT = Annual Average Daily Traffic				
Note: Estimates for State Highway 138 are for the years 2005 and 2006; the earlier estimate for North on US Highway 51 is from 2009.				
Sources: WISDOT; Maxfield Research Inc.				

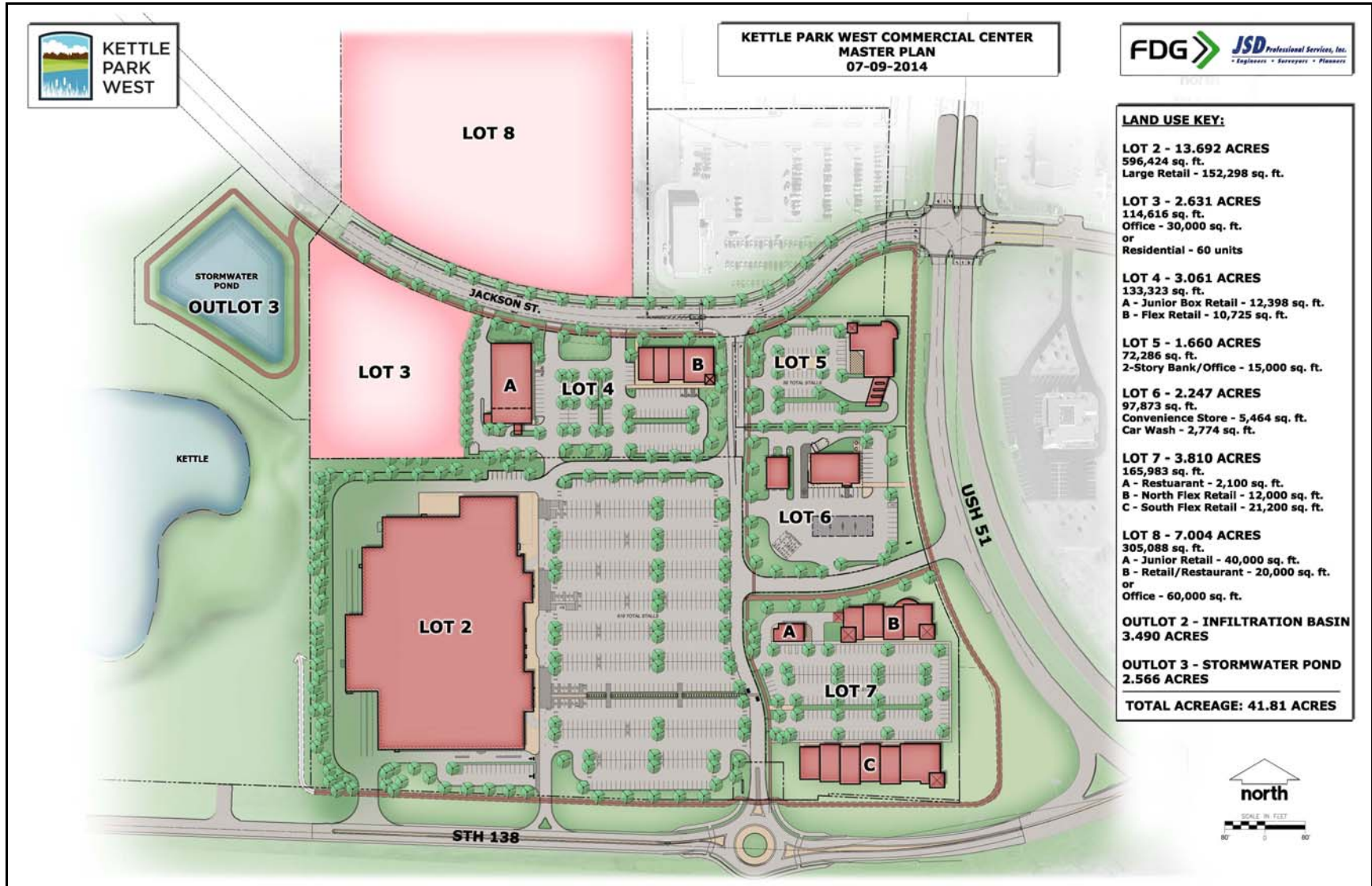
Map 10
West Side Neighborhood Plan



Map 11
Kettle Park West Site Plan



Map 12
Kettle Park West Commercial Center Master Plan



Proximity to Housing, Employment, and Retail

Retail appeal is influenced, in part, by close proximity to housing, employment and other retail nodes. The subject property is surrounded by a mix of residential uses and is in close proximity to major employment concentrations and nodes of retail activity.

The largest concentrations of retail goods and services located in close proximity to the Kettle Park West Commercial Center site are in Downtown Stoughton and along US Highway 51 to the east and southeast of the subject Site. It is our understanding that the existing Walmart store, located at 1800 US Highway 51 will relocate to the Kettle Park West Commercial Center site, leaving the current leased space vacant which is approximately 41,328 square feet, according to a summary of the property using the parcel id. A short-term vacancy in the space that is being leased by Walmart may not have a significant impact to the community as the owner will still be obligated to pay real estate property taxes for the existing building. In addition, Walmart will be able to continue to conduct business at its current location until the new supercenter store has been completed and opened. However, once the new Walmart has opened, a long-term vacancy in the previous property could result a default of local property taxes, deferred maintenance of the building and surrounding property and an overall decrease in property value that could also affect adjacent properties. Pick 'n Save with 49,481 square feet is projected to remain at its current location.

Residents have indicated there are no large employment centers in Stoughton although major employers in the area include the Hospital, the School District and some other mid-size businesses.

Additionally, the Site is approximately a 25-minute drive to Madison and about that same distance to Janesville on the south. However, a ten-minute drive time to the Site encompasses the majority of the area that we have identified as the core customer base for the proposed Walmart. A high level of visibility and convenient access will be key drivers of demand for retail uses on the subject property.

Appropriateness of the Subject Site for Retail and other Commercial Space

Strengths and weaknesses of the retail potential on the Site are summarized below.

Site Strengths	Site Weaknesses
<ul style="list-style-type: none">• Convenient access to US Highway 51 and State Highway 138 at the apex of the property• The entry to the area from west on State Highway 138 creates a future gateway to the City from the adjacent rural town.• High household incomes in the area which are desired by many retailers• Solid, but somewhat slower household growth projected in the market area• Situated in an area with other commercial office and retail uses nearby• Located near the Hospital, School District and several other large employers	<ul style="list-style-type: none">• The development plan shows a substantial amount of additional development for the property. A full build-out of this property is likely to take several years which will impact the ability of KPWCC-Phase I to capture the higher customer base immediately.• Potential for additional congestion at the key intersection (51 and 138) with the opening of KPWCC.

Introduction

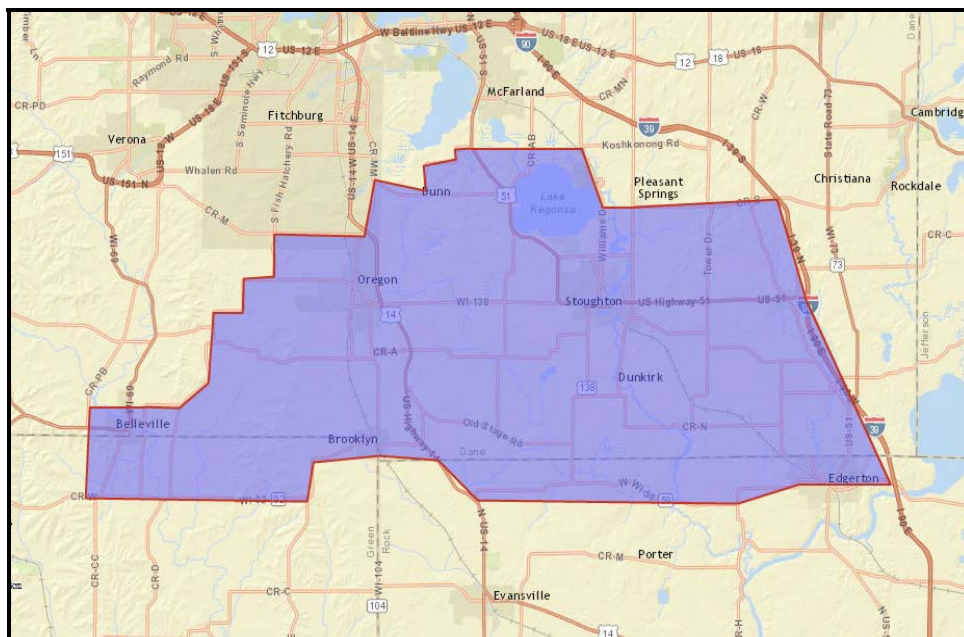
This section of the report presents our analysis of the potential customer support base that would be available to Phase I of KPWCC on opening. Information is presented on population and household growth, age distribution, household income by age of householder, consumer expenditure data and retail gaps assessment.

Market Area Definition

Maxfield Research Inc. determines the Market Area for the subject Site based on proximity to other commercial retail nodes, commuting patterns, geographic boundaries, a review of previous studies completed for this area and our expertise in commercial analysis. The Primary Market Area (PMA) is comprised of residents and non-resident employees/visitors to the area that would consider shopping for products and services needed regularly, such as groceries, gasoline, hair care, dining options, pharmacy, and other neighborhood goods and services.

The Primary Market Area was determined by considering current population densities in Stoughton and the surrounding area, the location of existing traditional Walmart stores and Walmart supercenters in Dane and Rock Counties, the location of major arterial roadways, interviews with the Stoughton Area Chamber of Commerce, and our understanding and knowledge of retail shopping patterns. Key demographic data is presented for the draw area or "Trade Area," as it relates to the demand for retail development. A map of the Primary Market Area is shown below.

Map 13
Kettle Park West Commercial Center Primary Market Area



Population and Households

Table 2 presents population and household growth trends and projections for the Primary Market Area from 1990 to 2030. The 1990, 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. Projections for 2020, 2025 and 2030 were based on forecasts made by the Wisconsin Demographic Center and a review of recent building permit trends and estimates and projections made by ESRI Inc., a national demographics forecasting firm.

The following points summarize key demographic findings.

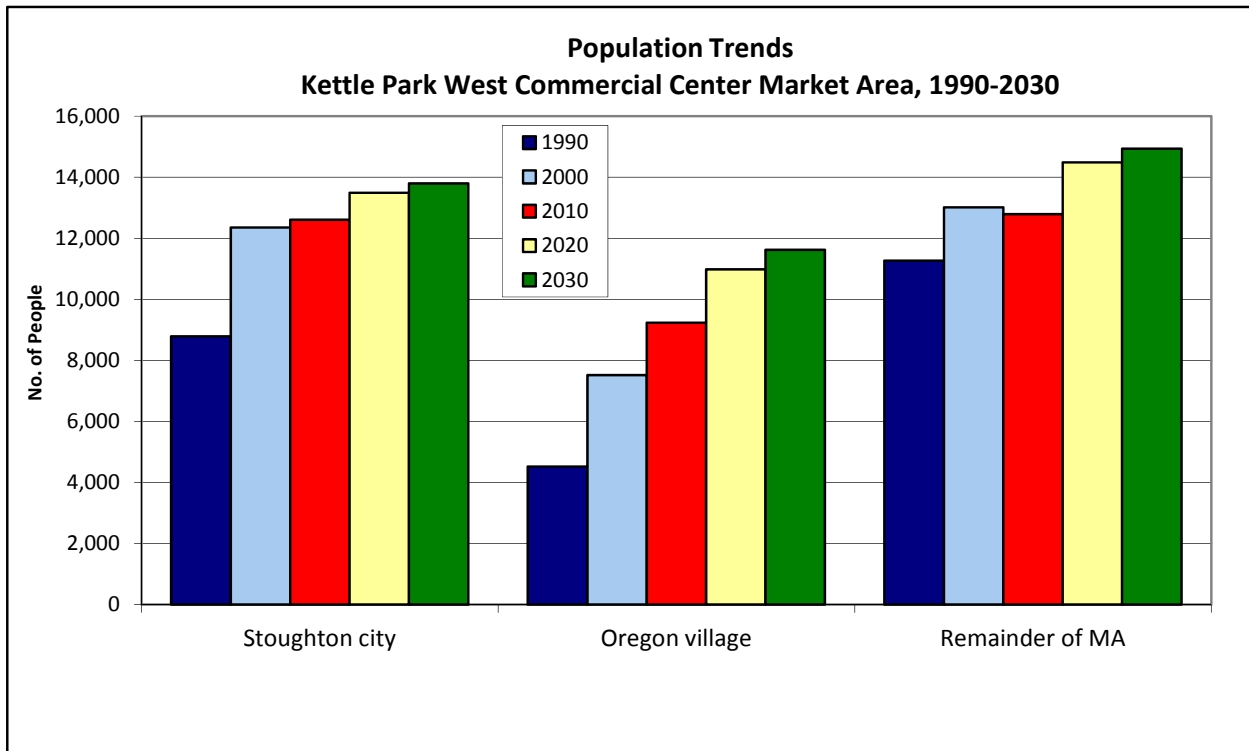
- As of 2010, the PMA contained 34,629 people and 13,935 households. Over the past decade, the population increased by only 2.1%, while the number of households expanded by 8.4%. The greater growth in households versus population suggests that the overall population in Stoughton is aging and that there is a growing trend toward smaller household sizes. This trend is similar to trends in other similar size communities in Wisconsin and in Dane County as a whole.
- By 2020, the PMA is projected to add 2,732 more people and 1,283 more households. Most of the population growth is anticipated to occur in the City of Stoughton and in the Village of Oregon.
- Stoughton's population increased by 257 people between 2000 and 2010, a growth rate of 2.1%. Between 2010 and 2020, the Village of Oregon is projected to experience the strongest growth rate this decade, somewhat higher than Stoughton. Between 2020 and 2030, Stoughton is projected to increase its population by 670 people or 5.1% and its household base by 411 households (7.5%).
- Stoughton's population is expected to reach 13,800 people by 2030. Depending on development in other locations in the Madison area and transportation improvements to the existing roadway system, Stoughton could increase its population further.
- It is anticipated that the outlying towns will post slower population and household growth over the next two decades as development is likely to be focused on urbanized areas.
- Between 2010 and 2020, Dane County's population and household bases are expected to increase by 7.9% and 8.2%, respectively. As of 2010, the PMA contained only 7.0% of the County's population and 6.8% of its households. These proportions are projected to remain relatively stable to 2030, suggesting that the PMA will increase its population and household base in roughly the same proportions as it has over the past decade.

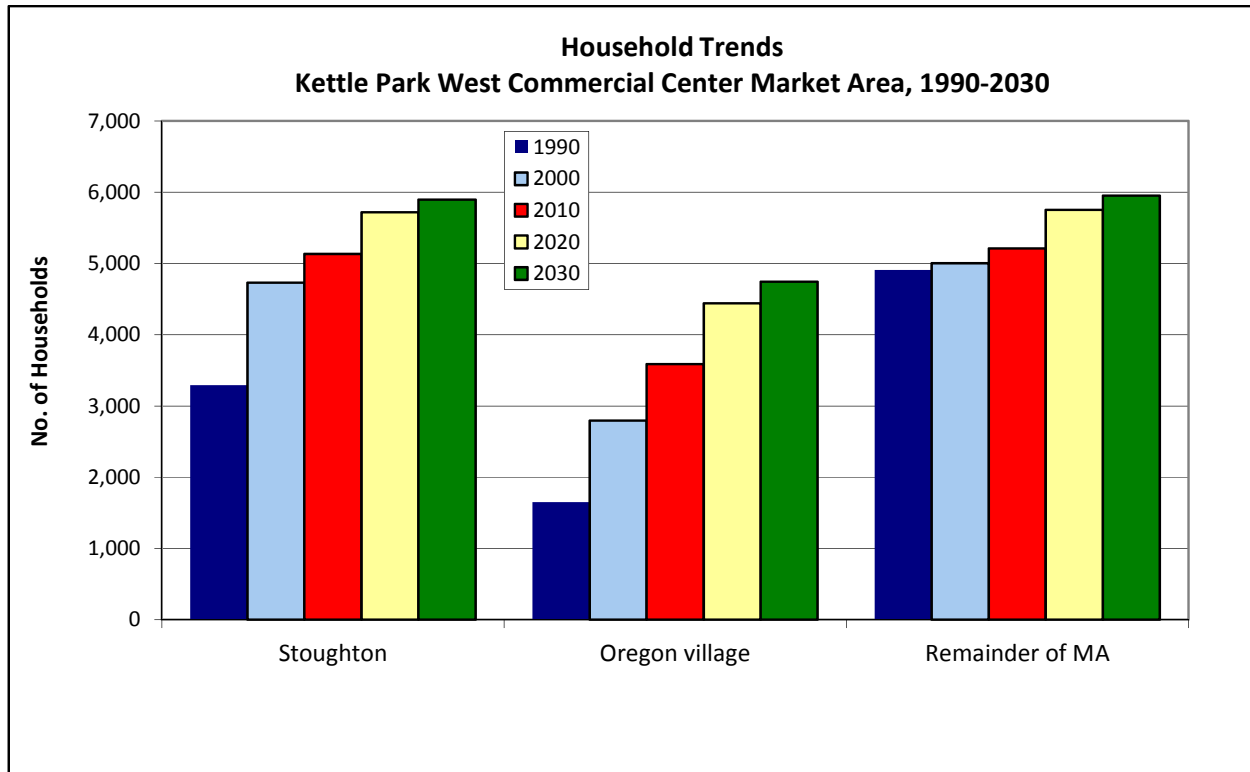
DEMOGRAPHIC ANALYSIS

**TABLE 2
POPULATION & HOUSEHOLD GROWTH TRENDS
KETTLE PARK WEST COMMERCIAL CENTER MARKET AREA
1990-2030**

	U.S. Census			Forecast			Change			
	1990	2000	2010	2020	2025	2030	2000-2010		2010-2020	
							No.	Pct.	No.	Pct.
Population										
Stoughton city	8,786	12,354	12,611	13,130	13,490	13,800	257	2.1	519	4.1
Oregon village	4,519	7,514	9,231	10,300	10,980	11,620	1,717	22.9	1,069	11.6
Remainder of MA	11,270	13,010	12,787	13,931	14,486	14,936	-223	-1.7	1,144	8.9
Market Area Total	24,575	32,878	34,629	37,361	38,956	40,356	1,751	5.3	2,732	7.9
<i>Dane County</i>	<i>367,085</i>	<i>426,526</i>	<i>488,073</i>	<i>530,620</i>	<i>555,100</i>	<i>577,300</i>	<i>61,547</i>	<i>14.4</i>	<i>42,547</i>	<i>8.7</i>
Households										
Stoughton	3,294	4,734	5,133	5,514	5,718	5,899	399	8.4	381	7.4
Oregon village	1,651	2,796	3,589	4,129	4,443	4,745	793	28.4	540	15.0
Remainder of MA	4,908	5,004	5,213	5,575	5,755	5,955	209	4.2	362	6.9
Market Area Total	9,853	12,534	13,935	15,218	15,916	16,599	1,401	11.2	1,283	9.2
<i>Dane County</i>	<i>142,786</i>	<i>173,484</i>	<i>203,750</i>	<i>228,371</i>	<i>240,920</i>	<i>252,479</i>	<i>30,266</i>	<i>17.4</i>	<i>24,621</i>	<i>12.1</i>

Sources: U.S. Census; ESRI; Wisconsin Demographic Services Center; Maxfield Research Inc.





