

Kettle Park West Commercial Center Economic and Public Service Considerations

US Highway 51 at State Highway 138
Stoughton, Wisconsin



**KETTLE
PARK
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Forward Development Group

JSD Project Number: 09-3951
Date: October, 2013

Economic and Public Service Considerations

For the Proposed Kettle Park West Commercial Center

INTRODUCTION

This summary report presents and describes information that is required under Section 78-205(11) (f) 3 of the Stoughton Code of Ordinances.

PROJECT OVERVIEW

The Kettle Park West Commercial Center is a 35+ acre commercial development that is being proposed by the Forward Development Group (FDG). The project is the culmination of cooperative and collaborative planning efforts with the City of Stoughton that have taken place since 2009. The project, upon completion, is expected to create site development opportunities for over 240,000 square feet of gross floor area (GFA) for commercial and service businesses, provide a revenue source to finance improvements to the US 51 and STH 138 intersection to eliminate current highway capacity and Level of Service deficiencies, and, in general, will begin to implement the City's adopted Comprehensive Plan and Westside Detailed Neighborhood Plan.

Implementation of the Kettle Park West Commercial Center project may include the following public improvements and services:

- Reconstruction of the USH 51 and Jackson Street intersection,
- A 1500 foot extension of Jackson Street,
- Reconstruction of the USH 51 and STH 138 intersection,
- Reconstruction of 1500 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 mains,
- 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.

PROJECTED JOB CREATION

Estimated Employment From Local Labor Market.

Until a specific retail user commits to establishing a business operation in the Kettle Park West Commercial Center and provides precise employment numbers, the best available employment projections will need to be derived from recent projects in the Madison area as well as “rule of thumb” multipliers based on regional and national models.

Projected Employment Opportunities By Business Category	
Business Type	Employment per 1000 GFA (Square feet of Gross Floor Area)
Specialty Retail	1.5 to 2.2
Large Format Retail	1.2 to 1.7
Office	2.2 to 3.6
Restaurant	
Sit Down	2.2 to 3.2
Fast Food	2.2 to 10

Applying these multipliers to the projected business development within the Kettle Park West Commercial Center yields a projected potential employment of 315 to 552. Until the specific businesses are identified it is not possible to provide a definitive apportionment of the projected jobs between full-time and part-time positions.

Projected Potential Employment in the Kettle Park West Commercial Center			
Business Type	Projected GFA	Potential Employment	
Large Format Retail (General Merchandise)	155,000	186	to 264
Specialty Retail (multi-tenant center)	38,000	57	to 84
Sit Down Restaurant (within multi-tenant center)	5,000	11	to 16
Quick Casual Restaurant (within multi-tenant center)	3,500	8	to 35
Fast Food Restaurant	3,000	7	to 30
Convenience Retail	6,000	9	to 13
Office	30,000	36	to 108
	240,500	313	to 549

While the impact to the local labor market may be favorable, at this point in the development process there is no definitive methodology to determine the residency of the individuals who may be employed either by the various construction contractors who may be temporarily involved in the project during project construction or as permanent employment with the business who may select this location.

Never-the-less, it is likely that the majority of the permanent employment positions created by businesses that choose the KPW Commercial Center will be drawn from a surrounding 15 to 20 minute commuting zone.

Construction Employment.

In general, construction employment on project of this size and character ranges widely during the course of development and especially given that the KPW Commercial Center will be constructed in phases.

Based on the general scale of the site and the categories of infrastructure that will be constructed, FDG estimates that there will be the potential for construction employment in the following categories and ranges during the course of site development and building construction.

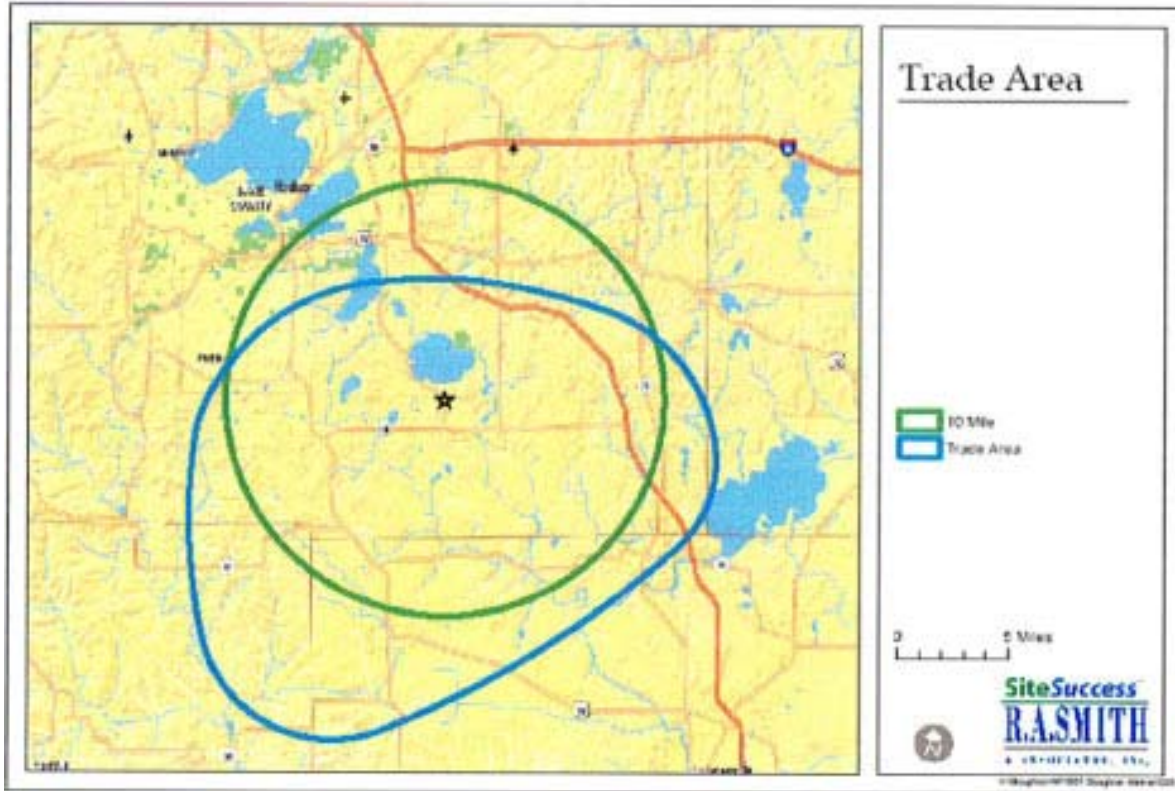
Potential Temporary Construction Employment	
Development Phase	Temporary Jobs Potentially Created
Site Grading	<i>Estimates of construction Employment have not been completed</i>
Underground Infrastructure	
Highway Improvements	
Site Restoration	
Building Construction <div style="text-align: right; padding-right: 20px;"> Large Format Retail Building Other Buildings </div>	