Population Age Distribution

The age distribution of the population relates to the type of retail services needed in a given community. Younger people are more likely to seek a variety of retail services including entertainment, electronics and specialty apparel. Child stores increase in popularity for the 25 to 34 and 35 to 44 cohorts while home furnishings are more frequently sought by the 45 to 54 and 55 to 64 age groups.

Table 3 presents the age distribution of the PMA population in 2000 and 2010 from the Census with a 2014 estimate and a 2020 projection by Maxfield Research Inc., based on data from ESRI, a national demographics firm and information from the Wisconsin Demographic Center. The table that follows shows the number of people and the percent of the population in eight age categories.

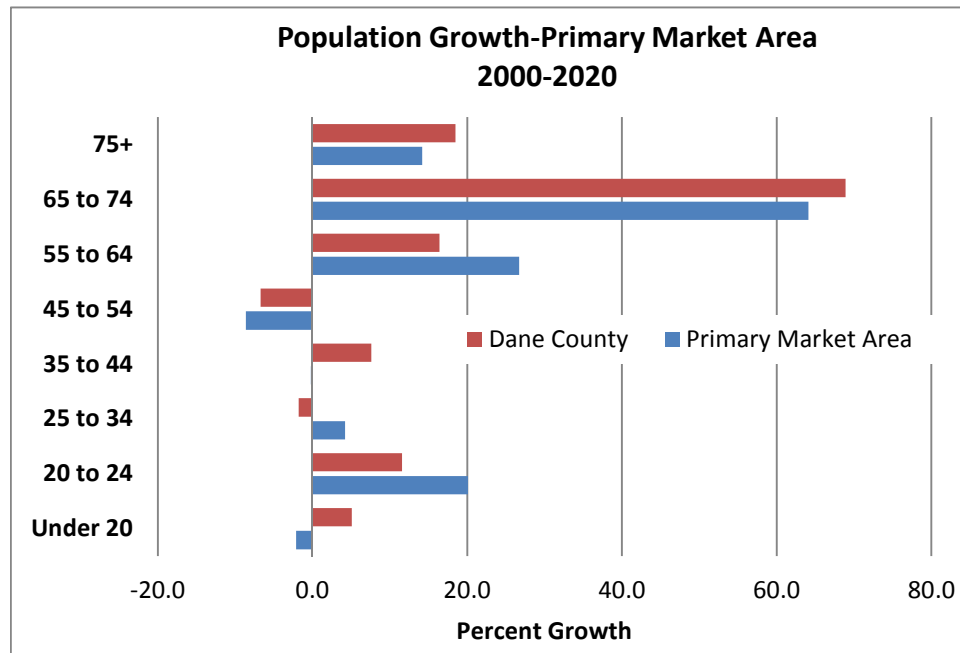
DEMOGRAPHIC ANALYSIS

TABLE 3 AGE DISTRIBUTION KETTLE PARK WEST COMMERCIAL CENTER 2000-2020								
Age	US Census		Estimate	Projection	Change			
	2000	2010	2014	2020	2000-2010		2010-2020	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Primary Market Area								
Under 20	8,845	9,266	8,975	9,069	421	4.8	-197	-2.1
20 to 24	1,407	1,507	1,872	1,810	100	7.1	303	20.1
25 to 34	3,854	4,024	3,992	4,192	170	4.4	168	4.2
35 to 44	4,558	4,968	4,660	4,956	410	9.0	-12	-0.2
45 to 54	5,592	5,913	5,797	5,402	321	5.7	-511	-8.6
55 to 64	4,306	4,472	5,095	5,666	166	3.9	1,194	26.7
65 to 74	2,292	2,310	2,893	3,790	18	0.8	1,480	64.1
75+	1,994	2,169	2,164	2,476	175	8.8	307	14.2
Total	32,848	34,629	35,448	37,361	1,781	5.4	2,732	7.9
Dane County								
Under 20	113,156	121,856	122,928	128,078	8,700	7.7	6,222	5.1
20 to 24	43,986	47,252	51,414	52,749	3,266	7.4	5,497	11.6
25 to 34	68,386	78,853	75,685	77,441	10,467	15.3	-1,412	-1.8
35 to 44	70,108	64,784	65,073	69,721	-5,324	-7.6	4,937	7.6
45 to 54	60,220	68,809	66,797	64,227	8,589	14.3	-4,582	-6.7
55 to 64	30,801	56,375	61,468	65,606	25,574	83.0	9,231	16.4
65 to 74	20,211	26,559	34,781	44,860	6,348	31.4	18,301	68.9
75+	19,658	23,585	24,081	27,938	3,927	20.0	4,353	18.5
Total	426,526	488,073	502,227	530,620	61,547	14.4	42,547	0.6
Sources: U.S. Census Bureau; ESRI; Wisconsin Demographic Center; Maxfield Research, Inc.								

- The table shows the aging of the PMA population as the baby boom generation ages into their senior years. The age 65 and older population grew by 175 people between 2000 and 2010 for an increase of almost 9.0%. The 35 to 44 age cohort experienced the largest proportional increase at 9.0%, while the largest increase occurred among children and teens (421 people).
- In the PMA, no age groups experienced decreases between 2000 and 2010. However, the group aged 65 to 74, many of whom were born during the Depression Era, (a period of low births) only increased by 18 people. As the Baby Boom generation ages into this age group, growth is expected to be substantial, increasing by 1,480 people or 64.1%.
- Looking ahead, decreases are expected in the youngest age cohort, those under 20, and the middle age cohorts, those ages 35 to 54. Some of these changes may be mitigated by growth from households moving into the community rather than those aging in place.

DEMOGRAPHIC ANALYSIS

- In the PMA and in Dane County, minimal growth is expected in the 35 to 44 and 45 to 54 age groups as the “baby bust” generation (those born after the baby boom ended, from the mid 1960s through the late 1970s) ages into these cohorts.
- Growth is anticipated in the under 20 cohort in Dane County likely because of the substantial diversity of the different jurisdictions in the County and stronger growth from areas located further into the City. Growth in most of the age categories will create additional demand for goods and services in the City of Stoughton and in the Primary Market Area.



Household Income Distribution

Household income data helps ascertain demand for different types of retail services. People with lower incomes are more likely to seek out discount retailers. Retail services and goods such as dining and home furnishings will experience higher spending more from moderate and upper-income households while upper income households will also shop for specialty apparel, recreation and sporting goods, and other luxury items. Table 4 shows household incomes in the Primary Market Area and in Dane County in 2014 and 2020, respectively. Household income data was compiled by ESRI, Inc. (a nationally recognized demographics firm) and adjusted by Maxfield Research Inc. with consideration given to U.S. Census figures and current estimates and projections of growth. Additional median household income figures are shown separately for each of the communities that are included at least partially in the Primary Market Area. Median household income data was also compiled by ESRI Inc.

Income	2014		2020	
Primary Market Area				
	No.	Pct.	No.	Pct.
< \$15,000	756	5.2%	665	4.4%
\$15,000-\$24,999	1,133	7.8%	787	5.2%
\$25,000-\$34,999	1,207	8.4%	977	6.4%
\$35,000-\$49,999	1,678	11.6%	1,530	10.1%
\$50,000-\$74,999	2,732	18.9%	2,395	15.7%
\$75,000-\$99,999	2,683	18.6%	3,219	21.2%
\$100,000-\$149,999	2,938	20.3%	3,505	23.0%
\$150,000-\$199,999	803	5.6%	1,354	8.9%
\$200,000+	517	3.6%	786	5.2%
Total	14,447	100.0%	15,218	100.0%
Median HH Income	\$71,434		\$82,763	
Average HH Income	\$83,923		\$97,673	
Per Capita Income	\$34,043		\$39,765	
Dane County				
	No.	Pct.	No.	Pct.
< \$15,000	22,848	10.7%	22,144	9.7%
\$15,000-\$24,999	19,276	9.0%	14,410	6.3%
\$25,000-\$34,999	17,973	8.4%	15,689	6.9%
\$35,000-\$49,999	24,249	11.4%	23,313	10.2%
\$50,000-\$74,999	36,981	17.3%	32,938	14.4%
\$75,000-\$99,999	31,711	14.8%	38,755	17.0%
\$100,000-\$149,999	38,626	18.1%	48,075	21.1%
\$150,000-\$199,999	11,588	5.4%	18,945	8.3%
\$200,000+	10,346	4.8%	14,102	6.2%
Total	213,598	100.0%	228,371	100.0%
Median HH Income	\$62,919		\$77,917	
Average HH Income	\$80,571		\$93,917	
Per Capita Income	\$34,102		\$39,874	

Sources: ESRI Inc.; Maxfield Research Inc.

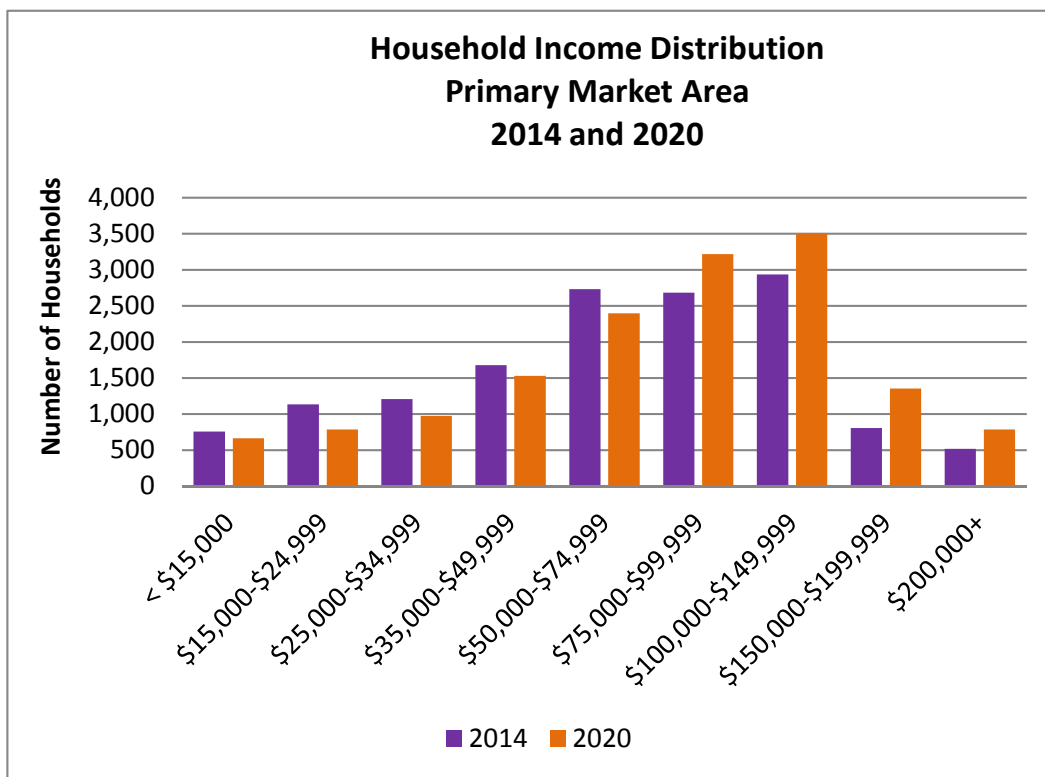
The following summarizes the significant points from Table 5.

- The 2014 estimated median income in the PMA is \$71,434, which is 13.5% higher than the median income in Dane County (\$62,919). Therefore, the Primary Market Area is relatively affluent compared to Dane County as a whole, suggesting that households have more resources to devote toward retail services and goods.

DEMOGRAPHIC ANALYSIS

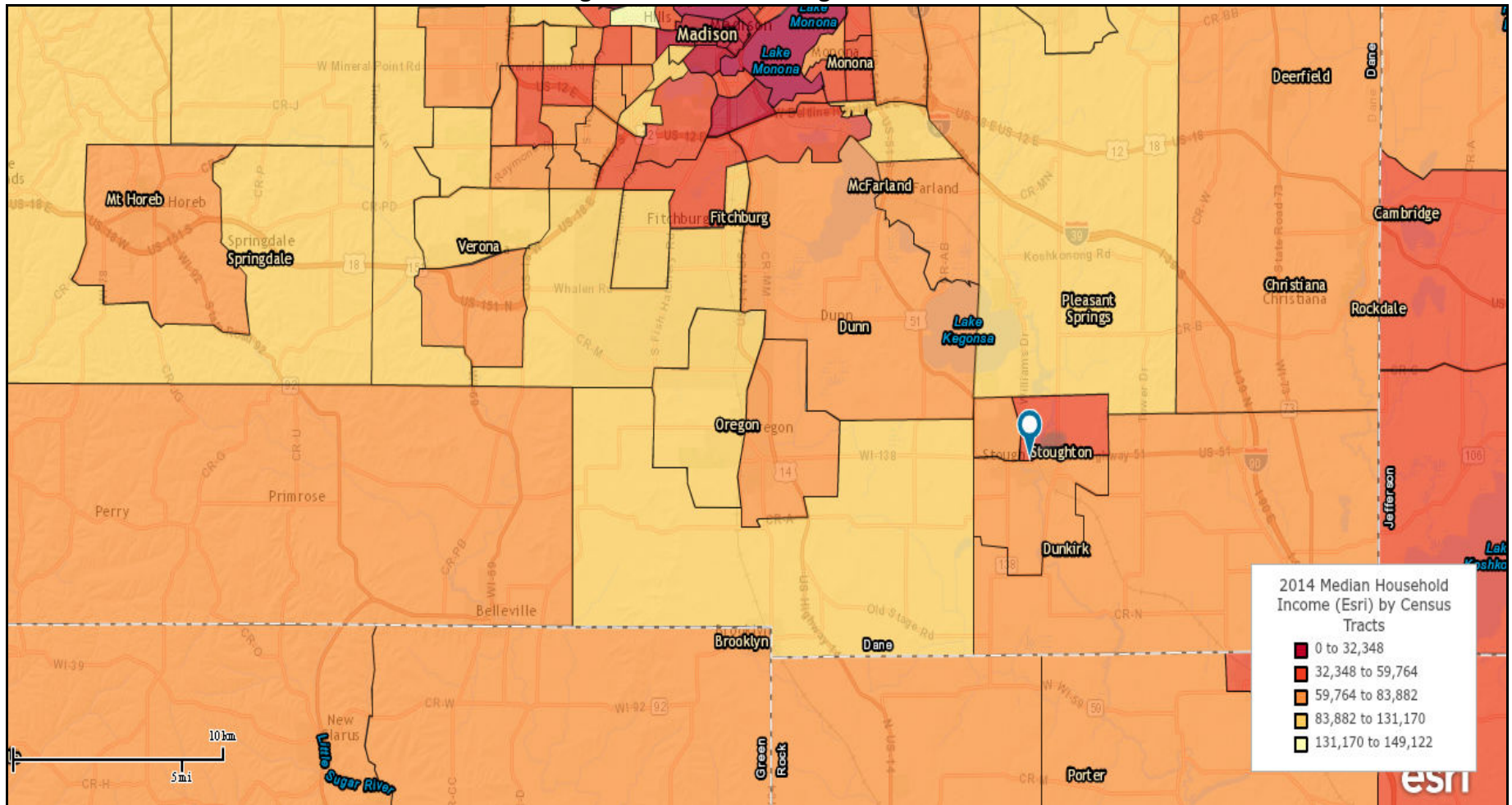
- Average household incomes are also high. As shown, households in the PMA have an estimated household income of \$83,923. This income is projected to rise over the next five years to \$97,673 annually. Household incomes tend to peak when householders are in their late 40s to mid-50s. As such, it appears that households in the PMA are currently experiencing higher incomes supported by a larger number of older adult households.
- By 2020, it is expected that the number of households with incomes under \$75,000 will decrease modestly while the number of households with incomes at \$75,000 or more will increase.

The chart below helps visualize the preceding points about household income.



The higher median household income identified for the Primary Market Area as of 2014 reflects some variations among the different communities that are included. The map on the following page shows the median household income by census tract for Stoughton and other areas surrounding the city that are fully or partially in the Primary Market Area. As shown on the map, median household incomes tend to be higher in the areas immediately surrounding Stoughton. This suggests that households in Stoughton could potentially benefit from an increase in retail options that would be provided by Kettle Park West Commercial Center.

Map 14
Median Household Incomes by Census Tract
Stoughton and Surrounding Areas



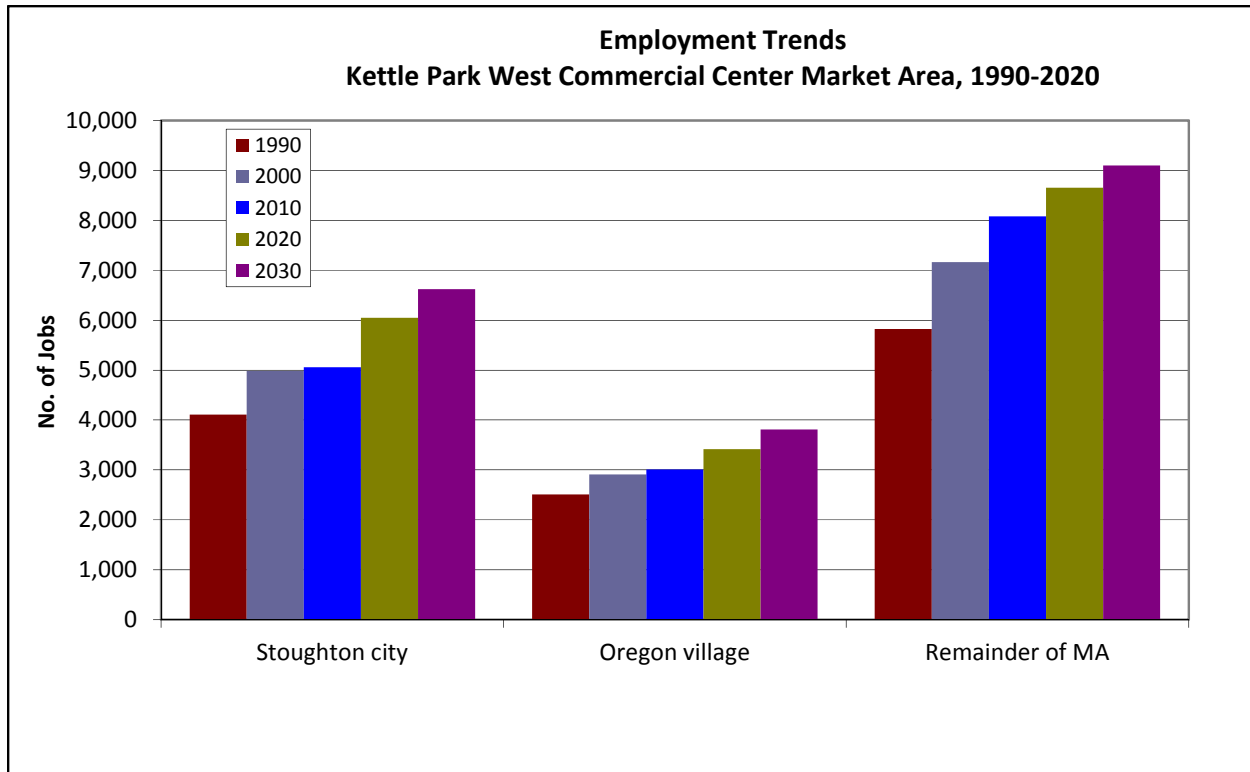
Employment Growth

The employment data in Table 5 is was developed from data provided by the Wisconsin Workforce Center and communities comprising the Kettle Park West Commercial Center. The following are key trends derived from the employment data.