MARKET AREA SERVED BY PROJECT

The general trade area for the City is defined by travel routes, population density, and locations of relative strength (and size) or regional retail competition. A 15 to 20 minute drive time establishes a boundary that reaches into the Madison Metropolitan Area (the Beltline at Monona Drive), encompasses the Village of Oregon to the west and extends to the City of Edgerton to the southeast.

As noted in previous studies (RA Smith 2007 and Vierbicher 2012), Stoughton business have limited a limited opportunity to draw customers from the northern fringes of this area due to the greater selection of stores in Madison, Monona, and Fitchburg. In contrast, an expanded retail base in Stoughton may have more opportunity to attract customers living to the southeast, south and southwest of the City. The trade area will ultimately be cut off in these directions at a point where customers will perceive that travel will be more convenient and/or that there may be a greater selection of stores (and attractive prices) available in other communities such as Oregon, Edgerton, Evansville and Janesville.

In the Economic Impact Analysis prepared for the proposed Greenbrier Square development, (RA Smith 2007), this trade area was projected to have 25,867 households by 2011.



In 2012, the City of Stoughton completed an economic analysis of the retail and service sector in the community which concluded that over \$80 million of local consumer demand was not being met by the community.

The report entitled Retail and Service Sector Analysis: April 2012 (Vierbicher, 2012) is attached for reference.

PROJECTED IMPACTS (COSTS AND BENEFITS) OF THE KETTLE PARK WEST DEVELOPMENT

Tax Revenues

The City's 2012 combined tax rate was \$23.11 per \$1,000 of assessed property value. This rate includes levies for the City of Stoughton, Dane County, Stoughton Area School District, Madison College (MATC) and the State of Wisconsin. All of these jurisdictions establish their effective tax rates on an annual basis based on their respective annual budgetary approval procedures. For purposes of this analysis, the City's combined tax rate of \$23.11 per \$1,000 will be used to illustrate potential property tax revenue generated by the KPW Commercial Center when build-out is completed and without adjustments related to the proposed Tax Increment District.

The assessed value of the Kettle Park West Commercial Center at build-out is projected to total \$27,088,096 (2012 dollars). Using the \$23.11/\$1,000 tax rate, the completed Kettle Park West Commercial Center is projected to generate estimated annual real estate tax revenues of \$626,006.

Estimated Assessed Value at Build-out				
Site	Anticipated Use	Site Area	Presumed Total Value per Square	Estimated Assessed Value
A	Large Format Retail	607,028	\$ 17	\$ 10,319,476
B-1 & 2	Specialty Retail Center	148,368	\$ 25	\$ 3,709,200
C	Fast Food	69,921	\$ 25	\$ 1,748,025
D	Convenience Retail	97,633	\$ 45	\$ 4,393,485
E-1	Specialty Retail Center	81,179	\$ 30	\$ 2,435,370
E-2	Professional Office/Service	81,180	\$ 30	\$ 2,435,400
F	Professional Office	68,238	\$ 30	\$ 2,047,140
			1,153,547	\$ 27,088,096

Forward Development Group anticipates successful marketing and business recruitment efforts that will result in build-out and occupancy of sites A, D, E-1 and E-2 within five years of project start up. This build-out scenario would result in an estimated fifth year assessed value of \$19,583,731 (2012 dollars) and tax revenues in year six totaling an estimated \$452,580.

As noted in previous economic studies, the commitment of a major anchor store to site A-1 is expected to have positive impact as other retailers will view nearby properties as prime locations for their shops. This will have the effect of increasing the value of other lands within and in proximity to the Kettle Park West Commercial Center (see RA Smith 2007).

Public Services and Infrastructure

The proposed Kettle Park West Commercial Center will entail an expansion of the City's street, water, sanitary sewer, stormwater management and recreation infrastructure. The City and FDG are currently reviewing the schematic plans and construction standards for this infrastructure in order to finalize the projected value of the improvements. The initial estimated value of the improvements total approximately \$5.5 million.

These additional physical assets will have both long term and short term maintenance



and service costs for the City.

- **Utility Operations and Maintenance Costs.** There will be minimal impacts to Stoughton residents for utilities associated with the Kettle Park West Commercial Center project. Water distribution mains and the sanitary sewer collection system will be extended at the developer's cost per City policy. And, operation and maintenance expenses are absorbed within the utility fees paid by the businesses locating in the project. The KPW CC project provides a benefit in that the extensions to the City's utility infrastructure will "open-up" additional lands that are designated by the adopted neighborhood plan for development as new employment focused land uses.
- **Street Maintenance.** The Kettle Park West Commercial Center will have only 1,500 feet of frontage along Jackson Street. This is the only City street involved with the project and this portion is a relatively minor segment when compared to the City's 57 mile network of street infrastructure. Road maintenance costs for this stretch of Jackson Street are estimated at less than \$500 per year. Similarly, as with the water and sewer infrastructure investment being made by the developers, the extension of Jackson Street establish access and facilitate the planned future business and neighborhood development west of USH 51.
- **Stormwater Management.** Drainage from the Kettle Park West Commercial Center will be managed with a combination of public and privately maintained facilities. Initial stormwater collection and treatment is performed with private on-site storm sewers and a private stormwater pond that provides treatment and rate control. This on-site stormwater treatment system is proposed to be maintained by an owners association. Stormwater from this private stormwater pond is then discharged to the "kettle" wetland and the Kettle Park Infiltration basin. Both of the "off-site" locations are proposed to be publicly dedicated and managed facilities as they will provide both a recreational and open space amenity for the community as well as functioning as critically important elements of the City's regional stormwater management system within the Jackson Street stormwater basin
- **US51 and STH 138 Intersection Improvements.** The Kettle Park West Commercial Center (and subsequent future development to the west) is dependent on efficient and convenient traffic circulation from US 51 and STH 138. The functionality of the USH 51 x STH 138 intersection, as measured by the calculated Level of Service (LOS), has been steadily deteriorating and is currently rated to be at LOS D for the morning peak hour and LOS C for the afternoon peak hour. The left-turn movement from STH 138 onto USH 51 is currently rated a LOS F. (Note: Level of Service is a calculated measurement of the generalized travel delay that occurs at an intersection. Though it can vary by rural, suburban, or urban settings, street characteristics, and signal sequencing, LOS A is generally a 0 to 15 second delay, and comparatively a LOS F could be a delay of over 60 seconds.)

Clearly improvements are needed to upgrade this intersection to facilitate continued community growth and development. FDG and the City are collaborating on the financing mechanisms to implement these improvements.

- **Public Safety Costs.** Previous analysis of public safety costs related to expanded commercial development was performed for the proposed Greenbrier Square project in 2007 (RA Smith 2007). At that time it was noted that there were very few emergency related calls related to

existing large format commercial developments in the City. Since the proposed KPW Commercial Center will have buildings constructed to up-to-date fire safety standards and the parking and site layout has been designed with strong attention toward pedestrian and vehicle safety, additional public safety costs are anticipated to be inconsequential as well.

General Impacts

The following briefly summarizes additional positive and negative impacts that may be associated with the development of the Kettle Park West Commercial Center.

- **Sales Tax Receipts.** Since the effective retail market that is being addressed by the Kettle Park West Commercial Center is to capture a portion of consumer spending that is already being made in the Madison metropolitan area, there will be very little negative impact to County Sales Tax collections.
- **School District Revenues.** Wisconsin's system of school funding calculates shared revenue payments to school districts on a complex formula that considers the value of the property tax base within a school district. An increase in property tax revenue is likely to be offset by a reduction in state shared revenue paid to the district.
- **Potential Impacts to existing businesses and the downtown district.** Stoughton is a relatively small community market that currently lacks the kind of businesses that compete with the more dominant chain retail locations in the Madison Metropolitan area. As with previous studies, there is little evidence to suggest that the diversity of the City's small businesses would be severely impacted with the addition of one or two larger format general merchandise retailers locating within the city.
- **Though the Retail and Service Sector Analysis report suggests that there is a sizable unmet demand within the market area for various types of retailers, it is possible that new businesses and/or products offered within the Kettle Park West Commercial Center may compete with existing retailers and services in terms of price and product selection. It is quite possible that many existing business may potentially realize benefits from a stronger presence of a general merchandise store since more customers will shop near home rather than traveling to Madison. That being said, some existing retailers may seek to re-locate to the Kettle Park West Commercial Center in order to be closer to (or within) a more active retail location.**

POTENTIAL MITIGATION CONSIDERATIONS

Retail Vacancy. As noted in the study completed for the proposed Greenbrier Village project, "Effectively competing ... is ultimately going to be the responsibility of individual businesses. How well they respond... is a decision for the business owner to make."

Since there is a sizable amount of leakage in the City's retail trade area, there will continue to be opportunities for new business development and re-development. Collaborative and proactive business-city partnerships to recruit new business and redevelop existing business locations to respond to current consumer expectations warrant further attention and implementation efforts.

Municipal Services. The Kettle Park West Commercial Center is expected to generate sufficient property tax revenue to offset the expected minor increases in operational and maintenance costs.

Attachment 1

Retail Service Sector Analysis: April 2012

(Vierbicher 2012)

City of Stoughton

Retail & Service Sector Analysis: April, 2012

This report provides an analysis of Stoughton's existing retail, service and office sector markets. The purpose of this study is to identify areas where a gap exists or where additional business opportunities may exist to capitalize on local strengths. Specifically, the report recommends business types and uses which could cater to unmet local consumer demands or complement and strengthen existing clusters or areas of local expertise. To accomplish this, the report reviews Stoughton's current business mix, local residential and employment profile and conducts a retail and service supply and demand gap analysis. The combination of these elements provides a holistic look at the local retail, service and office space demands in light of local population needs and relative to area competition.