- Although employment growth typically parallels population growth, it is often tied more closely to transportation access. Cities with interstate access and intra- and inter-metro transportation attract more businesses and post higher employment gains. By 2020, about 1,250 jobs are forecast to be added in the PMA. Employment over the decade is anticipated to increase 7.8% in the PMA, compared to 22.7% in Dane County. The strong employment growth in Dane County identifies the county’s strong economic pull for new commercial and industrial development. Stoughton is projected to add the majority of new jobs, 800 during this decade. This follows somewhat lackluster job growth during the 2000s, a result of the economic recession.

	U.S. Census			Forecast			Change			
	1990	2000	2010	2020	2025	2030	2000-2010		2010-2020	
							No.	Pct.	No.	Pct.
Employment										
Stoughton city	4,108	4,985	5,057	5,857	6,050	6,622	72	1.4	800	15.8
Oregon village	2,504	2,906	3,010	3,117	3,415	3,809	104	3.6	107	3.6
Remainder of MA	5,824	7,168	8,079	8,424	8,655	9,100	911	12.7	345	4.3
Market Area Total	12,436	15,059	16,146	17,398	18,121	19,531	1,087	7.2	1,252	7.8
<i>Dane County</i>	<i>231,000</i>	<i>285,000</i>	<i>306,000</i>	<i>352,400</i>	<i>375,600</i>	<i>396,400</i>	<i>21,000</i>	<i>7.4</i>	<i>69,600</i>	<i>22.7</i>

Sources: U.S. Census; ESRI Inc.; Wisconsin Workforce Center; Maxfield Research Inc.



Commuting Patterns of Area Workers

Close proximity to employment centers is often a strong consideration when choosing where to live and shop, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. Table 6 highlights the commuting patterns of workers in the City of Stoughton in 2011, based on data from the U.S. Census Bureau, Local Household Employment Dynamics (LEHD).

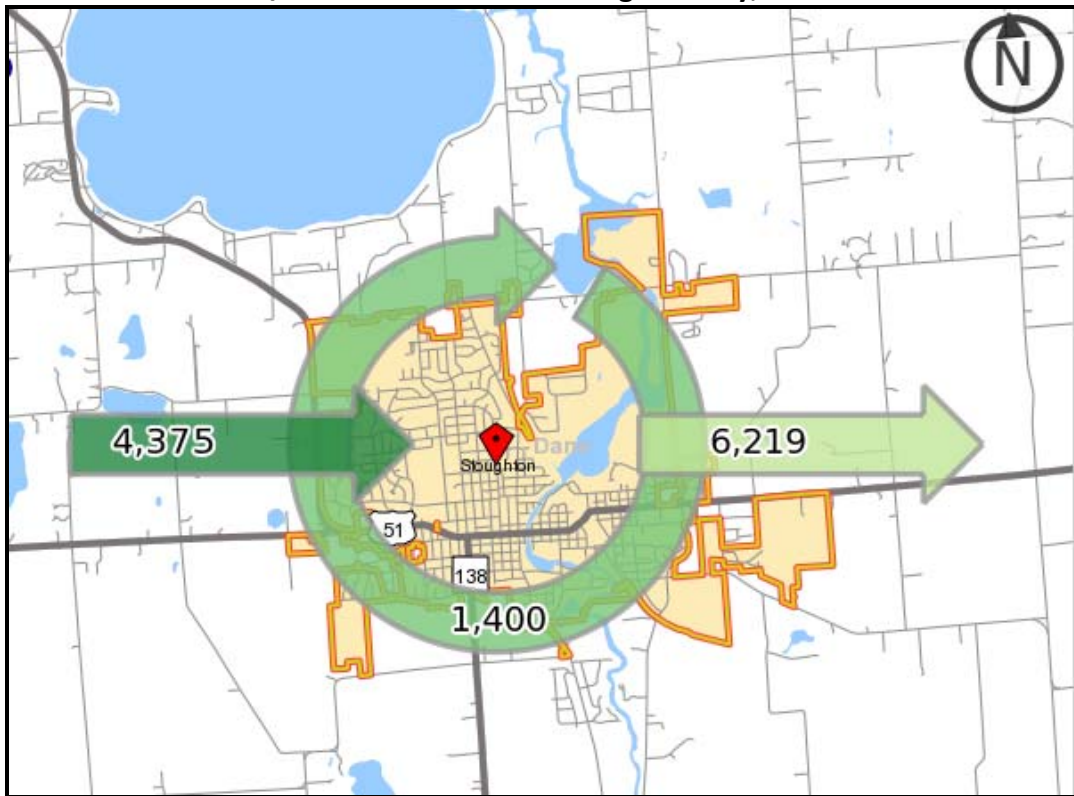
- As the table shows, 1,400 workers live and work in the City of Stoughton. City of Stoughton residents account for 18.4% of Stoughton workers. Nearly 38% of all Stoughton residents work in Madison, WI, about 2,890 workers. Other common work destinations for Stoughton residents include McFarland, Monona, Fitchburg, Oregon village and Milwaukee.
- Almost eighty-two percent of Stoughton’s residents work outside of the City. Of those, about 6.1% work in communities that are close to Stoughton including Fitchburg, Edgerton, the Villages of Oregon and McFarland.
- Stoughton is the top employment destination for residents of the City that work in the community with a 24.2% share followed by another 8.9% that live in Madison, 5.3% that live in Janesville and 2.6% that live in Edgerton.

DEMOGRAPHIC ANALYSIS

- Map 14 following Table 6 shows the number of workers that come into and leave the City each day and those that both live and work in Stoughton. As shown, 4,375 workers enter the City and 6,219 leave the City while 1,400 live and work in Stoughton.

WORK DESTINATION			HOME DESTINATION		
Place of Employment	Number Count	Share %	Place of Residence	Number Count	Share %
Madison city, WI	2,890	37.9%	Stoughton city, WI	1,400	24.2%
Stoughton city, WI	1,400	18.4%	Madison city, WI	515	8.9%
Middleton city, WI	163	2.1%	Janesville city, WI	306	5.3%
Monona city, WI	148	1.9%	Edgerton city, WI	152	2.6%
Milwaukee city, WI	136	1.8%	Evansville city, WI	109	1.9%
McFarland city, WI	110	1.4%	Sun Prairie city, WI	105	1.8%
Fitchburg city, WI	103	1.4%	Oregon village, WI	103	1.8%
Oregon village, WI	102	1.3%	Beloit city, WI	102	1.8%
Appleton city, WI	99	1.3%	Fitchburg city, WI	97	1.7%
Sun Prairie, WI	94	1.2%	McFarland city, WI	76	1.3%
Janesville, WI	84	1.1%	Milton city, WI	55	1.0%
Verona, WI	57	0.7%	Monona city, WI	41	0.7%
Edgerton, WI	55	0.7%	Deerfield village, WI	32	0.6%
All Other Locations	2,178	28.6%	All Other Locations	2,682	46.4%
Work Destination = Where Workers are Employed Who Live in the Selection Area					
Home Destination = Where Workers Live Who are Employed in the Selection Area					
Sources: US Census Bureau Local Employment Dynamics, Maxfield Research, Inc.					

Map 15
Inflow/Outflow of Workers-Stoughton city, Wisconsin



Summary of Demographic Trends

The following points summarize key demographic trends that will impact the demand potential for retail development on the subject Site.

- From 2000 to 2010, the PMA population increased 5.3% while the number of households expanded by 11.2%. By 2020, the PMA is projected to increase by 2,732 people and 1,283 households. Most of the population and household growth is expected to occur in Stoughton city and the Village of Oregon.
- Between 2010 and 2020, Dane County's population and household bases are expected to increase by 8.7% to 530,620 and by 9.2% to 228,371, respectively. As of 2010, the PMA contained only 7.0% of the County's population. This proportion is projected to remain relatively stable during this decade.
- Anticipated population growth in the younger age cohorts as well as the age 65+ cohort will create opportunities for a variety of retail services in the community.

DEMOGRAPHIC ANALYSIS

- The 2014 estimated median household income in the PMA (\$71,434) is 13.5% higher than the median household income in Dane County (\$62,919). Therefore, the Market Area is relatively affluent compared to the County, suggesting that households have more resources to devote toward retail services and goods. The median household income in the City of Stoughton however, is less than for the surrounding towns and villages, approximately \$20,000 to \$25,000 less, overall.
- By 2020, approximately 1,252 jobs are forecast to be added in the PMA. Employment over the decade is anticipated to increase by 7.8% in the PMA, compared to 22.7% in Dane County. A portion of these jobs, we estimate 220 jobs would be additional full and/or part-time jobs that would be added to Stoughton as a result of the new Kettle Park West Commercial Center. Overall, these jobs pay about \$11.00 per hour. An individual working full time, 40 hours per week, would earn about \$22,880 annually. An individual working part-time, say 20 hours per week, would earn about \$11,440 annually. Neither of these payments could be considered to be a living wage for either an individual or a multiple person household where the householder would be responsible for any dependents. A single person working full-time at an annual wage of \$22,880 would need to be able to rent an apartment for \$572 per month in order not to be cost-burdened. As of 2012, the estimated median gross rent in the City of Stoughton was \$818 per month, which is 43% higher than what a full-time worker at Walmart would be able to affordably pay. According to data from the 2012 American Community Survey, 27% of households in the City of Stoughton were paying a gross rent of \$599 or less per month. While home values in Stoughton are reasonable, an analysis of gross rent among units in the community identifies that there are a limited number of rental units at this rent level or lower.
- Between 2000 and 2010, the PMA is estimated to have gained about 1,087 jobs (7.2%).
- The unemployment rate in Dane County is currently 4.2%, which is considered to be full employment. Dane County's unemployment rate dropped from its peak in 2009 at 5.9% to its current rate of 4.2% as of June 2014. Prior to the Recession, Dane County's unemployment rate was quite low at about 3.4%.
- Improved hiring in the region is generating a return to the workforce for many individuals who had previously stopped looking for work. Dane County's labor force contracted modestly in 2011 and 2012, but then increased again in 2013 and 2014.
- About 18% of Stoughton residents work in Stoughton; the remaining 82% commute to other communities for work including Madison (38%), McFarland, Monona, Fitchburg, and Oregon village, among others. While Stoughton exports workers, 6,219, 4,375 workers come into the City daily for employment.

Introduction

This section presents and analyzes information relating to the retail market in Stoughton and the surrounding area and the potential for additional retail development that would be part of the Kettle Park West Commercial Center.

Information analyzed in this section includes consumer expenditures by Trade Area residents, retail sales trends, the commercial supply in the Trade Area, retail businesses by type in the Trade Area and the amount of retail expenditures remaining in the Trade Area and the amount leaving the Trade Area (known as leakage). An estimate of the amount of retail potential that could be recaptured in Stoughton is presented along with an assessment of the potential impact to existing businesses due to the expansion and relocation of the existing Walmart and the development of new retail space at Kettle Park West.

Consumer Expenditure Patterns

Table 7 shows consumer expenditures on retail goods and services in the PMA in 2013, according to data obtained from ESRI based on Consumer Expenditure Surveys from the Bureau of Labor Statistics. The table shows the average expenditures per household and the amount spent in the PMA by product or service. In addition, a Spending Potential Index (SPI) is illustrated for comparison purposes. The SPI is based on households and represents the amount spent for a product or service relative to the national average of 100. An SPI of 115 shows that the average annual expenditure by local consumers is 15% above the national average. The average expenditure reflects the average amount spent per household, while the total expenditure reflects the aggregate amount spent by all households in the area.

Consumer spending is influenced by market conditions and trends. In times of economic troubles, market conditions drive spending patterns, whereas in times of a booming economy consumer trends feature opportunity and convenience. Two-thirds of the national economy is driven by consumer spending. During the recession, households decreased spending, increased savings, and reduced credit card debt as many households were faced with job losses. In essence, when the housing market began its decline in late 2006 into 2007, consumer spending and consumer confidence followed.

During the recession, consumers curtailed their spending habits as credit and home equity lines diminished as available sources of cash. Consumer spending has rebounded in recent quarters, although current spending remains below its pre-recession level.

RETAIL MARKET ASSESSMENT

**TABLE 7
HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
PRIMARY MARKET AREA
2013**

Category	PMA Annual Expenditures		Dane Cty. Expenditures	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	Primary Market Area	Dane County
Goods & Services				Index	Index
Apparel & Services	24,936	1,726	1,764	76	78
Entertainment and Recreation	56,011	3,877	3,745	119	115
Nonprescription Drugs	2,008	139	130	112	105
Prescription Drugs	7,917	548	492	113	102
Eye Glasses & Contact Lenses	1,445	100	92	116	107
Personal Care Products	7,281	504	508	113	114
Day Care	7,512	520	532	117	120
School Books & Supplies	3,048	211	233	113	124
Smoking Products	7,296	505	521	104	107
Computer Hardware	3,395	235	242	117	119
Computer Software	751	52	52	117	120
Pets	19,763	732	683	137	128
Food				Index	Index
Food at Home	81,568	5,646	5,591	112	111
Food Away from Home	52,616	3,642	3,704	114	116
Alcoholic Beverages	8,784	608	639	114	120
Misc. Beverages at Home	7,614	527	526	111	111
Home				Index	Index
Home Mortgage Payment/Rent	170,648	11,812	10,456	125	110
Maintenance & Remodeling Services	28,446	1,969	1,700	122	105
Maintenance & Remodeling Materials	4,898	339	285	117	98
Utilities	82,666	5,722	5,535	113	110
Household Furnishings, Equipment, & Operations				Index	Index
Household Textiles	1,763	122	120	116	114
Furniture	8,090	560	559	116	116
Floor Coverings	448	31	28	121	110
Major Appliances	4,637	321	296	116	107
Small Appliances	737	51	50	115	111
Housewares	1,084	75	74	101	99
Luggage	159	11	11	120	119
Telephone & Accessories	780	54	58	101	109
Lawn & Garden	7,122	493	434	112	102
Moving/Storage/Freight Express	1,055	73	81	112	124
Housekeeping Supplies	11,688	809	778	114	109
Financial & Insurance				Index	Index
Investments	36,103	2,499	2,360	120	114
Vehicle Loans	64,332	4,453	4,382	116	115
Owners & Renters Insurance	8,524	590	516	120	105
Vehicle Insurance	19,763	1,368	1,339	115	113
Life/Other Insurance	7,426	514	450	118	103
Health Insurance	41,636	2,882	2,647	116	107

CONTINUED

RETAIL MARKET ASSESSMENT

Category	PMA Annual Expenditures		Dane County	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	Primary Market Area	Dane County
Transportation				Index	Index
Cars and Trucks (Net Outlay)	60,186	4,166	4,080	116	113
Gasoline and Motor Oil	50,492	3,495	3,442	113	111
Vehicle Maintenance/Repair	18,319	1,268	1,236	116	113
Travel				Index	Index
Airline Fares	7,960	551	542	120	118
Lodging	7,382	511	472	120	111
Vehicle Rental	592	41	39	121	115
Food & Drink	7,527	521	495	119	113
Summary					
Goods & Services	141,364	9,149	8,994		
Food	150,581	10,423	10,460		
Home	286,657	19,842	17,976		
Household	37,562	2,600	2,489		
Financial and Insurance	177,785	12,306	11,694		
Transportation	128,997	8,929	8,758		
Travel	23,462	1,624	1,548		
Total	946,409	64,873	61,919		
Note: The Spending Potential Index is based on households and represents the amount spent for a product or service relative to the national benchmark index of 100.					
Sources: ESRI Inc; Maxfield Research Inc.					

The following are key points from Table 7.

- Overall, residents in the Primary Market Area are estimated to spend approximately \$398.3 million on retail goods and services in 2013, excluding housing, finance/insurance, travel expenditures and vehicle purchases
- Average annual expenditures (excluding the categories mentioned above) are estimated to be \$26,935 per household in the PMA. This compares to an average in Dane County of \$26,621 per household in 2013.
- In virtually every product and service category, expenditures by PMA households are higher than the national average and modestly higher than the average for Dane County.
- Home expenses account for approximately 30% of total consumer expenditures in the PMA with residents spending between 3% and 17% more than the Dane County average.
- Average annual expenditures per household in the PMA are estimated to be approximately 5% higher than the Dane County average. Average annual expenditures in Dane County are estimated to be \$61,919, compared to \$64,973 per household in the PMA.

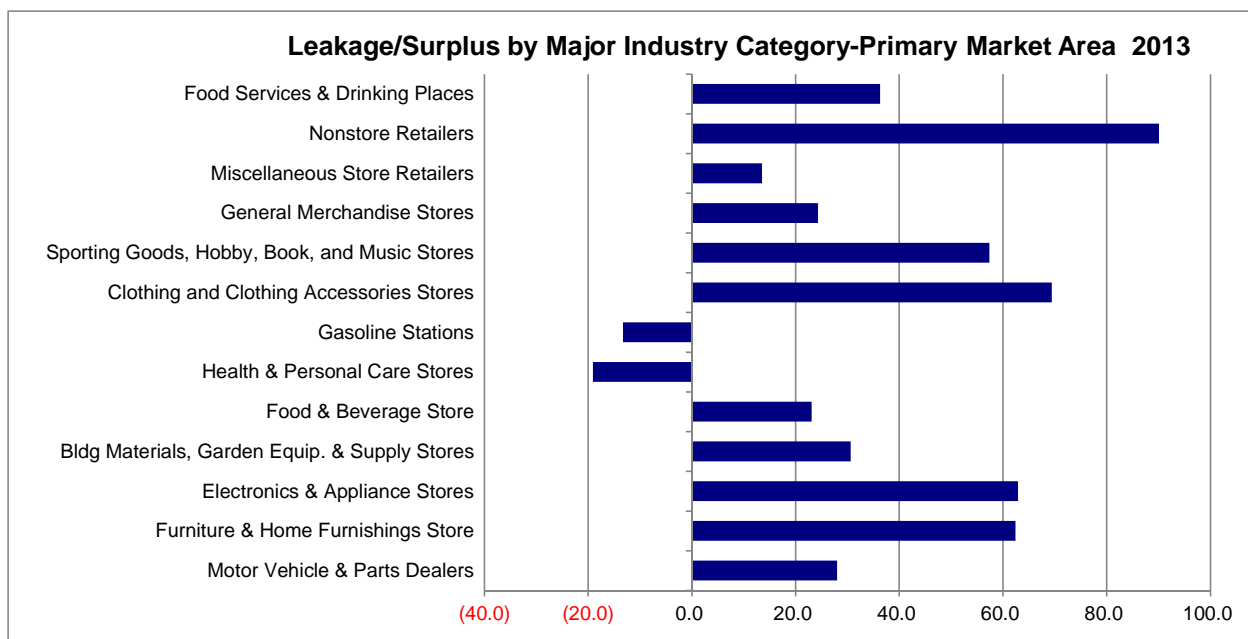
RETAIL MARKET ASSESSMENT

- The roughly 14,450 households in the PMA spent a total of \$946.4 million on retail expenditures in 2013. With the number of households projected to grow to 15,218 by 2020, households could be expected to generate an additional \$42.4 million in expenditures annually, not factoring in inflation or changes in spending by individual households. Kettle Park West would have an ability to capture a portion of this additional retail potential.