Business Mix Analysis

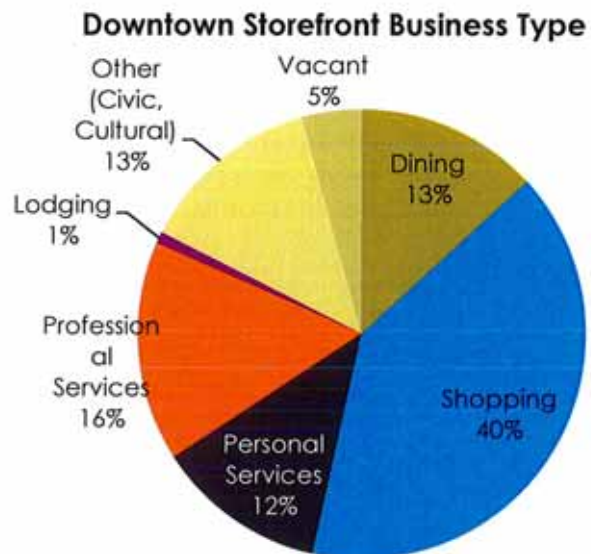
For the purposes of this report, Stoughton's commercial development is split into the downtown corridor (the area between South Page Street and the railroad tracks) and the Highway 51 corridor, which includes all other areas along Highway 51 within the community. In general, Highway 51 caters to auto oriented convenience retail, and is home to businesses serving primarily local residents and Highway 51 traffic. Typical retailers and services for the highway corridor include high-traffic establishments such as gas stations, fast food restaurants, and convenience/auto oriented retail such as pharmacies and car care. Downtown is home to more destination retail, which draws its client base from a larger trade area, including local and regional residents and employees. Retailers and services in the downtown represent goods and services for which people are willing to travel some distance to patronize an individual business. These types of trips include haircuts, dining, leisure shopping, entertainment, and recreation businesses.

Highway 51 Retail

There are several retail and service clusters along Highway 51. These clusters are centered around local anchors, including Wal-Mart, or on major signalized intersections or frontage road access points such as Kings Lynn Road, Hamilton Street or South Gjerston Street. A majority of the national chains which are present in Stoughton are located in this area, along with an assortment of local personal service providers. Prominent retailers include Pick N' Save, Pizza Pit, Subway, McDonald's, Walgreens, Culvers, Stoughton Lumber and the Stoughton Garden Center.

Downtown Retail Mix

Destination retail areas thrive by being able to provide a one stop destination experience for visitors. Businesses with shared hours, similar customer profiles and which can help drive foot traffic are important to the success of the district. The chart at right identifies the types of businesses which currently occupy storefronts in downtown Stoughton. The current ratio of drop-in shopping or dining destinations to service or office establishments is fairly evenly divided, with 53 percent of storefronts catering to consumer interests. This is a slightly higher ratio of consumer establishments to service uses than is found in downtowns nationwide, and is a reflection of the strong local organization and promotions on the part of downtown retailers which have been successful in drawing retailers and customers to the area. Additionally, the presence of suitable service spaces in other commercial corridors reduces the pressure on the downtown storefronts to accommodate all local retail and service uses. According to recent research by Destination Development Inc., one rule of thumb for creating a vibrant downtown culture is that one third of retail storefronts should contain food and beverage retail, one-third should provide shopping destinations, and one-third should be open and active during the



Source: Historic Stoughton

evening. Stoughton has a significant number of shopping and service establishments which offer classes, services and dining opportunities in the evening, although the percentage of dining uses is slightly lower, at only 13 percent of total storefronts, or 17 percent of retail (excluding professional service) storefronts.

Demographic Analysis

Local consumer demand is driven by the residential base as well as the population of daytime employees and daily commuters passing through the City on Highway 51. Each of these markets has a unique profile and spending preferences, which are highlighted below. In addition to these markets inside Stoughton, there are other regional visitors who will be attracted to the community to supplement local spending. However, this analysis focuses on meeting the needs of existing residents, employees and businesses. Business clusters which can be supported locally offer sustainable targets for recruitment or expansion. The ability to attract additional outside spending can then supplement this local base.

Stoughton's demographics are appealing to retail and service providers, offering a fairly captive population base with high average incomes and disposable income. Using national retailer site criteria as an example of the market requirements required to support various retail models, the minimum threshold for most models is 20,000 residents within 5 miles, median household incomes over \$50,000, and traffic counts of 20,000 and above. For Stoughton, a 5-mile radius from downtown includes nearly 22,000 residents and has a comparatively high median income. Although the traffic counts in the City peak at 18,000, this is a less important criterion for Stoughton due to the relative lack of competition within this 5-mile trade area. Additionally, the market has a high percentage of family households and homeowners, representing a long-term stable consumer base, which is expected to grow slightly over the next five years.

Daytime Market Profile

Many businesses rely on daytime population for a majority of sales. This is true of traditional retailers which are only open until 5 pm due to limited staffing, and also of restaurants, which typically rely on daytime traffic for 30-40 percent of total sales. Many Stoughton residents commute outside of the community for work, making them unavailable to local retailers except on evenings and weekends. However, there are some demographic groups which remain in the community during the day, including retired individuals, stay home parents, and those that work from home. Additionally, there are 6,599 local employees (including residents who also work within the community). Of these, 3,248 are employed in professional and technical jobs. These employees represent the most likely targets for daytime retail, as they are more likely to seek business lunch destinations and/or to have the ability to visit local shops during their lunch hour or other free time. Manufacturing employees typically have shorter lunch hours and/or work alternate shifts which do not coordinate as readily with local business schedules. However, the remaining populations represent a sizeable daytime consumer base within a confined geographic area, as shown in the chart at right.