Retail Demand Potential and Leakage

Table 8 presents retail sales for the PMA in 2013. The sales information is from ESRI Inc. based on household counts from the U.S. Census Bureau. This information lists retail demand (potential sales), retail supply to consumers (retail sales) and provides a picture of the gap between the area's retail supply and demand. A positive value represents "leakage" of retail opportunity to stores outside of the PMA, while a negative value represents a surplus of retail sales, where customers are drawn to area retailers from outside the PMA. The following are key points of the retail demand potential. The chart shows leakage by major industry category. Sub-categories that have leakage are not reflected in the totals on the chart because there is such substantial leakage in other sub-categories that results in net leakage overall for the category.

- In 2013, the PMA had leakage in retail sales in many retail industry groups except for Other Motor Vehicle Dealers, Lawn & Garden Equipment & Supply Stores, Health and Personal Care Stores, Gasoline Stations, Department/General Merchandise Stores, Florists, Used Merchandise Stores, and Drinking Places-Alcoholic Beverages.



RETAIL MARKET ASSESSMENT

TABLE 8
RETAIL DEMAND POTENTIAL AND LEAKAGE
PRIMARY MARKET AREA
2013

Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus/Leakage Factor	Number of Businesses
SUMMARY					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$434,998,972	\$280,991,120	\$154,007,852	21.5	451
Total Retail Trade (NAICS 44-45)	\$392,290,275	\$261,047,741	\$131,242,534	20.1	356
Total Food & Drink (NAICS 722)	\$42,708,697	\$19,943,378	\$22,765,319	36.3	95
EXPENDITURE TYPE					
Motor Vehicle & Parts Dealers (NAICS 441)	\$75,808,651	\$42,681,437	\$33,127,214	28.0	21
Automobile Dealers (NAICS 4411)	\$65,253,915	\$35,412,519	\$29,841,396	29.6	8
Other Motor Vehicle Dealers (NAICS 4412)	\$5,118,858	\$5,508,653	(\$389,795)	(4.0)	7
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$5,435,879	\$1,760,265	\$3,675,614	51.1	6
Furniture & Home Furnishings Stores (NAICS 442)	\$8,292,981	\$1,922,723	\$6,370,258	62.4	10
Furniture Stores (NAICS 4421)	\$5,216,842	\$564,268	\$4,652,574	80.5	2
Home Furnishings Stores (NAICS 4422)	\$3,076,139	\$1,358,436	\$1,717,703	38.7	7
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$12,888,296	\$2,937,399	\$9,950,897	62.9	7
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$14,086,071	\$7,492,869	\$6,593,202	30.6	14
Building Material and Supplies Dealers (NAICS 4441)	\$11,883,781	\$4,142,355	\$7,741,426	48.3	12
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	\$2,202,290	\$3,350,514	(\$1,148,224)	(20.7)	2
Food & Beverage Stores (NAICS 445)	\$64,118,046	\$40,039,726	\$24,078,320	23.1	18
Grocery Stores (NAICS 4451)	\$59,584,071	\$36,577,269	\$23,006,802	23.9	10
Specialty Food Stores (NAICS 4452)	\$1,379,489	\$857,000	\$522,489	23.4	6
Beer, Wine, and Liquor Stores (NAICS 4453)	\$3,154,486	\$2,605,456	\$549,030	9.5	3
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$34,852,167	\$51,278,077	(\$16,425,910)	(19.1)	13
Gasoline Stations (NAICS 447/NAICS 4471)	\$47,382,550	\$61,907,647	(\$14,525,097)	(13.3)	8
Clothing and Clothing Accessories Stores (NAICS 448)	\$21,150,123	\$3,816,088	\$17,334,035	69.4	23
Clothing Stores (NAICS 4481)	\$14,084,373	\$2,191,799	\$11,892,574	73.1	15
Shoe Stores (NAICS 4482)	\$3,600,135	\$0	\$3,600,135	100.0	0
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$3,465,616	\$1,624,290	\$1,841,326	36.2	8
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$9,148,915	\$2,479,169	\$6,669,746	57.4	16
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 451)	\$6,983,819	\$2,044,632	\$4,939,187	54.7	14
Book, Periodical, and Music Stores (NAICS 4512)	\$2,165,096	\$434,537	\$1,730,559	66.6	2
General Merchandise Stores (NAICS 452)	\$63,086,049	\$38,380,336	\$24,705,713	24.3	4
Department Stores Excluding Leased Depts. (NAICS 4521)	\$31,597,335	\$38,378,394	(\$6,781,059)	(9.7)	3
Other General Merchandise Stores (NAICS 4529)	\$31,488,714	\$0	\$31,488,714	100.0	0
Miscellaneous Store Retailers (NAICS 453)	\$8,382,563	\$6,391,402	\$1,991,161	13.5	49
Florists (NAICS 4531)	\$487,550	\$2,048,309	(\$1,560,759)	(61.5)	5
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$2,744,093	\$536,096	\$2,207,997	67.3	13
Used Merchandise Stores (NAICS 4533)	\$1,503,764	\$1,863,409	(\$359,645)	(10.7)	11
Other Miscellaneous Store Retailers (NAICS 4539)	\$3,647,157	\$1,943,587	\$1,703,570	30.5	19
Nonstore Retailers (NAICS 454)	\$33,093,861	\$1,720,869	\$31,372,992	90.1	10
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$27,402,316	\$342,129	\$27,060,187	97.5	1
Vending Machine Operators (NAICS 4542)	\$1,594,360	\$865,168	\$729,192	29.6	3
Direct Selling Establishments (NAICS 4543)	\$4,097,185	\$513,572	\$3,583,613	77.7	6
Food Services & Drinking Places (NAICS 722)	\$42,708,697	\$19,932,378	\$22,776,319	36.3	48
Full-Service Restaurants (NAICS 7221)	\$16,379,335	\$5,965,792	\$10,413,543	46.6	12
Limited-Service Eating Places (NAICS 7222)	\$21,618,759	\$10,863,917	\$10,754,842	33.1	16
Special Food Services (NAICS 7223)	\$1,962,435	\$214,924	\$1,747,511	79.3	2
Drinking Places - Alcoholic Beverages (NAICS 7224)	\$2,848,268	\$2,898,746	(\$50,478)	(0.9)	17

Note: All figures quoted in 2010 dollars. Supply (retail sales) estimates sales to consumers by establishments, sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at a retail establishment. Leakage/Surplus factor measures the relationship between supply and demand and ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.

Sources: ESRI; Maxfield Research Inc.

RETAIL MARKET ASSESSMENT

- Highest leakage in retail sales occurred in Shoe Stores, Clothing Stores, Furniture Stores, Other General Merchandise Stores, Non-Store Retailers, Electronic Shopping, and Specialty Food Services. Leakage rates for these categories ranged from 73.1% to 100.0.
- By dollar volume, retail leakage was highest in the following retail categories: Automobile Dealers, Grocery Stores, Nonstore Retailers¹, Electronic Shopping², Clothing and Clothing Accessories stores and Full-Service and Limited Service restaurants.
- Data indicates that, while surpluses exist in a few categories, that there is the ability to capture a portion of sales that are currently being transacted outside of the PMA. Surpluses in some categories may reflect a larger draw area for those particular businesses that are currently drawing customers into the store from outside of the Primary Market Area.
- Considering the forecast age distribution and household incomes of the PMA population (incomes in the PMA are above the Dane County average), store types with high potential include: Clothing Stores; Furniture Stores; Home Furnishings Stores; Sporting Goods, Hobby, Musical Instrument Stores; and, Health and Personal Care Stores.
- Demand potential in the Trade Area can be expected to increase as the number of households increases.

Retail Mix in the Primary Market Area

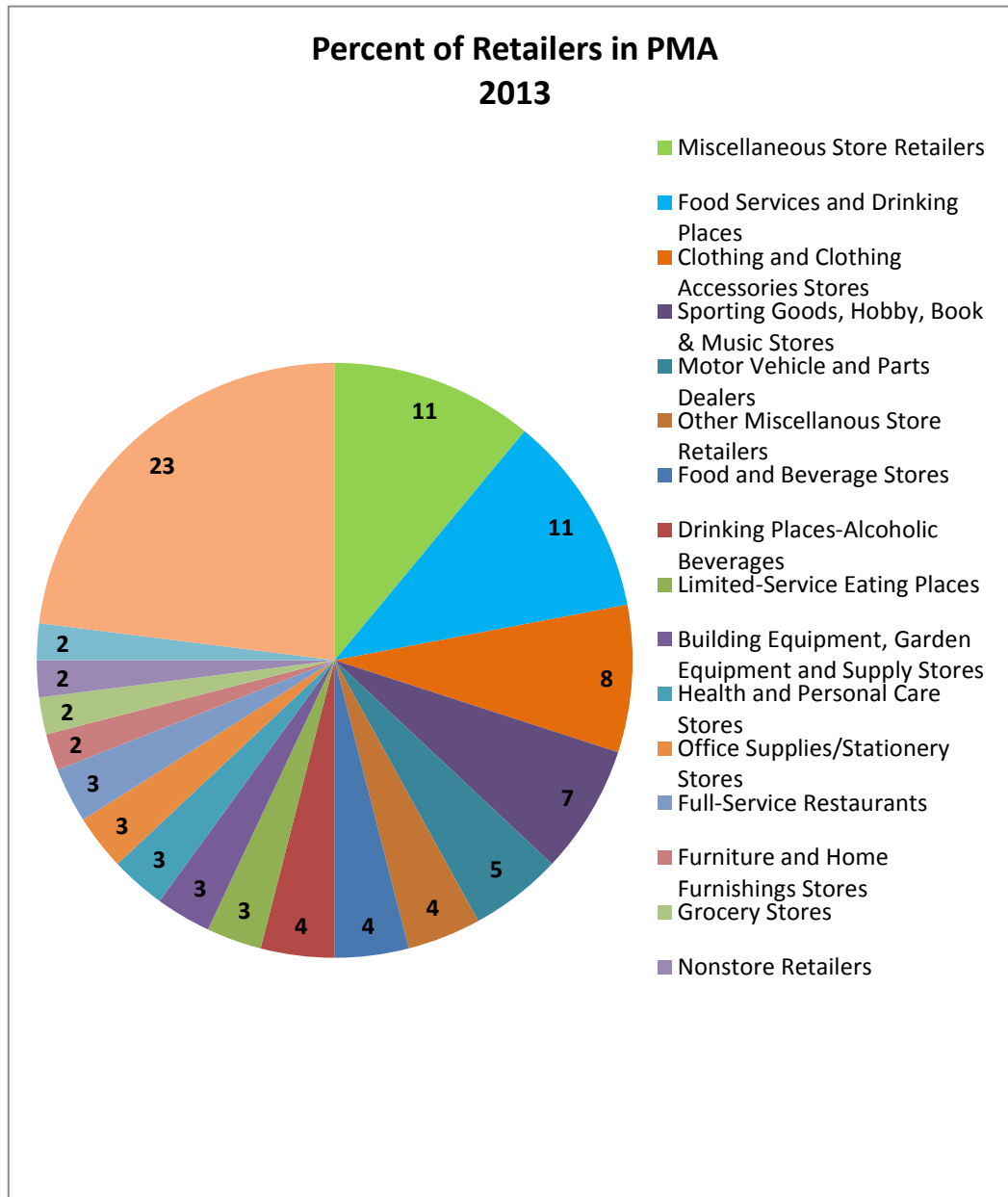
The chart on the following page displays information on the mix of retailers in the Primary Market Area. The information is based on the North American Industry Classification System (NAICS) for businesses in the Retail Trade and Food Services and Drinking Places sectors. This data is compiled by ESRI, Inc. as of January 2013. Infogroup references several sources to obtain their information including directory listings such as Yellow Pages and business white pages; annual reports; SEC (Securities and Exchange Commission) information; federal, state, and municipal government data; and, information from the US Postal Service.

¹ US Census: Non-store retailers include the broadcasting and publishing of infomercials, the broadcasting and publishing of direct-response advertising, publishing of paper and electronic catalogs, door to door solicitations, in-home demonstration, party plan sales, and selling from portable stalls. Establishments in this category include mail order houses, home delivery sales, party plan sales, and establishments engaged in the direct sale of products such as newspaper delivery and home heating oil dealers.

² Electronic shopping includes sales of goods and services via the Internet or television; also referred to as home shopping.

RETAIL MARKET ASSESSMENT

- Miscellaneous Store Retailers and Food Services and Drinking Places represent the largest number of retailers in the Primary Market Area, each at 11%. Clothing and Clothing Accessories Stores and Sporting Goods/Hobby/Books/Music Stores each represent 9% and 8% of all retailers in the Primary Market Area. By comparison, Food and Beverage Stores and Grocery Stores represent 4% and 2%, respectively. Health and Personal Care Stores represent 3%.



Selected Available Commercial Properties In Stoughton

Table 9 shows selected commercial parcels in Stoughton with available space. This information does not include all of the retail and office space that is currently available in Stoughton. The data is provided to show, in general, the types and amount of space available, lease rates, and a sampling of the centers’ tenant mix. Data was collected by Maxfield Research Inc. from commercial listings. Key points from the table follow.

- Spaces available in Stoughton include spaces in older buildings in the Downtown and spaces in newer shopping centers near where KPWCC would be developed. A mix of retail and office spaces was identified. Six of the properties are located to the west of Downtown Stoughton while the remainder is located in or near the Downtown. This does not include all commercial spaces that might be available, some of which may be competitive with the proposed Kettle Park West and some which may not.

TABLE 9 RETAIL SPACE AVAILABLE IN STOUGHTON August 2014					
Property	Total Sq. Ft.	Total Available	Lease Rate/SF	Sale Price	Selected Tenants
RETAIL					
317 S. Division Street	2,700	2,700	n/a	\$199,000	Bar on first floor
154 West Main Street	20,000	20,000	\$8.00-\$10.00	\$499,000	Four floors
111 Chalet Drive	18,000	18,000	n/a	\$499,000	Victoria's (Motel rooms)
2300 US Highway 51	64,250	9,050	\$8.30-\$14.00	n/a	Anytime Fitness, Stoughton Hospital
101 West Main Street	5,700	4,468	\$8.86	n/a	
2392 Jackson Street	19,725	6,317	\$11.00	n/a	Papa Murphy's, Radio Shack, UPS
168 West Main Street	3,960	3,916	n/a	\$152,000	1st floor storefront; upper apt.
220 South Water Street	2,640	2,000	n/a	\$170,000	
600 Nygaard	5,036	5,036	n/a	\$800,000	Restaurant or office space
OFFICE					
1520 Vernon Street	7,138	2,300	n/a	\$129,000	Office Condo
225 Hoel Avenue	4,500	4,500	n/a	\$360,000	former Church
1399 US Highway 51	7,000	7,000	\$12.00	n/a	former car dealership

Sources: Loopnet; Commercial Real Estate Services; Maxfield Research Inc.

- A total of 85,287 square feet of space is available. Of that total, 13,800 is designated as office space with the remaining square footage targeted toward commercial retail uses although office services would also likely work in some of the spaces.

RETAIL MARKET ASSESSMENT

- Eight of the properties are listed for sale with one of those listed as either for sale or lease. The remaining properties are for-lease. Quoted lease rates range from a low of \$8.00 per square foot to a high of \$14.00 per square foot for newer space. Spaces available on US Highway 51 near to KPWCC have higher lease rates and are generally newer buildings.
- Some of these spaces may compete for users with the new KPWCC, although attracting new and additional retail to the community could support the leasing activities of centers along US Highway 51.

Estimated Store Sales

Store sales vary dramatically by type and size of store. The average chain store in the Upper Midwest in neighborhood shopping centers had averages sales of \$285.68³ across all merchandise categories.

The following building utilization was provided to Maxfield Research Inc. by Forward Development Group for the Walmart supercenter and for the Kwik Trip outlet.

Walmart

General Merchandise	81,600 SF
Grocery	31,300 SF
Vision Center	1,780 SF
Pharmacy	680 SF
Office/Warehouse	35,008 SF
Tenant Spaces	1,200 SF (food) 730 SF (other)

Kwik Trip

General Merchandise	5,464 SF
Car Wash	2,774 SF

We understand that within the general merchandise lines, Walmart will be carrying a typical array of items that will include general hardware/paint, electronics and sporting goods.

According to Walmart corporation, the average net sales per square foot for Walmart stores was \$424 per square foot for fiscal year 2014. This is down slightly from 2013, when the figure was \$428 per square foot, but up from 2012, when the figure was \$421. Using the figure of \$424 per square foot, the new Walmart supercenter would average net sales per square foot of \$65.7 million. This figure includes Walmart discount stores and its supercenters in rural and urban markets. Walmart has most recently been opening smaller size neighborhood stores in urban markets which are about 1/10th the size of a traditional Walmart. Sales for Walmart stores are expected to be higher at supercenters because of the inclusion of more merchandise lines and the addition of the grocery component. Sales will also be higher in more densely populated urban and suburban locations. We estimate that the size of the existing Walmart store in Stoughton, which would be considered a small store among all Walmart stores at 41,000 square feet, and its location outside of a densely populated area, would have net sales per square foot that would be below the average for all Walmart stores. Data compiled from Reference USA based on information gathered from Infogroup (a division of Dun and Bradstreet), a national database of businesses revealed a 2014 estimated revenue total for the existing Stoughton Walmart of \$19,761,000 or about \$478 per square foot, much higher than the national average.

³ Dollars and Cents of Shopping Centers.