Again, using national retail chain requirements as a point of comparison, many quick casual chains (such as Panera) look for daytime market counts of 6,000 or above. With over 4,600 potential daytime customers located in the immediate

Stoughton Demographic & Spending Data

	Primary
Population	12,611
Anticipated 5-year Growth	3.7%
Family Households (w/children)	23.7%
65+ Population Households	23.5%
Home Ownership Rate	66.1%
Stoughton Consumer Demand	\$132 million
Median Household Income	\$61,235
Median Household Disposable Income	\$48,584
	9,600 (downtown)
Highway 51 Traffic (vehicles per day)	18,100 (N Prairie)
	13,100 (McComb)
	9,900 (Deer Point)

Source: ESRI, 2010 Census WisDOT 2009

Daytime Population Profile

	Stoughton Market
Local Businesses	513
Local Employment	6,599
Professional & Technical Employment	3,248
Retired Population (over 65)	677
Work from Home	155
Stay at Home Mothers	546
Total Daytime Market	4,626

Source: 2010 US Census, Applied Geographic Solutions

community, Stoughton is an attractive market for many restaurant and daytime oriented establishments.

Retail Supply and Demand Gap Analysis

In addition to identifying market demographics, it is important to determine which needs are being met adequately by existing businesses. This type of analysis looks at what is referred to as primary trade area spending, defined as the area within which residents would prefer to purchase goods and services in Stoughton rather than traveling to other destinations. The following section includes a retail supply and demand gap analysis for spending within the City of Stoughton. For this analysis, information is based only on retail sales at City businesses and demand from City residents. In sum, this analysis identifies the amount of spending which is captured locally and areas where the City is successful in attracting outside consumers to the community. This is determined by comparing the total expected demand for goods and services among Stoughton residents based on the population, income and demographics with the actual spending reported by area businesses. In Stoughton, local spending is equivalent to 97 percent of total retail demand. This is a significantly higher capture rate than most regional communities of similar size, which generally see a capture rate of 80 percent of total sales. Local spending comprises 99 percent of retail trade demand and 81 percent of the smaller overall pool of food and drink demand.

Percent of Demand Met Locally

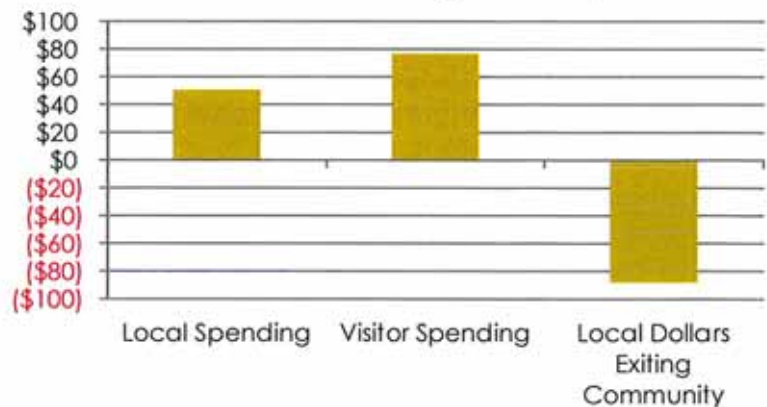


Source: ESRI

It is important to note that while spending equals 97 percent of total local retail and restaurant demand, it does not necessarily mean that all local residents are satisfying all of their shopping needs locally. It is far more likely that Stoughton has been successful in attracting outside visitor spending to the community. In fact, individual spending category sales clearly show that residents are traveling elsewhere for some purchases, while other categories have total sales far in excess of local demand. Combining categories with a net outflow of spending and totaling the surplus spending in remaining categories provides a likely picture of the impact of this visitor spending relative to residential demand. The results of this analysis provide a clearer picture of spending inflows and outflows within the community, as shown in the graph on below.

By looking at these individual line items more closely, we can identify individual retail line items where Stoughton is successful in drawing outside consumers. This draw is identified by the fact that total sales within these retail segments are greater than the demand which would be required to serve only the local population. For example, the primary trade area has stronger than expected gas station spending, which is the result of highway travel through the City. The community also enjoys higher than expected motor vehicle and parts spending, as this category includes a portion of sales at Stoughton Trailer, which may be classified as retail for tax purposes, even though they are not a traditional consumer destination.

Consumer Dollars (in millions)



Source: ESRI

In addition to retail segments which demonstrate a regional draw, there are other segments where there is little or no local provision of goods and all consumer spending in the segment is done outside of the area. A local example of an unmet demand is shoe stores and lawn and garden stores. While this gap between demand and supply can illustrate a market opportunity, it may also be that there is an existing retail location which is meeting these needs in a central location. For purchases which are not made regularly (i.e. furniture purchases) there may be insufficient local demand for these goods as residents are willing to drive to Madison and conduct this type of shopping when it is required and a concentration of a particular type of establishment is available. Additionally, it will be necessary to consider the magnitude of the demand gap. The smaller the gap, the greater a percentage of local sales that a new business would need to capture in order to be profitable. In some cases, an identified gap in supply of a particular good or service may be better met by incorporating additional line items into existing stores to increase profitability of existing establishments. For instance, the \$240,000 gap in spending on florists could be met with a specialty display area within Pick'n Save and is likely not sufficient to warrant a new storefront.

The table below illustrates those retail segments for which there is unmet local demand and areas where Stoughton has demonstrated success in drawing outside consumers. These results are filtered to include only those items for which there are sufficient demand gap to support new businesses, and where there are no regional destinations which make competitive success unlikely. The detailed supply and demand table with supply and demand information all merchandise line items is included as an appendix.