ECONOMIC IMPACT ASSESSMENT

Sales for the grocery component of the Walmart supercenter are expected to drive sales per square foot higher for the store as a whole, although grocery margins are lower than for other types of merchandise. Walmart implemented the grocery store component in its supercenters in order to drive more customers to its stores, thereby increasing sales among other merchandise lines. Walmart has gained a significant share of the nation's grocery store business through its discount pricing strategy and broad distribution. By 2011, Walmart's grocery sales in the US were \$145 billion and it had captured about 8% of the total grocery market in the US.⁴

Grocery store sales at community shopping centers average about \$400 per square foot although Kroger's, one of the nation's largest grocery stores averages \$440 per square foot and Pick 'n Save stores in Milwaukee, Wisconsin typically average about \$430 per square foot.⁵ Although the Stoughton Pick 'n Save is a smaller size store, data from Reference USA identified estimated store sales for this location at \$23,159,000 or an average per square foot of \$468, again higher than the average size store. We utilize this average to calculate the estimated grocery sales at the proposed Walmart supercenter, which would have 31,300 square feet dedicated to its grocery component. Additional information that has been disseminated publicly indicates that the grocery component may be as large as 40,000 square feet, but this is unconfirmed. Based on the above estimate, the new Walmart supercenter is projected to have annual sales for the grocery component of about \$14.7 million. Adding \$12.2 million to the projected total for the general merchandise component of \$52.0 million (additional floor space at \$430 square feet) would result in total projected sales for the store of \$66.7 million, an increase of \$46.9 million above its current sales per square foot.

TABLE 10
ESTIMATED WALMART STORE SALES
August 2014

	Store Size Sq. Ft.	Sales/ Sq. Ft.	Estimated Sales
Existing Walmart Discount	41,348	\$478	\$19,761,000
Proposed Walmart supercenter	152,298		
General Merchandise Sales	120,998	\$430	\$52,029,140
Grocery Sales	31,300	\$468	\$14,648,400

Sources: City of Stoughton; Reinvestment Fund; Reference USA; Maxfield Research Inc.

The increase in grocery store sales to the Stoughton area will be derived from the following market potential:

- Primary Market Area customers that are currently shopping for groceries outside of Stoughton, either in Madison or in their local community (i.e. Village of Oregon, Village of Brooklyn, City of Edgerton).

⁴ The Reinvestment Fund: Understanding the Grocery Market, September 2011.

⁵ Ibid.

ECONOMIC IMPACT ASSESSMENT

- Primary Market Area customers that are currently shopping for groceries at one of the local grocery stores or stores that sell food items that are not located in a convenience-fuel shop. This would include Pick 'n Save, Dollar General and other retail outlets that would offer groceries. Statistics have shown that Pick 'n Save is the retailer most likely to have sales cannibalized by the new Walmart supercenter because its discount pricing format is most similar in style to the price strategy of Walmart. According to Chain Store Guide's 2012 Grocery Industry Market Share Report, Roundy's has about 45% share of the market in southern Wisconsin and Walmart has about 14%⁶.

Because of the much larger size of the new Walmart supercenter store as compared to the existing store, we estimate that there may be some transfer of sales tax revenues to Dane County from northern Rock County or from Green County to Dane County from customers to the immediate south and southwest that may drive over to Stoughton to patronize the new Walmart supercenter store.

According to the property parcel information for the City of Stoughton, the size of the Pick n' Save component of the 1800 US Highway 51 property is listed as 49,481 square feet. The size of the Dollar General store is 11,156 square feet and the size of the Yahara River Grocery is 8,008 square feet.

Table 11 on the following page shows the estimated competitor store sales based on average sales per square foot and actual store size for each of the primary grocery outlets in Stoughton.

	Store Size Sq. Ft.	Sales/ Sq. Ft.	Estimated Sales
Pick 'n Save	49,481	\$468	\$23,159,000
Dollar General	11,156	\$103	\$1,216,000
Yahara River Grocery	8,008	\$375	\$3,010,000

Sources: City of Stoughton; Infogroup (Dun & Bradstreet); Maxfield Research Inc.

Total grocery store sales in the Primary Market Area are estimated at \$36.6 million annually. Stoughton is estimated to be capturing \$27.4 million or 75% of the grocery sales in the Primary Market Area. We note however, that a portion of these grocery sales are most likely coming from people that are currently living outside of the PMA so the market share capture rate of grocery store sales here may be overstated.

According to the previous demand-supply analysis found on Table 8, there is a grocery demand potential for the Primary Market Area of \$59.6 million. Therefore, about \$32.2 million in retail

⁶ Milwaukee Sentinel: August 19, 2012 "Walmart and Pick 'n Save Battle Over Milwaukee Market"

grocery potential is being spent at outlets that are outside of the Primary Market Area. This may include Walmart supercenter locations in Madison or in other communities or in other grocery stores in Madison and other nearby communities. In general, because of the perishable nature of many food items, shoppers tend to prefer to shop within 15 to 20 minutes of their residence.

The proposed Walmart supercenter is estimated to have annual sales of \$66.7 million including general merchandise and grocery sales. In calculating how store sales may be transferred within the region, we relied on information from Dr. Kenneth Stone, Professor Emeritus of Economics at Iowa State University. Dr. Stone is a well-known authority on retail trade analysis and has conducted numerous analyses of trade area segmentation and customer retail patterns for cities throughout Iowa and in the US. A 10-year analysis of the potential impacts of a Walmart store on small rural communities identified that initially a Walmart store would generate additional customer traffic to the entire community because it would draw in shoppers from a much broader trade area thereby boosting sales at many retail outlets within the first five years after being built. However, after a period of ten years, retail sales at many other store outlets were flat or declining. Some of this may also be because Walmart has continued to place its stores closer together than previously so the draw areas among various size populations may be smaller than previously. In addition, highly mobile populations now tend to drive out to larger retail concentrations with greater choices in a central location to expand their opportunity for greater choices. While convenience continues to be a top preference, choice options are perhaps the number two consumer preference and customers will often travel greater distances for both lower prices and greater choice.⁷

Table 12 shows the estimated sources of retail sales that would be potentially transferred from various areas to the new Walmart superstore. As shown, most of the sales transferred are expected to come from recaptured sales that are currently being captured in Madison or in communities outside of the Primary Market Area. However, we estimate that smaller stores in other locations would be likely to lose between 15% and 20% of their sales to the new Walmart supercenter while the existing total grocery sales transferred over may be about 10% in Stoughton. It is estimated that most of the transfer of store sales would come from Pick 'n Save and Dollar General which have formats and pricing similar to the proposed Walmart. Yahara Cooperative is unlikely to experience a significant decrease in sales as existing customers are already aware of that store's pricing and offerings. In addition, the customer profiles of the discount stores versus the cooperative are likely to be different.

⁷ Kenneth Stone. "Impact of the Wal-Mart phenomenon on rural communities. In Increasing the Understanding of Public Problems and Policies, Oak Brook, IL Farm Foundation: pp. 189-200.

TABLE 12
ESTIMATED SOURCES OF WALMART SUPERCENTER SALES
August 2014

	<u>Transferred from Stoughton Stores</u>	<u>Transferred from Stores in PMA</u>	<u>Captured Sales From Outside of PMA</u>
General Merchandise	10%	15%	75%
Groceries	10%	20%	70%

Note: Transferred from Stores in the PMA would be transferred from other stores not in Stoughton, but in the PMA

Sources: Iowa State University; Kenneth Stone; Maxfield Research Inc.

Potential Impacts to Businesses in Stoughton and in the Downtown

Stoughton is a small community located in southeastern Dane County and its economy is dominated by Madison and the larger communities that are adjacent to Madison that have more retail offerings. There is a large Walmart supercenter located in Monona, not too distant from Stoughton. It is likely that some Stoughton shoppers already travel up to Monona to shop at this outlet. Businesses in Stoughton already are competing regularly with merchants along the Madison beltline and at other discount retailers located further north in the City including such outlets as Kmart, Target, Shopko, Farm & Fleet and other Walmart stores.

Grocery competitors in the Madison market include Copps, Sentry, Cub Foods, Woodman, Whole Foods, Aldi, Trader Joe’s and smaller grocers. Walmart has gradually been replacing its smaller discount stores with supercenter stores that have groceries and supercenters are now located in the Milwaukee and Madison markets and are in direct competition with Target, Cub Foods, Copps and Pick ‘n Save stores, although Pick ‘n Save, Cub and Target’s grocery component are most similar to the pricing strategy used by Walmart.

In general, Stoughton’s retail base is dominated primarily by independent businesses in specialty categories. The community’s retail businesses serve local and nearby area residents in addition to visitors that come to Stoughton for a variety of reasons including medical and entertainment. Many of Stoughton’s businesses tend to serve local needs; however, there are a number of small specialty retailers that cater to customers that will travel greater distances to patronize some of the community’s local retailers. A number of the Downtown businesses have merchandise and retail formats that support specialty retailing.

Retailers whose merchandise lines are dissimilar from those that would be carried at the Walmart supercenter are those likely to be least-impacted from the opening of a new supercenter.

Conversely, those that operate or carry merchandise similar to the lines that will be offered at the new Walmart are most likely to experience the greatest impact and potentially the greatest

loss of sales. Initially, it is likely that the opening of the new Walmart will generate additional traffic into the community increasing sales overall in nearly all categories. We are more concerned with the addition of retailers to the mix that may offer merchandise that would be in direct competition with Downtown retailers as other retail outlets and spaces are leased at Kettle Park West.

Potential Business Impacts

Pick 'n Save

The opening of a new Walmart supercenter store with a grocery component is most likely to have the greatest impact on the existing Pick 'n Save store. While new Pick 'n Save stores average 60,000 square feet, the store in Stoughton is smaller, with only 49,000 square feet. Pick 'n Save has been reacting directly to new openings by Walmart and has been developing strategies to protect their market share, especially in the Milwaukee market. The existing Pick 'n Save store is dated and needs to be updated. At this time, we do not know if the owner of the space which Pick 'n Save currently leases will work with the company to upgrade its space or if Pick 'n Save may choose to relocate and vacate its existing space or may leave the Stoughton market. We anticipate that Pick 'n Save may lose up to 10% of its sales to new Walmart supercenter store if it remains in its current location with no upgrades to its facility. If it upgrades in its current location or expands further into the existing Walmart store space, then the impact to sales over time may be less, but additional investment will be needed to achieve the higher sales goal.

As mentioned in the article on Roundy's competitive strategy with Walmart in the Milwaukee market, Roundy's has recently shifted its format in its newer stores to a more upscale profile offering more deli and prepared meal offerings, and other convenience features and improving its meat and produce segments, but strategically identifying discount items in order to compete head-on with Walmart.

Dollar General

Dollar General is perhaps the primary direct competition for the existing Walmart discount store and for the new Walmart supercenter in the general merchandise category although Dollar General and other dollar-type stores have also moved into the grocery area in an effort to capture additional traffic to support their merchandise sales. The store in Stoughton has 11,156 square feet, which is somewhat larger than the average Dollar General store at 9,000 square feet. Dollar General primarily targets low-margin, high volume items in order to generate a profit. Dollar General has, up to now, successfully competed with the existing Walmart, Pick 'n Save and other regional competition. Its ability to continue to compete successfully against a Walmart Supercenter will depend primarily on price and its ability to discount in a manner similar to Walmart. We estimate that Dollar General could lose about 5% of its sales initially to the Walmart supercenter because of its location in a smaller community outside of the urban area.

Jacobson's Bros. Meat and Deli

Jacobson's Bros. Meat and Deli is located immediately southwest of the proposed Kettle Park West Commercial Center and directly across from the proposed new Walmart supercenter. Although Jacobson's is a specialty retailer, we estimate that its sales could be positively impacted from the opening of the supercenter and from additional retail uses that would be developed in Kettle Park West. The Walmart supercenter is expected to expand the current Market Area for goods and services in Stoughton and will bring more customers to the area, some of which would be likely to stop at Jacobson's because of its close proximity to the development. We estimate that Jacobson's could see its sales rise by 5% to 10% initially due to the opening of the Walmart supercenter and that this outlet may benefit later on by other retail development. However, if the new center attracts a number of food outlets, the increase in sales that may have been experienced at the supercenter's opening is likely to be negated.

Yahara River Cooperative Grocery

This facility is located in Downtown Stoughton and has 8,000 square feet of space. It features a variety of organic items, natural and specialty foods. Customers shopping at the coop are unlikely to be those that would shop at Walmart as an alternative. Although we do not see much impact to Yahara by the Walmart supercenter grocery component, the potential impact here could be on how Walmart markets its produce in the Stoughton market. There is a potential negative impact here if Walmart carries a greater proportion of organic items and more specialty items than would be traditional. In the event that this happens, we estimate that Yahara could have a negative impact to sales of an estimated 5%.

Grocery Stores in the PMA outside of Stoughton

Grocery stores in Oregon village and Brooklyn and Edgerton would have a higher propensity to lose sales from the opening of a Walmart supercenter in Stoughton. Stores such as Bill's Food Market in Oregon and Save-a-lot and Piggly Wiggly in Edgerton may be modestly affected by the opening of the Walmart supercenter store, losing a small amount of market share to the larger retailer from customers that will travel to Stoughton and do their shopping in one stop.

Grocery Stores in the Madison Area

Other grocery stores in the Madison area are also likely to lose some market share, especially those that are in closest proximity to Stoughton and are located along or near the south beltline highway or in the communities of Fitchburg, McFarland and Monona. This would include the existing Walmart supercenter in Monona. We do not estimate the potential impact to these stores as they are located outside of the Primary Market Area and would not affect sales or businesses within the community to any degree.

Pharmacy

The existing Walmart store has a pharmacy. While we expect increased pharmacy sales in Stoughton with the new supercenter store, much of the increase in pharmacy sales will be derived from new customers to the supercenter store and not from existing customers in Stoughton who already have established their current shopping patterns. McGlynn Pharmacy has been operating in Stoughton for a number of years. If the Walmart supercenter would carry a higher number of personal care items however, this could negatively impact McGlynn perhaps not immediately, but within five years of the supercenter opening.

Garden Centers/Floral

Walmart has a garden center at its existing location. A larger garden center area could capture some sales away from other garden centers in Stoughton and from garden centers that are in the Primary Market Area but outside of Stoughton if this area is expanded and improved with the new supercenter. Lawn and Garden supply stores are currently experiencing a surplus of retail potential, indicating that they are drawing customers into the Stoughton market. Sales in this area could increase with the opening of the new supercenter, but some sales from the existing stores may be cannibalized by the new Walmart supercenter. Walmart also offers flowers, but they do not provide the range of services that existing full-service floral shops in Downtown Stoughton would offer. We envision no impact to existing full-service floral shops in Stoughton with the opening of the new supercenter store.

Eye Care Outlets

The primary competitors for eye care services in Stoughton are Dean Clinic and Barry Optical in Stoughton. Both offer optometry services and eye care services. These facilities however already compete directly with Walmart and other competitors in nearby and surrounding markets. We estimate that these facilities will not see any substantial decrease in sales from the opening of the supercenter.

Hardware and Lumber

Asleson's True Value Hardware is located on US Highway 51 west of the Downtown district and in close proximity to the proposed Kettle Park West development. This is a general hardware store and is a STIHL dealer, offering STIHL products to their customers such as chainsaws, edgers and trimmers, augers and drills, and other hardware machinery. Walmart would be likely to compete with Asleson's on general hardware materials such as paint, general cleaning items, paint supplies, and small machine tools. With the opening of a Walmart supercenter, we estimate that Asleson's sales may be negatively impacted by an estimated 5% to 10% of sales.

Stoughton Lumber Co. also offers general hardware and building materials and provides a variety of servicing and repair such as blade sharpening, automotive key cutting, carpet cleaning machine rental, pipe cutting and threading, propane, screen repairs, small engine repair, among

others. They also provide general hardware and paint including paint supplies. With the opening of a Walmart supercenter, we estimate that Stoughton Lumber Co.'s sales could be negatively impacted by between 5% and 10%, primarily on the items that would be in direct competition with products sold by Walmart.

Sporting Goods

Stoton Cycle is located on Washington Avenue in Stoughton and sells bicycles and services them. The opening of a Walmart supercenter might be likely to directly affect bicycle sales for children's bicycles and bicycles that are more leisure oriented and less high performance. Those purchasing high performance bicycles are more likely to purchase their products at a specialized dealer and would also want to have service available to them. We do not anticipate a significant negative impact on sales for this type of service, but to the extent that other retailers in the community may provide items such as various sports equipment for softball, baseball, soccer, etc., a portion of these sales could be transferred over to a Walmart, where prices for these items are likely to be discounted.

Electronics

Similar to Costco, Best Buy and Target, Walmart will be carrying a variety of electronics, including cell phones, cameras, video cameras, TV, and other electronics products. These items are usually cross-shopped by customers and are heavily discounted. Radio Shack and US Cellular are located in Stoughton across US Highway 51 from the proposed Walmart supercenter. These businesses are likely to be heavily impacted by the selling of electronics products at Walmart. We anticipate that these businesses could see up to 25% to 30% of their electronics business move over to Walmart over a period of time.

Fast-Food Outlets

There are a number of fast food outlets in Stoughton which include Papa Murphy's Pizza, Jimmy John's sandwiches, Pizza Hut, Culver's, Arby's and others. Many Walmart supercenters feature a fast food outlet such as Subway as a separate leased area in their stores. There is currently surplus retail potential in this category in the amount of \$10.8 million. Often these outlets can generate additional sales by locating in close proximity to each other. However, the fast food business has become highly competitive with franchises competing for what is viewed as increasing competition and a somewhat shrinking market as some of the healthier, fast casual options have hit the market and their sales have soared. This food category is not likely to experience a negative impact directly from the Walmart supercenter. However, if other fast food restaurants or fast casual restaurants are recruited to the Kettle Park West Commercial Center, some local outlets may experience increased competition and some loss in sales. Because there are no specific competitors that have been identified at this time, we are unable to specifically quantify a direct impact to any of the existing outlets in Stoughton.

Gasoline

Kwik Trip currently operates in Stoughton and it will open a new facility in Kettle Park West. Some of Kwik Trip's existing sales in Stoughton may be cannibalized by their new facility in Kettle Park West. However, this is a corporate decision by Kwik Trip to open in this location, intending to capture additional market share with a new outlet. Gasoline sales are typically those of highest convenience and outlets are located on sites that have the potential to capture a high proportion of drive-by traffic. Competitors in this market include BP, Citgo and Kwik Trip in addition to PDQ. The outlets most likely to be negatively impacted by the opening of a new Kwik Trip would be those that have the least amount of convenience items in addition to selling gasoline. As this market has evolved over the past ten to fifteen years, convenience store sales in addition to gasoline have increased substantially. Outlets offering repair services in addition to gasoline sales may also be negatively impacted with the automotive offerings at the Walmart supercenter. The potential negative impact to sales at facilities in Stoughton other than Kwik Trip is estimated at 10%.

Alcoholic Beverages

Although not confirmed with Walmart or the developer, some information was disseminated at a public meeting which may indicate that Walmart intends to obtain a license to distribute beer, wine and liquor. If this occurs and the Walmart supercenter intends to carry these items, liquor stores in Stoughton could be anticipated to see some of their sales transfer over to Walmart in these categories. Also grocery stores that sell alcoholic beverages may also lose some of their alcohol sales in the grocery store to the new Walmart supercenter. Because liquor sales are incorporated within grocery store sales, we are unable to separate the impact on grocery store sales from liquor sales.

Other Retail Categories

The proposed Walmart supercenter will carry merchandise lines that include the following products that would compete with existing businesses in Stoughton:

- Office Products and Supplies
- Card/Gift Shop
- Floral Shops
- Clothing Stores
- Sewing, needlework shop

All of these businesses have continued to operate and compete with the existing Walmart in Stoughton. We anticipate that these outlets will continue to differentiate their product offerings sufficiently from those of Walmart and to employ business strategies that will enable them to maintain and grow their customer bases. A few of these outlets may receive increased sales from customers that come to the area to shop at Walmart but are looking for something that is

different. Businesses most likely to be negatively impacted by a new Walmart supercenter would be office products and stationery, including greeting cards.

Downtown Stoughton currently has a variety of specialty stores and service businesses located in a historic, traditional Downtown retail environment. These stores can be grouped together in the following retail categories:

- Food and Beverage Outlets
- Needlework and Crafts
- Antiques
- Clothing and Clothing Accessories
- Specialty Foods
- Gifts
- Sporting Goods
- Used Merchandise
- Art Gallery and Framing
- Furniture
- Jewelers
- Home Furnishings/Accessories
- Books
- General Merchandise
- Personal Care Products and Services
- Business and Personal Services
- Financial Services

Several of these businesses are no longer located in the Downtown while new ones have opened or existing businesses have changed hands since 2007.

Literature Review on the Potential Impacts of Walmart Stores

There are many articles that have been published regarding the potential impact of the opening of Walmart stores on small, medium and large size communities. Two studies completed by Dr. Kenneth Stone, Professor Emeritus of Iowa State University in Ames, Iowa, showed that the initial impacts of the opening of Walmart stores in smaller cities in Iowa (population sizes and counties in the State of Mississippi) were positive with communities experiencing a greater influx of retail sales dollars into the community during the first five years after the opening of a Walmart store. In the fifth year and subsequent years thereafter, the positive impacts began to stabilize and then decrease.

Key findings of the analysis:

- Annual sales (pull factors) for the general merchandise category in host counties increased substantially from 40% in the first year to a peak of 59% four years after the opening of Walmart supercenter. Conversely, average general merchandise sales in the nonhost counties decreased nearly annually from the time of the opening of the first supercenters in Mississippi.
- Walmart supercenters in Mississippi captured most of their food sales from existing food stores in the host county. Consequently, host county foods stores experience average annual declines in sales from 10% in the first year to nearly 17% after five years. Counties without a supercenter managed to maintain grocery store sales at a fairly steady level after the opening of a supercenter in an adjacent county.
- Furniture stores in host counties experienced an increase in sales for most of the years following the opening of a supercenter.
- Building materials stores in host counties experienced an average of approximately 8% and 12% increases for the first and second years, respectively after the opening of the Walmart supercenter. However, building materials sales improved more significantly with the opening of large “big box” home improvement stores. Nonhost counties continued to lose sales to Walmart supercenters and to the home improvement stores.
- Walmart supercents capture substantial amounts of miscellaneous retail trade from the host counties, ranging from 3% the first year to over 9% by year five. Most of this trade is captured from stores in the host county as stores in the non-host counties experienced relatively little change in sales. The study concludes that this is likely a result of the supercenter filling merchandise gaps in the existing general merchandise stores in the nonhost counties.
- Total sales in host counties increased from over 3% in the first year to over 10% in year four, before declining to the 4% in year five. This is consistent with previous findings by authors in other states conducting similar research. After the four-year period, it appears that the decline is caused by a saturation of Walmart supercenters and other large stores. The non host counties experienced a decline of total sales after the opening of supercenters, their losses being somewhat offset by the stability of food store sales and miscellaneous retailers.
- Dr. Stone acknowledged that it cannot be proven conclusively, but that the evidence for Mississippi suggested that for every gain in sales by supercenter-related goods, there were corresponding losses in sales for businesses of these types (i.e. general merchandise, food retailers, building materials retailers) in the host counties and in some cases, from non host counties.

Elena G. Irwin and Jill Clark in their article "Wall Street vs. Main Street:" What are the Benefits and Costs of Walmart to Local Communities identify some of the observed impacts and costs associated with the opening of a Walmart store⁸. According to the authors, Basker's study (2005) found that smaller retailers with fewer than 20 employees had an average of four small retailers displaced five years after the opening of a Walmart. In contrast, the number of medium-size retailers (20-99 employees) declined by only 0.7 retailers after five years.⁹

Local Economies: A study of Iowa rural towns by Stone (1997) found that total sales for the towns in which a Wal-Mart opened increased by six percent two years after the Wal-Mart opened, but after ten years, sales were four percent below the pre-Wal-Mart level. Stone concludes that this downturn probably reflects the opening of several large retail stores in proximate urban areas that, in turn, recaptured trade from the Wal-Mart towns. This dynamic reflects a broader trend of rapid growth in the number of retailers in recent years across the United States; for example, the number of general merchandise retail establishments in the United States increased by 4,000 between 1997 and 2002. Stone, Artz, and Myles (2002) conclude that in many rural areas, a "zero-sum game" frequently prevails: a new entrant (such as a new Wal-Mart store) captures its sales from existing businesses rather than from a growing market and thus there are often no net gains in sales revenues.

Macro-level effects: Many claims have been made about Wal-Mart's positive and negative impacts on the national and even global economy. While a thorough review of research on this topic is beyond the scope of this paper, we mention two potential impacts because of their relevance to local communities. First, many have asserted that Wal-Mart's adherence to low prices and their strong bargaining position with suppliers has helped to keep down consumer price inflation. In a study of the national economy, the consulting firm Global Insight Inc. (2005) estimates that the expansion of Wal-Mart from 1985 to 2004 is associated with a 3.1% decline in overall consumer prices as measured by the Consumer Price Index.¹⁰

Second, many have claimed that Wal-Mart has hastened the flight of U.S. manufacturing jobs overseas through aggressive global sourcing of inputs. Basker and Van (2005) provide evidence that the import share of apparel sales at Wal-Mart stores is substantially higher than the average apparel retailer. However, while such practices may *accelerate* manufacturing job loss at the national level, the loss of manufacturing jobs from the U.S. is a long term trend that is the result of many global economic and political forces. Global sourcing of manufacturing began in the early 1980s and has happened irrespective of Wal-Mart's existence and growth.¹¹

Net impacts: In summary, consumers have benefited from Wal-Mart's tremendous cost efficiencies in the form of greatly reduced retail prices, which generate substantial savings to U.S.

⁸ Elena G. Irwin and Jill Clark, "Wall Street vs. Main Street: What are the Benefits and Costs of Walmart to Local Communities?" Choices, the Magazine of Food, Farm and and Resource Issues. 2nd Quarter 2006 Vol 21.

⁹ E. Basker, "Job creation and destruction? Labor market effects of Walmart expansion. Review of Economics and Statistics, 87 (1) 174-183.

¹⁰ Global Insight Inc. (2005), "The economic impact of Wal-Mart"

¹¹ E. Basker and P.H. Van. "Putting a smiley face on the dragon: Wal-Mart as catalyst to the US-China trade. Paper presented at the Allied Social Sciences Association meeting, Boston, MA, January 6-8, 2006.

consumers annually. However, evidence also shows that Wal-Mart does not bear the full economic and social costs of its business practices. As a result, the benefits and costs are unevenly distributed across individuals. Those who are employed in non-retail sectors of the economy reap substantial benefits from lower prices and absorb some of the potential costs if tax revenues are needed to cover increased social costs. Those employed in the retail sector absorb the additional cost of lower wages, fewer benefits and a potentially shrinking employment base.

Authors David Neumark, Junfu Zhang and Stephen Ciccarella in the *Journal of Urban Economics* published their research findings on “The Effects of Walmart on Local Labor Markets.”¹² Their research estimated the effects of Walmart stores on county-level retail employment and earnings after accounting for the potential statistical bias that may result from the location and timing of Walmart opening which may bias the evidence against finding adverse impacts of Walmart stores. They have utilized an instrumental variables approach that arises from the geographic and time pattern of the opening of WalMart stores, which slowly spread out from the first stores in Arkansas. The employment results indicate that a Wal-Mart store opening reduces county-level retail employment by about 150 workers, implying that each Walmart worker replaces approximately 1.4 retail workers. This represents a 2.7 percent reduction in average retail employment. The payroll results indicate that Wal-Mart store openings lead to declines in county-level retail earnings of about \$1.4 million, or 1.5 percent. Of course, these effects occurred against a backdrop of rising retail employment, and only imply lower retail employment growth than would have occurred absent the effects of Walmart.

Many more articles have been written on the impacts (positive and negative) of Walmart stores entering a community. It has generally been documented that Walmart stores tend to have the greatest impacts on small rural communities (populations of less than 10,000 people), businesses with fewer than 20 employees. Despite these findings, Walmart continues to expand and is currently the largest retailer in the United States. There is no doubt that Walmart customers have found its offerings to be of value to them. Walmart’s revenues grew significantly during the economic downturn, but it has experienced a more difficult time retaining some of those customers that as the economy has improved have shifted their shopping to other retail outlets.

Potential Real Estate and Property Tax Impacts

This section discusses the potential impacts to real estate property values and property tax impacts on the real estate market in Stoughton as a result of the opening and development of Kettle Park West.

Maxfield Research Inc. identified the following retail vacancies in Stoughton. Although some spaces are not currently vacant, businesses and buildings are up for-sale. This does not imply

¹² Neumark, Zhang and Ciccarella. “The Effects of Walmart on Local Labor Markets.” *Journal of Urban Economics*, December 25, 2006, July 8, 2007 (revised).

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that there will be a vacancy, but if a buyer cannot be found for properties that are available for sale or if these properties must be sold as a substantially reduced value, this could positively impact lease rates for existing or future tenants or could negatively impact property tax collections if the value of the property decreases due to a distressed sale.

The closing of the Walmart store in Stoughton will create a large vacancy of 41,300 square feet, which will be the largest in the community. A building in the Downtown which currently houses an antiques dealer is up for lease with 20,000 square feet of space. A car dealership is also vacant on US Highway 51 in the Kettle Park West area which has 7,000 square feet, the third largest vacancy that we identified in the community.

Additional bays and spaces in some stores range in size from about 1,000 square feet up to 4,500 square feet of space. Most of these are located in new retail centers with uses such as medical office, business services, and food and beverage outlets. Retail lease rates range from a low of \$8.00 per square foot to a high of \$13.00 per square foot. New retail space will typically require lease rates above \$13.00 per square foot, on average. As such, tenants will lease space in the new center are most likely to be national chains or regional independents that have several locations in the area or in the upper Midwest.

Again, similar vacancies in smaller buildings existing in most of the other nearby communities including Oregon, Edgerton, McFarland and Evansville. It is anticipated that the closing of the existing Walmart will create the largest vacancy in the Primary Market Area and that this space will either need to be improved, released to another user, or removed from the market. Each of these alternatives presents a different impact to the community.

The Primary Market Area is currently leaking approximately \$154 million in retail sales annually. Although some of these sales could and are expected to be recaptured back into the market, new retail outlets in certain categories may have less surplus while others have greater surplus. As is often the case, stores that would be interested in taking 41,000 square feet of space may also be those that would consider locating in Kettle Park West in new space rather than older space. The existing Pick 'n Save might not be viewed by other retailers as compatible with some other big box uses. Or a larger big box retailer could decide to enter the market creating further disruption among existing smaller retailers. We consider the following scenarios with respect to the vacated Walmart space:

- 1) Space is filled by a new user that will take the entire 41,000 square feet and would generate sales of \$260 per square foot, the average for this size user in several different merchandise categories. The user coming into the market would generate an estimated \$10.8 million annually in sales. Depending on the user, this could increase total retail sales to the community, but is also likely to cannibalize some existing uses, we estimate 10% of sales that would have gone to other users in the community.

2) Most of the space is occupied by an upgraded and remodeled Pick 'n Save to compete more directly with the new Walmart grocery component. Pick 'n Save expands its store area to 60,000 square feet in this market, leaving another 31,000 square feet to be reconfigured for several retailers or for another single user. In this situation, Pick 'n Save captures an additional \$4,000,000 in sales, a new retailer captures another \$8.0 million in sales, but there is still a reduction in sales among other retailers in the Primary Market Area of 5% in total overall.

3) The space remains vacant adjacent to Pick 'n Save and continues to deteriorate. Pick 'n Save decides to expand but relocate to another site and construct a separate new store of 60,000 square feet to compete directly against Walmart. Eventually, this building is removed and a new building is built on the property to target another user. Increase in new retail construction to develop the new building and an increase in sales of \$4.0 million or more with the new store.

4) The space is reconfigured to a non-retail use such as office, industrial. There is no impact on retail sales in the community, but Pick 'n Save may experience some difficulty if it does not remodel or expand to maintain its existing market share.

With 41,000 additional square feet available in the Stoughton market in addition to the 70,000 square feet of retail planned to be developed over time in Kettle Park West, there would now be a total of 111,000 square feet of retail/office space being marketed. Another 42,937 square feet is available in various buildings throughout the community and 31,924 square feet is vacant and available for office uses. In total, there will be 185,861 square feet available to fill in Stoughton. At an average sales per square foot of \$260 for the retail space, this space could potentially attract \$32.2 million in sales into the community. If the spaces remain vacant for a significant period of time, then there would be a loss in income to the property owner and potentially a loss in value of the property resulting in lower property tax collections and no additional sales taxes resulting from the use of these spaces.

Crown Development recently purchased the existing building that is occupied by Walmart and Pick 'n Save with the understanding that Walmart will be vacating its space and building new. The new owners are confident that they will be able to release the vacated space but have not yet publicized any specific potential tenants.

Building Lifespan

The new Walmart building will be constructed of concrete with a steel frame. The building will have large clear spans and could be subdivided and adaptable to a number of future uses including retail, office or industrial. As mentioned in the RA Smith analysis of 2007, lenders typically finance buildings of this type over a 20-year timeframe. Their lifespans are approximately 40 to 50 years, but these buildings must often be remodeled periodically (about every 10 to 15 years) given the current nature of retailing. In addition, we have noted in other submarkets that Walmart currently is leaving its leased spaces in other locations to expand its footprint if there is no space available in its current center. Because of the large size of these stores, it is often difficult to find enough mid-size or smaller size users to fill all of the space vacated by a

Walmart discount store or supercenter which are usually 100,000 to 200,000 square feet in size.

Alternate Site Uses

The West Side Neighborhood Plan has been adopted by the City of Stoughton and incorporated into the City's Comprehensive Plan. The West Side Neighborhood Plan provides for the development of a commercial district that will abut US Highway 51 on the west side and extend from State Highway 138 up to approximately

Despite the adoption of this plan by the City, there may be a need at some time in the future to consider alternate uses for this site in the event that the implementation of the current West Side plan stalls or Walmart relocates to another site. While we do not anticipate a relocation occurring in the near term, a number of mid-size big box stores are disappearing from the market or consolidations are occurring among similar format retailers causing some stores in certain submarkets to be vacated or not included in a sale. The closing of Border's Books and several Barnes and Noble stores, Office Depot stores, and WorldPlus Market stores, in addition to the newly announced merger between Dollar Tree and Family Dollar, which is expected to result in additional store consolidation, brings increased uncertainty to retail markets in relation to bricks and mortar stores and their potential reuses.

The location of this property makes it ideal for commercial use due to its high visibility and convenient access adjacent to two major thoroughfares. As Stoughton expands, it is likely and reasonable to expect that the land area that has been dedicated for Kettle Park West would be developed with commercial retail, office and/or industrial uses. Residential uses are appropriately planned for the area further west of the commercial district to avoid noise and congestion from the highway and to serve as a buffer between the residential and commercial uses.

Property Taxes

Maxfield Research Inc. reviewed property tax values for existing commercial parcels in the City of Stoughton as provided by the Assessor. The information is current as of 2014, but the tax values and assessment values have not yet been formerly approved by the Tax Board. Table 13 below shows the tax values associated with various commercial properties in the City of Stoughton with taxes paid as of 2013.

ECONOMIC IMPACT ASSESSMENT

TABLE 13
VALUES OF SELECTED COMMERCIAL PROPERTIES IN STOUGHTON
August 2014

Location	Land Value	Parcel Size	Sq. Ft. of Building	Value/ Acre	Value/ Square Ft.	Improvements	Total Assessed Value	2013 Property Taxes Paid
Walmart/Pick 'n Save	\$762,700	10.896	90,809	\$69,998	\$9.48	\$3,735,400	\$4,498,100	N/A
2300 US Highway 51	\$331,200	4.234	64,250	\$78,224	\$17.26	\$2,852,200	\$3,183,400	\$80,653.46
Stoughton Center	\$525,400	1.712	19,725	\$306,893	\$20.14	\$976,200	\$1,501,600	\$36,825.74
Dollar General	\$324,800	1.7855	11,756	\$181,910	\$6.93	\$214,100	\$538,900	\$12,638.00
620 Nygaard	\$151,800	0.913	5,040	\$166,265	\$16.06	\$486,800	\$638,600	\$14,653.58
Kwik Trip	\$64,400	0.59	2,516	\$109,153	\$13.35	\$278,600	\$343,000	\$7,836.35
207 S. Forrest	\$81,200	0.4151	7,147	\$195,616	\$50.84	\$838,000	\$919,200	\$23,062.11
1720 US Highway 51	\$178,900	0.79	3,768	\$226,456	\$25.45	\$697,000	\$875,900	\$21,733.73
Culver's	\$173,600	0.566	4,631	\$306,714	\$43.45	\$897,700	\$1,071,300	\$24,632.67

Note: N/A = Not Available
Sources: City of Stoughton, Dane County; Maxfield Research Inc.

According to information provided by Forward Development Group and JSD Professional Services Inc., the estimated assessed values at build-out of the full Kettle Park West Site are shown on Table 14 below. Estimated total value per square foot is in 2012 dollars. Adjusted value for 2014 is provided based on an estimated inflation value of 2.0% per year.

In comparing the existing uses in Stoughton to those listed here for Kettle Park West, total value per square foot varies widely. Using the estimated total values per square foot in Table 14 results in a 2012 estimated value of \$27.1 million in estimated assessed value. Using an annual inflation factor of 2.0%, the value is estimated to increase to \$28.2 million by 2014.