	Retailer Type	Spending Surplus/Gap
Unmet Demand	Full Service Restaurants	\$4.6 million
	Home Building & Garden Supply	\$3.6 million
	Furniture & Home Goods	\$3.5 million
Regional Draw (Surplus Spending)	Motor Vehicles	\$21.6 million
	Auto Accessories & Parts	\$32.2 million
	Beer & Wine Stores	\$8.4 million
	Gas Stations	\$7.3 million
	General Merchandise (Wal-Mart)	\$2.2 million

A notable exclusion from this list is the grocery category, which showed a \$19.5 million dollar demand gap. The growth in spending in this category since the previous 2006 Stoughton grocery market analysis is in line with projections from this period. Given today's typical grocery revenues, this demand is roughly equivalent to one additional grocery store. However, as noted in the previous study, local grocers will not capture all of the demand from City residents, some of whom will travel to wholesale or specialty grocers elsewhere. Based on the struggles by the Yahara River Grocery since its opening in 2006, it is unlikely that additional grocers would achieve sufficient market share to be profitable. However, this category may present some opportunities for existing retailers, which will be profiled in the recommendations section.

Service Analysis

A significant portion of storefront space is typically devoted to personal and professional service uses, including areas where there is minimal traffic and interior or second story spaces. While spending and demand for service uses cannot be measured in the same way as retail uses, information can be obtained based on local demographics and spending which highlights areas of unique local demand. For instance, residents in particular economic and demographic segments may be more or less likely than the average population to participate in certain pastimes, or to share particular hobbies or interests. Because these demands cannot be determined based on spending habits alone, there may be a lack of supply of uses catering to these interests.

Retail analysis models create what are referred to as psychographic profiles of a community which provide a snapshot of the individual demographic groups which are present in a community. While these profiles will never exactly match local populations, they can point to areas where individual segments of the population have shared interests which can be marketed to by local businesses. The three top psychographic groups for Stoughton, which represent a combined 58 percent of the population, are provided on the following page.

In Style: 33% of Stoughton residents.

Professional couples, typically without children who appreciate urban amenities (such as walkable downtowns and restaurants), are technology users, participate in sporting and arts activities and enjoy cooking and outdoor recreation.

Green Acres: 14% of Stoughton residents.

This group includes married blue collar couples with and without children. This group prefers rural or suburban style neighborhoods and spends money on their cars, pets, and home improvement projects. They enjoy gardening, cooking and outdoor recreation.

Aspiring Young Families: 11% of Stoughton residents.

This group is primarily made up of young families with children, including single parents. Not surprisingly, they spend money on children's products, music, and youth sports. They enjoy outdoor and indoor recreation and family style dining.

Several potential areas of opportunity for Stoughton are shown below. These particular uses have a significantly higher spending index (likelihood of residents to purchase a particular item) than the nation as a whole. Additionally, the total annual market demand and number of current providers within the category are shown.

Service	Annual Market Demand	Spending Index (100 is average)	Number of Providers
Laundry/Dry Cleaning/Jewelry Repair	\$751,697	160	2
Recreation & Sporting Activities (lessons, movies, sporting events, bowling, etc)	\$991,903	101	12
Pet Goods/Services	\$2,519,690	117	4 (plus 2 veterinary)

For more traditional services which are utilized by all residents, there are typical ratios which have been identified by business planning models which identify the typical number of residents or households which are needed to support an additional office. While the size of existing uses and presence of competition closer to residents' workplaces can influence these decisions, the following categories have the potential to support additional businesses within the community. In the case of the medical cluster, the new clinic and hospital expansion likely contribute to additional demand for ancillary services. This category also includes medical and social service providers including nonprofit support groups for patients and families of patients, medical supply rental companies, and other entities which provide services to those requiring medical care.

Service	Typical Ratio	Local Providers	Potential Additional Market Demand
Dentist	1 per 1,500 residents	4	4 dentists
Medical (incl. Social Services)	2.5 per 1,000 residents	30	2 providers

Office Uses

Non-retail businesses make location decisions based on the presence of a local employment base, worker skills and knowledge and the ability to reach key vendor, supplier and client markets from a given location. For relocating businesses, the commute time of management and employees is also a consideration. For sales industries and highly competitive industry sectors, the image of individual buildings and business parks and surrounding amenities is also a consideration which may influence the ability to recruit new clients or employees. The ability of businesses to accommodate visiting client needs with suitable restaurants and lodging amenities, and to provide an appealing and convenient worker environment, with proximity to convenience retail, banking and health facilities are all potential considerations for certain industry types.

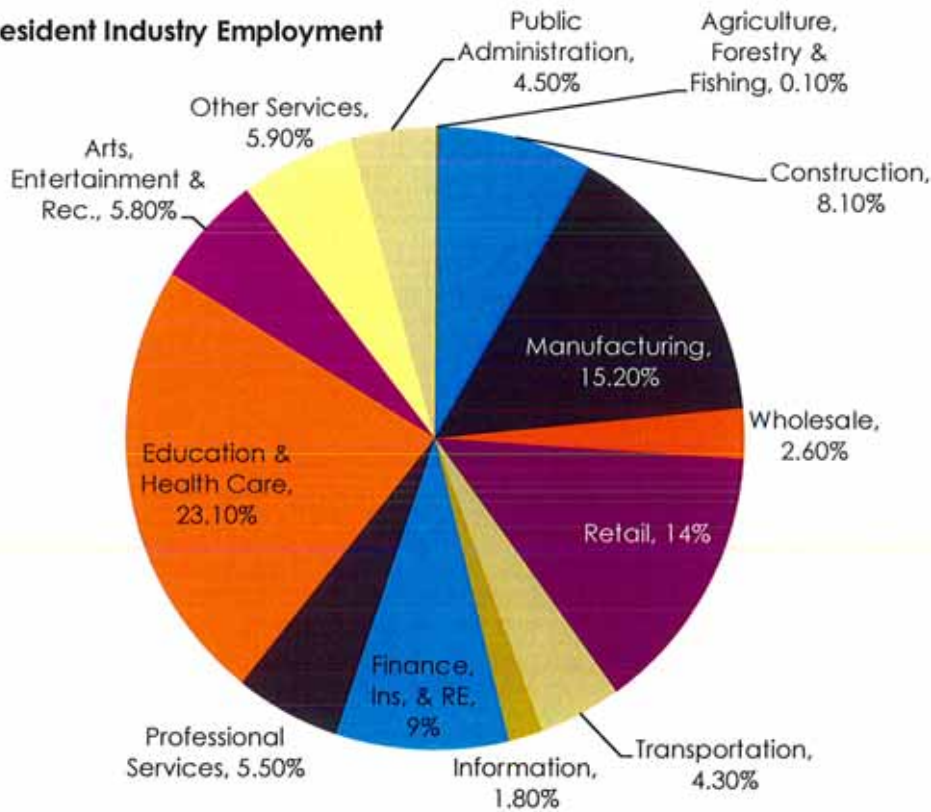
The local workforce includes two groups:

- Residents in the community who currently commute to work but who may be willing to take a local job, if available; and
- Employees at existing companies who may be willing to take a new job.

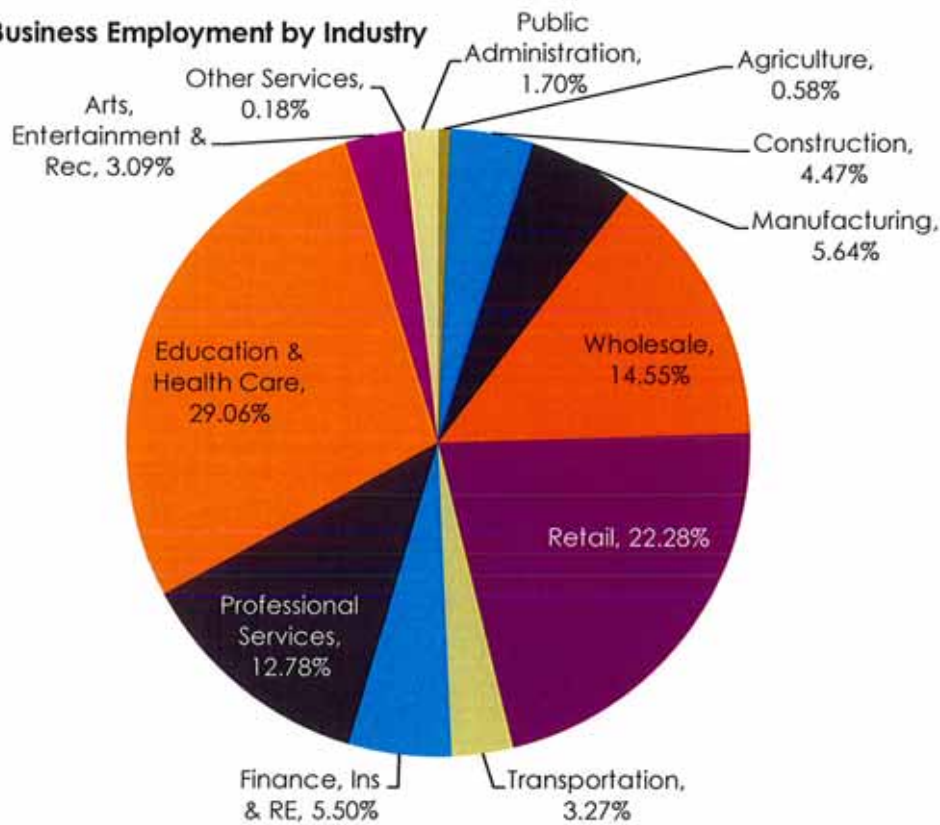
Industries which are represented by local residential employment and local businesses are provided separately in the charts on page seven. As with the supply and demand gap analysis, these charts focus on the City of Stoughton. However, as part of a larger metropolitan area, Stoughton businesses are able to recruit workers from surrounding communities, while businesses in Madison compete to recruit employees from Stoughton. For the Madison region, the median commute time is 16.4 minutes. This area is shown in the map on page eight, and can generally be regarded as the primary labor pool.

Reviewing the two graphs, it is evident that the skill sets of local residents do not align with the existing business mix in the City. Residents in these areas therefore must commute elsewhere. Areas where local resident employment knowledge noticeably exceeds the jobs available within that sector include Arts and Entertainment, Construction and Finance, Insurance and Real Estate. Additionally, while there is a segment of the population employed in the information sector, there are no businesses in the community which fall into this category. Focusing on recruiting more businesses which complement local resident skills sets can help create a live-work environment and also diversify the local economic base. Within the identified industries, residents are largely employed in management (36%), sales or office positions (23.7%) and service (16.3%) with the remaining 24 percent employed in active construction, production or transportation jobs.