TABLE 14
ESTIMATED ASSESSED VALUE OF KPWCC PARCELS AT BUILD-OUT
August 2014

Site	Anticipated Use	Site Area	Estimated Total Value/SF	Estimated Assessed Value (2012)	Estimated Assessed Value (2014)
A	Large Format Retail	607,028	\$17	\$10,319,476	\$10,736,383
B-1 & 2	Specialty Retail Ctr.	148,368	\$25	\$3,709,200	\$3,859,052
C	Fast Food	69,921	\$25	\$1,748,025	\$1,818,645
D	Convenience Retail	97,633	\$45	\$4,393,485	\$4,570,982
E-1	Specialty Retail Ctr.	81,179	\$30	\$2,435,370	\$2,533,759
E-2	Professional Office/Service	81,180	\$30	\$2,435,400	\$2,533,790
F	Professional Office	68,238	\$30	\$2,047,140	\$2,129,844
	Total	1,153,547		\$27,088,096	\$28,182,455

Sources: Forward Development Group; JSD Professional Services Inc.

Table 15 provides updated information from the City of Stoughton Assessor related to projected values for the lots in the Kettle Park West CC development. Using estimated values of accepted offers and committed development agreements, results in a total land and improvements value of \$34.8 million.

ECONOMIC IMPACT ASSESSMENT

According to information provided by the Forward Development Group and the City of Stoughton Assessor, Lots #2, 4A and 4B, 5 and 6 are currently committed for a total land area of Kettle Park West Commercial Center. Including these parcels as those that will develop first on the property and within the first two years, results in a total value of \$18,111,000 for these initial parcels.

We concur with the finding in the report that attracting a large format retailer such as Walmart to the property will have a positive impact for other retailers that will want to locate in close proximity to Walmart to be able to attract more customers to their outlets. Increased traffic to the retail properties around Walmart in Kettle Park West and nearby on US Highway 51 should have a positive impact and should increase property values for parcels nearby.

Table 15 on the following page shows the projected impact on tax revenues for properties in the Kettle Park West Commercial Center at full build out. At this time, Lots 2, 4A and 4B, 5 and 6 are indicated by the developer to be committed. Lot 2 is slated for the Walmart Super Center, Lots 4A and 4B are slated for single-tenant and multitenant specialty users, respectively, which specific identities of the end users have not been disclosed by the developer. Lot 5 is slated for a bank office (specific bank not yet disclosed) and Lot 6 is slated for a Kwik Trip convenience center and gas station. Taking these parcels and calculating the potential tax revenues associated with these uses which should begin construction essentially together would result in **total estimated assessed value of \$18,111,000** and **tax revenues generated of \$417,821**.

ECONOMIC IMPACT ASSESSMENT

**TABLE 15
ESTIMATED ASSESSED VALUE OF KPWCC PARCELS AT BUILD-OUT
CITY OF STOUGHTON ASSESSOR'S OFFICE
August 2014**

Lot #	Square Feet	Acres	Ref.	Building Footprint	Stories	Gross Floor Area	Anticipated Use	Sales/ Lease	Land	Improvements	Total Est. Value
1	No lot	n/a	n/a	n/a	1						
2	596,424	13.69		152,298	1	152,298	Discount Retail	Walmart	\$4,175,000	\$7,614,900	\$11,789,900
3	114,616	2.63		30,000	1	30,000	Future Office or Clinic	--	\$802,300	\$3,600,000	\$4,402,300
4	133,323	3.06	A	12,938	1	12,938	Single-tenant Specialty	Accepted Offer		\$905,700	
			B	<u>10,725</u>	1	<u>10,725</u>	Multi-tenant Specialty	Accepted Offer		\$1,072,500	
				23,663		23,663			\$933,300	\$1,978,200	\$2,911,500
5	72,286	1.66		7,500	2	15,000	Multi-tenant Professional	Accepted Offer	\$506,000	\$1,050,000	\$1,556,000
6	97,873	2.25		8,238	1	8,238	C-Store with Fuel, Car Wash	Kwik Trip	\$685,100	\$1,168,500	\$1,853,600
7	165,983	3.81	A	2,100	1	2,100	Fast Food	--		\$420,000	
			B	12,000	1	12,000	Multi-tenant Specialty	--		\$1,200,000	
			C	<u>21,200</u>	1	<u>21,200</u>	Multi-tenant Specialty	--		\$2,120,000	
				35,300		35,300			\$1,161,900	\$3,740,000	\$4,901,900
8	305,088	7.00	A	40,000	1	40,000	Commercial	--		\$2,800,000	
			B	<u>20,000</u>	1	<u>20,000</u>	Multi-tenant Specialty	--		\$2,000,000	
				60,000		60,000			\$2,135,600	\$4,800,000	\$6,935,600
Dev. Subtotal	1,485,593	34.10		316,999		324,499					
Permanent Open Space											
OL1, OL2, & OL3											
ROW									\$0	\$0	\$0
Grand Total									\$10,425,600	\$23,951,600	\$34,377,200

Source: City of Stoughton Assessor

ECONOMIC IMPACT ASSESSMENT

**TABLE 16
BREAKDOWN OF TAX RATES AND TAX REVENUE BY TAXING AUTHORITY AT FULL BUILD-OUT
CITY OF STOUGHTON, WISCONSIN
August 2014**

Taxing Authority	Effective Rate	New Property Tax Revenue (per \$100,000)	Estimated Assessed Value FDG/JSD	Estimated Tax Revenues (FDG/JSD)	Estimated Assessed Value Accurate Appraisal*	Estimated Tax Revenues (AA)
City of Stoughton	\$8.33	\$833	\$28,182,455	\$234,760	\$34,377,200	\$286,362
Dane County	\$3.07	\$307	\$28,182,455	\$86,520	\$34,377,200	\$105,538
Stoughton Area School District	\$11.38	\$1,138	\$28,182,455	\$320,716	\$34,377,200	\$391,213
MATC	\$1.81	\$181	\$28,182,455	\$51,010	\$34,377,200	\$62,223
State of Wisconsin	\$0.17	\$17	\$28,182,455	\$4,791	\$34,377,200	\$5,844
State Credit	(\$1.69)	(\$169)	\$28,182,455	(\$47,628)	\$34,377,200	(\$58,097)
Total		\$2,307	\$28,182,455	\$650,169	\$34,377,200	\$793,082

* Value estimated at full build-out; no timeframe has been give for full build-out;

Sources: City of Stoughton; Forward Development Group; Maxfield Research Inc.

**TABLE 17
BREAKDOWN OF TAX RATES AND TAX REVENUE BY TAXING AUTHORITY FOR PHASE I (Committed)
CITY OF STOUGHTON, WISCONSIN
August 2014**

Taxing Authority	Effective Rate	New Property Tax Revenue (per \$100,000)	Estimated Assessed Value FDG/JSD	Estimated Tax Revenues (FDG/JSD)	Estimated Assessed Value Accurate Appraisal	Estimated Tax Revenues (AA)
City of Stoughton	\$8.33	\$833	\$20,985,062	\$174,806	\$18,111,000	\$150,865
Dane County	\$3.07	\$307	\$20,985,062	\$64,424	\$18,111,000	\$55,601
Stoughton Area School District	\$11.38	\$1,138	\$20,985,062	\$238,810	\$18,111,000	\$206,103
MATC	\$1.81	\$181	\$20,985,062	\$37,983	\$18,111,000	\$32,781
State of Wisconsin	\$0.17	\$17	\$20,985,062	\$3,567	\$18,111,000	\$3,079
State Credit	(\$1.69)	(\$169)	\$20,985,062	(\$35,465)	\$18,111,000	(\$30,608)
Total		\$2,307	\$20,985,062	\$484,125	\$18,111,000	\$417,821

Sources: City of Stoughton; Forward Development Group; Maxfield Research Inc.

The remaining uncommitted parcels are estimated by the City's consulting assessor to provide an additional \$280,070 at current taxing rates. This amount would increase if tax rates increase or if property values increase. If both property values and tax rates increase, then more property tax would be generated. At this time, expecting an increase in property values and/or tax rates is speculative. New development at KPWCC in the future could be expected to experience an increase in these values however, increases are likely to be offset by the lower value of improvements as buildings age.

Potential City and County Service Impacts

This segment discusses the potential impacts to city and county services that may occur with the development of the proposed Kettle West Commercial Center. Additional positive or negative impacts may occur, but are unable to be quantified at this time. Such impacts have been discussed earlier and may include, a slow leasing or absorption period for the remaining uncommitted parcels of Kettle West, difficulty in leasing the vacated Walmart discount space resulting in a lower property value, cannibalization of some retail sales from other businesses in Stoughton causing increased vacancies or deferred maintenance on properties which reduces their real estate property values and causes reduced sales tax revenues.

Conversely, positive impacts could also occur including more rapid absorption of retail space causing an earlier and larger increase in property values in Kettle Park West and adjoining properties causing an increase in real estate property tax revenues and in sales tax revenues. Pick 'n Save could decide to expand into part of the vacated Walmart space with the remaining space leased to other retail or commercial users. There is the potential for increased local customer traffic because a higher proportion of sales is recaptured to the community, supporting sales at KPWCC and increasing sales for other Stoughton businesses because more people are shopping locally. We have accounted for the recapture of a portion of current leakage back into the community.

Revenue Impacts to the City and the County

The State of Wisconsin exempts the following retail goods from sales tax: food (except candy, soft drinks, and prepared foods (in a deli) which would be heated or combined prepared by the retailer, and dietary supplements. The State of Wisconsin sales tax is 5.0% and another 0.50% is added on for Dane County. Therefore, total sales tax rate in Dane County for items that are taxable is 5.50%. While the amount of sales taxes collected is expected to increase in Stoughton with the development of KPWCC and the additional revenues generated, the additional sales taxes will be remitted to the State and to Dane County and not specifically to the City of Stoughton. Stoughton may benefit indirectly in the future from an increase in sales tax collections, but the amount and timing of this benefit is highly uncertain and speculative, at best. Therefore, we discount any direct benefit to the City of Stoughton from sales tax impacts.

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Dane County and the City of Stoughton are most likely to benefit directly from an increase in property taxes. An increase in real estate property tax revenues that would accrue to the Stoughton School District is a complex formula which has as its base, the assessed value of property for tax purposes. However, because of the sharing system in place, an increase in property taxes to the School District would likely result in an offset reduction by the State in state aid to the school district.

Public Safety Costs

Maxfield Research Inc. requested information from the City of Stoughton regarding the need for additional city expenditures in relation to the development of Kettle Park West Commercial Center. City staff indicated they did not envision the need to add public safety personnel or to incur additional public safety expenses with the development of this project.

The proposed development will be constructed to adhere to contemporary building code standards and will be required to install modern fire and life safety controls, which exceed what is currently in place at the existing discount store.

Police calls are generally related to attempted or completed thefts of merchandise, minor traffic accidents and other minor infractions. Any additional expenses associated with public safety are projected to be minimal at this time.

Transportation Infrastructure Costs

The development of KPWCC will require a number of transportation infrastructure improvements to the property including the following¹³:

- Reconstruction of USH 51 and Jackson Street intersection;
- A 1,500-foot extension of Jackson Street;
- Reconstruction of the USH 51 and STH 138 intersection;
- Reconstruction of 1,500 feet of STH 138;
- Extension of public sanitary sewer interceptor along Jackson Street;
- Extension and looping of the public water main connecting to the Hoel Street and Jackson Street watermains;
- Construction of approximately 800 feet of paved shared use recreational trail (in addition to the proposed bike paths along Jackson Street and Highways 51 and 138 and
- Construction of regional stormwater management improvements to maximize storm water infiltration.

¹³ JSD Professional Services Inc. "Kettle Park West Commercial Center: Economic and Public Considerations, October 2013.

Costs of Planned Infrastructure Improvements

The total cost of planned infrastructure improvements for the KPWCC development is currently estimated at \$5.5 million.¹⁴ The developer is currently seeking TIF assistance from the City of Stoughton to complete some of these infrastructure improvements, those which would not already be directly funded through the planned roadway improvements to US Highway 51 and STH Highway 138. These improvements would be funded through the Wisconsin Department of Transportation.

The City of Stoughton will be responsible for maintaining local roads. The current formula for the maintenance of local roads as applied by WISDOT is calculated at \$4,908 per lane mile. The City of Stoughton would not be responsible for most of the roadway improvements here, but would be responsible for a small amount of road maintenance to Jackson Street which is a local street. The estimate cost of this annual maintenance is estimated at about \$1,395 annually for 1,500 feet.

Reimbursement of the City to the Developer for Off-Site Public Improvements

a) Construction Costs: According to the Development Agreement between FDG and the City of Stoughton, the City shall reimburse the Developer for the cost of constructing Off-Site Improvements, up to a maximum reimbursement in the amount of \$2,439,327.

b) Engineering Costs: The City shall reimburse the Developer for the cost of engineering services incurred by Developer in designing and constructing the Off-Site Public Improvements, up to a maximum reimbursement of \$243,933.

c) Contingency: If the construction or engineering costs in a) and/or b) above exceed the maximum amount specified and if the Development has obtained prior approval for those additional costs, then the City agrees to reimburse the Developer up to a maximum of \$311,707.

Reimbursement of the City to the Developer for Stormwater Management Improvements

a) Construction Costs: The City shall reimburse the Developer for the cost of constructing the Stormwater Management Improvements, up to a maximum reimbursement of \$1,247,220.

b) Engineering Costs: The City shall reimburse the Developer for the cost of designing and constructing the Stormwater Management Improvements up to a maximum reimbursement in the amount of \$124,722.

¹⁴ JSD Professional Services Inc.: Kettle Park West Commercial Center: Economic and Public Considerations: October, 2013.

c) Contingency: If the construction or engineering costs in a) and/or b) above exceed the maximum amount specified and if the Development has obtained prior approval for those additional costs, then the City agrees to reimburse the Developer up to a maximum of \$210,355.

Municipal Revenue Obligation: Following the completion of the Site Grading, Developer may provide to the City a written request for issuance of a Municipal Revenue Obligation which would include certification of the cost of the Site Grading and documentation of the Developer's payment to the contractor for the site grading work. If complete, the City shall issue a Municipal Revenue Obligation to the Developer in the amount of the lesser of 1) the cost of the Site Grading Work or 2) the sum of \$550,000. This amount can accrue until such time as the City has the funds to pay out this amount from Excess Tax Increment, which would be any tax increment that is available after the amount that has been guaranteed to cover the City's debt service on the bonds. The guarantee amount is \$18.3 million. The Common Council must first agree to pay the Municipal Revenue Obligation in the event that there is any Excess Tax Increment prior to the funds being dispersed.

Total Maximum Obligations for Infrastructure and Site Improvements (Off- and On-Site)

Off-Site Public Improvements

\$2,994,567

Stormwater Management Improvements

\$1,582,297

Municipal Revenue Obligation (Site Grading)

\$550,000

The City intends to issue bonds to pay for its obligations for the infrastructure costs (off-site public improvements and stormwater management improvements). According to a financial analysis completed by Springsted, the city intends to issue bonds in the amount of \$2,305,000 and \$2,665,000, respectively, to pay for these costs. Total anticipated interest over the life of the bonds is estimated at \$902,864.17 and \$1,134,787.50, respectively, for total payments of principal and interest at \$3,207,864.17 and \$3,799,787.50, respectively. Estimated revenue to be dedicated for the payment of the debt service is projected at \$513,012 annually. The revenue to repay the debt and create the surplus is projected to come from property tax revenues. According to the analysis, the initial property tax revenues available to the city would total \$185,236 to the City of Stoughton for its share of property taxes and \$513,012 for the total amount of property taxes from all taxing jurisdictions including the City of Stoughton. The money collected from the taxes of KPWCC would be used to retire the debt on the bonds issued.

Annual debt service is estimated initially at about \$181,732.50 for the first full year for one of the bonds and approximately \$218,050.00 for the other bond, which amounts decrease annually due to amortization of the debt. Revenue projections were held steady for the life of the TIF District. The average payments over the term are \$171,417.85 and \$218,043.39. **According to the executed development agreement, the Developer has agreed to put in place a line of credit equal to 125% of the amount of the bonds to ensure that in the event that property tax revenues fall short of the amounts needed to satisfy the debt service, that the City will be able to draw on the line of credit to cover any of the shortfall.**

Projected Employment Impacts

Maxfield Research Inc. calculated the projected construction employment impacts for the Kettle Park West Commercial Center. This information was not provided by either the developer in the documents that we received and was also not provided by any representatives or contacts from Walmart.

Based on information provided by JSD Professional Services Inc. and Forward Development Group, Table 18 shows the number of full-time equivalent construction jobs to be generated during the construction of the existing spaces that have been committed for Phase I of Kettle Park West and shows the estimated full-time equivalent construction jobs for future development parcels that are not yet committed.

Construction jobs typically pay a living wage. Based on an analysis by the International Council of Shopping Centers (ICSC) of the Impact of the Development of a Shopping Center, construction of a community center is estimated to generate about 299 construction jobs for a period of about six months. Because Kettle Park West Commercial Center will be built in phases, total construction jobs are likely to fluctuate and as indicated on Table 18 are anticipated to be somewhat lower than the total identified by ICSC because of the smaller size of individual components other than Walmart.

As shown on the table, Phase I of the Kettle Park West Commercial Center is expected to generate a total of 159 jobs which includes the private site and infrastructure construction and public site and infrastructure construction. With the construction of additional buildings on the site to reach full build-out, another 87 construction jobs are expected to be located in Stoughton for the duration of the construction period. For each building or set of buildings, the construction duration is expected to be 16 weeks. If there are more buildings or larger buildings, the construction job FTE figures can be expected to be higher.

There is no agreement at this time between the developer and the City for the hiring of local labor for site improvements or for the construction of the buildings. The developer has not provided any information on the amount of local construction labor that would be hired for this development. Local firms may be hired to complete work on the improvements for this project.

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If that occurs, a portion of the payroll and revenues generated from that work are likely to directly benefit the City and local businesses in the form of taxes paid and goods and services purchased. However, this is not guaranteed.

TABLE 18				
PROJECTED CONSTRUCTION EMPLOYMENT				
KETTLE PARK WEST COMMERCIAL CENTER				
August 2014				
Location	Lot #	Est. Time Period	Total Full Time Equivalent Construction Jobs	Estimated Payroll
Site Preparation and Infrastructure				
Site Prep		16 wks	17	
Underground		4 wks	8	
Subtotal			25	\$725,000
Public Site and Infrastructure				
Site Prep		16 wks	9	
Underground		4 wks	8	
Subtotal			17	\$425,000
Building Construction				
WalMart Supercenter*	2	40 wks	66	
Kwik Trip	6	16 wks	11	
Bank/Office Space	5	16 wks	15	
Retail Tenant Space	4	16 wks	25	
Other Retail Spaces	7	16 wks	37	
Other Office/Retail Spaces	8	16 wks	50	
Subtotal			204	Not Available
Total Projected Construction Employment-Phase I			159	
Total Projected Construction Employment-Total			246	
* construction employment does not include employees for store set-up after construction;				
Sources: JSD Professional Services; Forward Development Group; Infogroup (Dun and Bradstreet); Maxfield Research Inc.				

As an economic impact, construction jobs are a one-time impact during the construction phase of the project and last only until that project is completed. Construction jobs add to daytime employment in the community for the period of construction and there is a multiplier effect that occurs from the additional employment, which for a project of this size will be limited. Workers to the Site may purchase groceries, coffee, meals, sundries and other items before and after work and during their work day breaks. Assuming that each construction worker spends an average of \$5.00 per day on retail items, this would result in about \$98,400 in additional retail sales (this includes the four-month period for the construction the site preparations and construction of the smaller buildings). The Walmart Supercenter will require ten months. This additional employment provides additional retail sales in the community during the project

phase, but most of these sales will be lost once the construction is complete. A similar situation occurs during the construction of road improvements that would be performed by employees or outside contractors with the Wisconsin Department of Transportation.

WalMart opened its existing store in 1988 and is estimated to have 100 full- and part-time employees as of 2014. The new Walmart supercenter is estimated to have 200 full- and part-time employees at opening. Additional employee counts were calculated using information at local outlets for similar types of users. Also, national benchmarks for 200 square feet of space per office employee and 500 square feet of retail space per employee were also used were actual figures were not available.¹⁵

Table 18 shows the projected number of employees that would be expected to be employed at KPWCC based on the uses planned and proposed for the center and gross floor area as calculated by Accurate Appraisals. In order to determine the number of jobs that would be generated, Maxfield Research Inc. reviewed data from Infogroup (Dun and Bradstreet) for local employment in addition to the International Council of Shopping Centers (ICSC), and Urban Land Institute for similar types of businesses as are proposed to determine the potential number of employees for each of the projected components.

Table 19 that the KPWCC is estimated to generate a total of 569 new jobs at full build-out of the project. Of that total, 349 jobs are anticipated to be retail positions, which typically pay lower wages, except for the store manager or supervisor positions. Close to 50% of those positions are likely to be part-time work as opposed to full-time work and would come without benefits. Part-time positions could be expected to be filled almost entirely by workers from the local area while full-time positions may be filled by those that would travel a greater distance to reach the store and may include those residing outside of Stoughton and outside of the Primary Market Area. At this time, there has been no information provided on goals to be achieved or benchmarks regarding the number of positions that would be hired for locally.

The remaining 220 jobs would be office positions which may include health care, insurance, financial services, real estate, accounting, legal, banking and other types of office-based work that usually pays a living wage or pays on commission (real estate).

¹⁵ Snohomish County: 2007 Buildable Lands Report Employment Density

TABLE 19				
PROJECTED EMPLOYMENT BY USER				
EXISTING WALMART AND KPWCC				
August 2014				
Location	Full-Time	Part-Time	Total	Estimated Payroll
Existing WalMart	52	48	100	
KPWCC				
WalMart Supercenter*	140	60	200	\$3,200,000
Kwik Trip	4	18	22	\$468,200
Bank/Office Space			60	n/a
Retail Tenant Space			39	n/a
Other Retail Spaces			88	n/a
Other Office Spaces			160	n/a
Total			569	
Note: * Payroll total excludes 50 manager/supervisors for which pay was not provided.				
Sources: JSD Professional Services; Forward Development Group; Infogroup (Dun and Bradstreet); Maxfield Research Inc.				

Table 20 presents information on average weekly wages for various types of occupations in Dane County. The information was obtained from the Wisconsin Department of Workforce Development and identifies average weekly wages from covered employment data that is compiled by the State of Wisconsin. Covered employment are jobs that are covered by unemployment insurance which is paid for by employers and represents jobs that are physically located in the County, versus place of residence employment.

Table 20 shows that average hourly wages in Dane County are above those for Wisconsin as a whole in nearly every category from entry-level to experienced.

There has been much publicity regarding Walmart’s average hourly wages. According to Walmart, the average hourly wage of Walmart’s full-time employees was \$12.83 (2013). No information was provided by Walmart for its employees in Wisconsin. The company has also publicly stated that about 52% of its store associates make less than \$25,000 per year.¹⁶

New jobs are expected to be created at nearly all of the spaces in the Kettle Park West Commercial Center due to growth in commercial development rather than having existing businesses relocate to KPWCC. Walmart will not create the largest number of jobs as the additional jobs associated with the Walmart expansion is 100. At full build-out, the commercial center is expected to have a total of 569 jobs. The additional jobs created minus Walmart’s share (200 jobs) would be 369 new jobs.

¹⁶ Bloomberg: Business Week: Susan Berfield, “More than Half of Walmart’s Hourly Workers make less than \$25,000 per year.” October 13, 2013.

**TABLE 20
AVERAGE HOURLY WAGES OF COMMON OCCUPATIONS IN DANE CTY/WI
(4TH Quarter 2012)
August 2014**

Occupation	Entry-Level		Average		Experienced	
	Dane Co.	WI	Dane Co.	WI	Dane Co.	WI
Retail Salespersons	\$8.14	\$8.16	\$11.96	\$9.89	\$13.88	\$13.71
Licensed Practical Nurse	\$16.78	\$16.25	\$20.95	\$20.24	\$23.04	\$22.42
Pharmacy Technician	\$11.30	\$10.60	\$14.47	\$12.03	\$16.06	\$13.53
Nursing Assistants	\$9.61	\$10.06	\$13.16	\$12.03	\$14.93	\$13.53
Cashiers	\$8.14	\$8.15	\$9.61	\$8.94	\$10.35	\$9.88
Customer Service Representatives	\$12.15	\$11.01	\$16.44	\$15.07	\$18.58	\$18.72
Waiters & Waitresses	\$8.02	\$11.00	\$9.94	\$16.66	\$10.89	\$26.26
Real Estate Sales Agents	\$10.52	\$11.00	\$25.50	\$16.66	\$32.99	\$26.26
Bank Tellers	\$10.21	\$9.59	\$12.40	\$11.22	\$13.50	\$12.67
Cooks-Fast Food	\$8.07	\$7.99	\$9.28	\$8.53	\$9.89	\$9.39

Sources: Maxfield Research Inc; Wisconsin Department of Workforce Development

As of 2013, the average Wisconsin worker earned \$823 per week or \$42,792 per year. The average worker in Dane County earned \$947 per week or \$49,236. At the average Walmart wage of \$12.83 per hour for a full-time store employee, Walmart employees would have weekly gross earnings of \$513 per week or 46% of the county average weekly earnings.

The City of Stoughton’s Comprehensive Plan identifies economic development goals for the community. One of those goals is to diversify the local employment base by attracting and retaining higher-wage jobs, those in the professional and technical services industries, to the City. Most of the jobs expected to be created through the development of KPWCC do not fit the classification of higher-wage jobs described in the Comprehensive Plan.

In addition, there has been much publicity regarding the availability of affordable health care coverage for Walmart employees. With the new Health Care Act, some additional options may be available for low-wage employees that want and need health care to be able to purchase health care on the open market with premiums based on a sliding scale according to their income. Although Walmart offers health plans to its employees, several articles have cited the inability of the average Walmart employee to be able to afford the offered health care plans. Some Walmart employees qualify for Medicaid assistance depending on their wages and their situations. We expect that these comments will continue to be raised in the media, and some of the situation may change in the future. However, many other types of retail positions including cashiers, waiters/waitresses, customer service representatives and fast food cooks also do not typically make a living wage and would also have difficulty being able to pay health care premiums for a typical health care plan.

ECONOMIC IMPACT ASSESSMENT

Table 21 shows the average hourly wages for US Grocery Stores, US Department Stores and All Retail positions for various occupations in these types of stores. This information was compiled from data supplied by the US Bureau of Labor Statistics. As shown on the table, the average hourly wage compared between US Grocery Stores and US Department Stores is only \$0.09 per hour difference and both US Grocery Stores and US Department Stores pay less than the average for all retail in each of the occupational categories.

Occupation	Grocery Store (US)		Department Store US		All Retail
	Percent	Wage	Percent	Wage	Wage
Food Preparation Workers	4.89%	\$9.74	0.04%	\$13.03	\$9.54
Combined Food Prep & Serving	4.73%	\$10.00	1.13%	\$9.08	\$9.43
Supervisors/Managers of Retail	0.99%	\$16.45	5.20%	\$17.08	\$13.53
Cashiers	35.10%	\$9.26	13.95%	\$8.97	\$9.12
Retail Salespersons	2.18%	\$10.20	37.60%	\$9.46	\$10.10
Customer Service Representatives	0.04%	\$14.06	1.43%	\$11.09	\$11.68
Stock Clerks and Order Fillers	10.36%	\$10.36	n/a	\$10.40	\$10.03
Butchers and Meat Cutters	4.01%	\$12.93	0.38%	\$15.50	\$13.68
Hand Packers and Packagers	5.73%	\$8.92	0.01%	\$8.86	\$9.02
Shipping, Receiving and Traffic	0.72%	\$13.66	1.40%	\$10.03	\$12.14
Hand Laborers and Freight Stock	18.52%	\$10.48	6.31%	\$9.66	\$10.24
Pharmacy Aides	0.31%	\$10.64	0.05%	\$12.46	\$10.51
Average		\$11.39		\$11.30	\$10.75

Sources: Maxfield Research Inc; US Bureau of Labor Statistics

SUMMARY AND CONCLUSIONS

Introduction

The previous sections focused on the potential demand and the economic impacts of the development of Kettle Park West Commercial Center. This section summarizes the projected impacts to the community and provides some commentary on important factors to consider.

Summary and Conclusions

Table 22 summarizes the potential monetary positive and negative economic impacts to the City of Stoughton considering projected increases and decreases in retail sales, impacts to the City regarding property taxes and debt service obligations and the projected increase in employment in the community and the average wages expected.

Retail Sales	Positive Impacts	Negative Impacts
Increase in WalMart Sales	\$46,715,140	
Increase in Construction Worker Sales	\$98,400 (ten months)	
Increase in Sales (Recaptured Leakage) (new business)	\$12,320,628	
Increase in Retail Sales (other retail)	\$500,000	
Decrease in Sales Pick 'n Save		\$1,828,863
Decrease in Sales Dollar General		\$60,800
Decrease in Sales at Yahara Cooperative		\$150,500
Decrease in Other Retail Sales-Stoughton Businesses		\$1,315,041
City Impacts		
Annual Increase in Property Taxes (all jurisdictions) at full buil	\$793,082	
Annual Increase in Property Taxes (initial tenants)-Phase I	\$417,821	
Costs of Maintaining Jackson Street (annual)		\$1,395
Annual TIF Obligations (\$2,665,000)		\$218,043
Annual TIF Obligations (\$2,305,000)		\$181,501
Employment Impacts		
Increase in Permanent Employment	569 new jobs	
Increase in Construction Employment	246 jobs (total of ten months)	
Average wage of new jobs (full and part-time)	\$11.30	

Source: Maxfield Research Inc.

As noted, Walmart will, no doubt, increase its retail sales with the new larger supercenter. A portion of those sales will be drawn from outside of the Primary Market Area, transferred from the existing Walmart, some from other stores in the PMA but outside of Stoughton and some from other stores in Stoughton. While large businesses and chain operations are usually best able to weather the impact of the larger Walmart supercenter, there may be some businesses that are in direct competition with Walmart's lines of merchandise that may no longer be able

SUMMARY AND CONCLUSIONS

to be supported. Dr. Kenneth Stone's analysis identified an initial upsurge in sales, but small communities found that local retailers often experienced the greatest losses over time.

The proposed Kettle Park West development is projected to generate annual property taxes from Phase I development in the amount of \$417,821. At full build-out, KPWCC is projected to generate annual property taxes in the amount of \$793,082. These figures do not take into account fluctuations in assessed values either positive or negative which may occur over time.

Current projections identify annual property tax collections sufficient to support the debt service on the bonds that will be issued by the City for off-site public improvements and for stormwater management improvements. If annual property tax collections fall short of the revenue needed to support the debt service on the bonds, the Developer has agreed to a credit line in an amount sufficient to support any debt service shortfalls to the City.

Employment is projected to increase, but the majority of the employment will be retail employment which pays lower wages than other types of jobs, notably health care, professional services, technical employment, and manufacturing, among others. Many retail positions are part-time and do not provide sufficient income to be able to support the household on one income alone.

Positive Impacts

The proposed Kettle Park West Commercial Center is expected to have a net positive impact to the community through increased commercial development which will expand the existing Walmart to a supercenter and will attract new retail businesses into the community.

Recapture of Retail Sales Leakage

As identified, the Primary Market Area is currently spending \$154.0 million at businesses that are located outside of the Primary Market Area. It is likely that most of this spending is going to businesses and stores located in Madison and communities immediately adjacent to Madison where there are higher concentrations of retail stores. The development of Kettle Park West will provide increased opportunities for households to shop nearer their residences and will expand the tax base in the City of Stoughton.

Expansion of the Retail Business Base

The availability of new commercial space in Stoughton will provide additional space for new businesses to come into the community. The existing Walmart/Pick 'n Save property was recently purchased and the new owner is confident that they will be able to lease the space vacated by Walmart. Improvements to the building are likely, thereby increasing the property value of this space and again, expanding the offerings available in the community.

SUMMARY AND CONCLUSIONS

Shoppers in the Primary Market Area may be more likely to go to Stoughton for an increased variety of shopping options rather than go to Madison.

Residential Development

The West Side Neighborhood plan provides for future residential growth in Stoughton. Future residents living in the West Side neighborhood would be able to walk or bike to the retail space in Kettle Park West. New homes will increase the City's tax base. Future residents are likely to be attracted to the West Side neighborhood because of the availability of retail goods and services in close proximity to their residences.

Municipal Service Impacts

The City of Stoughton will issue general obligation bonds for the development of Kettle Park West. As a result, the city and its residents will have improvements to US Highway 51 and State Highway 138, improving traffic service on these highways. This will aid commuters but will also make the location more attractive to new businesses, thereby enhancing Stoughton's potential to attract new development in other real estate sectors. **The Development Agreement also provides for a Developer Guarantee (credit line) for any shortfalls that may occur in property tax revenue to fund the debt service on the bonds.**

Employment Increases

The Kettle Park West Commercial Center at full build-out is expected to generate a total of 469 new jobs in Stoughton. However, if the uncommitted components of Kettle Park West result in existing businesses relocating to the KPWCC site rather than new businesses coming into Stoughton, the number of new jobs generated may be less than projected as these may be transfer jobs. Most of the jobs are expected to be retail positions, some positions will be supervisory or office jobs which will pay higher wages.

Potential Challenges

The preceding economic impact analysis identified the positive and negative impacts that may be associated with the development of the Kettle Park West Commercial Center on existing businesses and the City of Stoughton. In considering the proposed financing for the Center, we note the following areas of potential concern:

Grocery Store Sales

Pick 'n Save is likely to be the most heavily impacted from the expansion of Walmart. We recommend that the City consider encouraging Pick 'n Save to make additional investments and perhaps expand into the vacated space to support a strong market position. While we do not

SUMMARY AND CONCLUSIONS

project a substantial decrease in sales at other food outlets in Stoughton, Walmart is a strong competitor and some modest transfer of sales is likely to occur from other food outlet businesses in the community.

Local Business Impacts

The mix of businesses in Stoughton is diverse and businesses are primarily specialty. There is however, the potential for certain businesses, those that carry merchandise lines that closely match or cross over with those that will be carried by Walmart to derive some loss in sales. The degree to which sales will be lost will vary with each business.

On the positive side, if Walmart is successful in drawing more people from outside of the immediate draw area to shop, this could also benefit Downtown businesses in capturing some additional shopper traffic.

Municipal Service Impacts

There will be some additional costs to the City of Stoughton from the expansion of the Walmart and the development of Kettle Park West. However, most of these costs are expected to be minimal and the positive impacts will outweigh the typical costs that are undertaken with any type of new development. We have identified the additional costs that will be required for the City to maintain the improvements that are planned to Jackson Street.

Employment Impacts

Kettle Park West is projected to create an additional 369 new jobs from new business development and another 100 jobs from the expansion to the Walmart supercenter. The majority of these jobs are expected to be low-paying jobs with wages between \$10.00 and \$15.00 per hour. Many of the jobs will be part-time rather than full-time. Some of these jobs are likely to be taken by existing residents currently living in Stoughton and some will be taken by those living outside of Stoughton in nearby areas. While many workers are likely to already have housing, increased retail employment in the community could require considerations for additional housing at some time in the future.

APPENDIX

DATA ITEMS REQUESTED FOR ECONOMIC IMPACT ANALYSIS

- Detailed site plan showing each retail space with total square footage for each separate leasable space in the center.
- Site plan should show total acreage of the property.
- Amount paid for the property by the developer.
- Line item detail for total development costs including hard construction costs, soft costs, fees that have been paid to the City or County.
- List of business types that will locate at the new Center at its opening. If there are some spaces that are not yet leased, then that should be indicated on the plan. The plan should match up the spaces for lease with the business type – for example, 5,000 square feet (space 1B) for sit-down restaurant
- List of any additional infrastructure items that will be installed and paid for by the City/County including street lights, roadways, water/sewer mains, etc. and the total cost associated with those items.
- Estimated number of construction jobs over what period of time to build the center and the estimated total payroll for those jobs.
- Total estimated number of employees that will be employed at the center split out between
 - Managerial/supervisory employees
 - Retail employees
 - Center operations staff such as leasing staff, security staff, janitorial staff, etc.
- Estimated total payroll by employee job segment
- Full schedule of operational expense items that would be paid by the tenant and the landlord of the property including lighting, taxes, tenant improvements, cleaning expenses, security surveillance, reserve for future improvements, marketing/leasing expense and other center operational items.
- Listing of businesses in Stoughton, particularly retail businesses by type.
- Assessment of Walmart Superstore of their market draw area (10 miles, 50 miles?)

- Number of SKUs to be stocked by WalMart at this store as compared to their store average. Area of the store (in square feet) that will be dedicated to grocery, meats, bakery and produce versus other general merchandise. Please list separately any internal spaces within the store that would be leased to other retailers such as fast food, pharmacy, photo, concessions, etc.
- List any zoning changes that were requested as a part of this the approval process. Identify if zoning changes would be approved if the development proceeds.
- Assessor's estimates regarding estimated land and building values for the property upon completion. Current land value if vacant of the existing property. Value of planned improvements to the property (listed separately). Estimated taxes payable –vacant land. Taxes payable as improved with the shopping center. Any special assessments that will be required and their total cost and value for taxes as a result of the shopping center being built. If there are any assessments that will be applied to adjacent property owners, then that would also need to be identified as well as the potential increase/decrease in property value as a result of the development of the center to adjacent land owners.
- City of Stoughton's effective tax rate for commercial retail development broken out by taxes that will be paid to City of Stoughton, Dane County, Stoughton Area School District, MATC and the State of Wisconsin.
- City should identify any additional city or community services that will be required as a result of the planned improvements to the property such as additional city staff required to handle additional services or reporting, additional police or fire safety staff to handle monitoring of the property or other city costs that may be required in order to support the development of this property. How will this development affect the City's budget for the development year and moving forward in the future for its ongoing operations including costs for maintaining highway/road improvements.