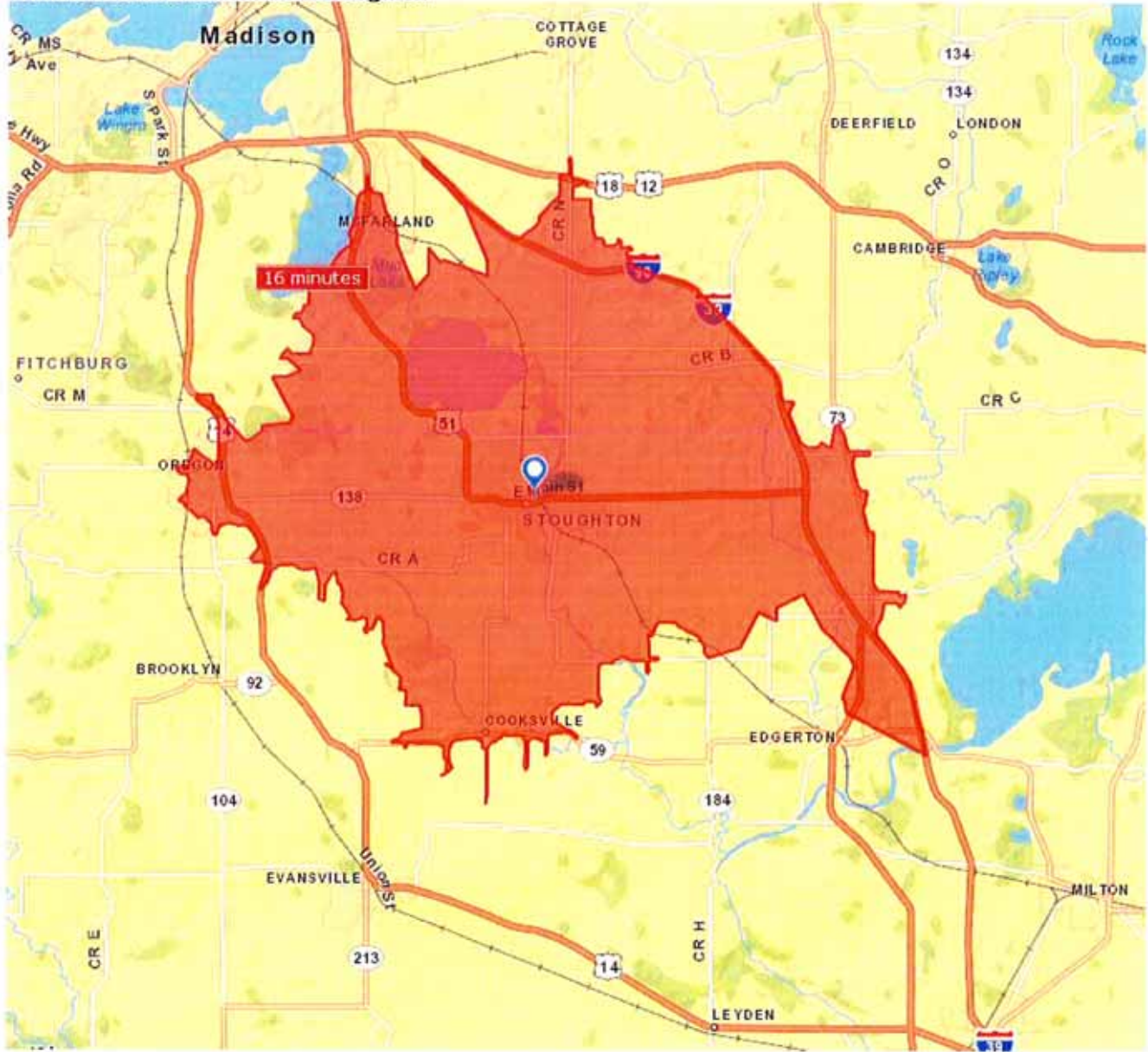
Local Resident Industry Employment



Local Business Employment by Industry



16 minute drive distance from Stoughton



Recommendations

The following recommendations identify industries which have potential as recruitment or expansion targets for Stoughton based on the local market conditions, consumer trends and availability of local employment and labor. Where available, information on the average square feet and preferred location for each industry are also identified. These square footages are determined based on either the available demand divided by industry sales per square foot, or by the number of employees in a typical firm divided by the per employee space required. These considerations may be helpful to landlords exploring modifications to existing space, or developers proposing new office, service or retail space in the community. In some cases, expansion by existing businesses may provide the most likely strategy to meet demand; in others new businesses would need to be recruited to the community.

Target Industry & Sample Tenants	Square Feet Supported/ Average Square Feet	Location/Space Preference
Full Service Restaurants Family-Style Professional Lunch	4,000-7,000 square feet	Varies – interior buildout/space layout and parking are important.
Home Building & Garden Supply Nursery Specialty Garden Store (outdoor décor, birds, seeds, etc)	1,000-1,500 square feet (specialty) 5,000-10,000 square feet (nursery)	Nursery preference for low cost land with visibility. Specialty garden store prefers downtown or walkable small strip environment.
Furniture and Home Goods Antiques, Artisan Furniture Interior Architecture Home Décor and Design	3,000-8,000 square feet	Visibility, loading and parking proximity.
Motor Vehicles & Accessories Specialty Parts & Repair Tractor/Equipment Accessories, Parts & Repair	Varies – typically large land size requirement.	Proximity to travel routes/lodging
Laundry/Dry Cleaning Service	500-2,000 square feet, depending on if cleaning is done on or off site	Convenient morning and evening commute access
Recreation & Sporting Indoor Entertainment (arcade, sporting center) Sports Lessons (golf, karate, etc)	1,500-4,000 square feet	Proximity to target demographics
Pet Goods/Services Food, Training, Grooming, Photography	1,000 – 2,000 square feet	Flexible space requirements
Financial Services Banks, Credit Unions Financial Counseling Personal Financial Consulting	1,500-4,000 square feet	Various models including freestanding, storefront or interior to complementary uses (i.e. grocery store, office lobby)
Dentist/Medical	2,000-3,500+	Proximity to other medical users for most traditional medical, other related uses have flexible locations, although tenant build out and amenities are important – plumbing, loading, parking proximity, etc.

Information		
Computer Systems Web Administration/Design Software Developers	1,000-3,000 square feet	High bandwidth/fiber optic capacity
Insurance & Real Estate		
Back Office Sales Centers Management and Maintenance	3,000-5,000 square feet	Cost of space
Construction		
Builders and Contractors	2,500-6,500 square feet	Flexible space – may require outdoor storage or parking/staging

For many of the above categories, there may be an opportunity to combine uses and maximize market share. For instance, a specialty nursery or garden store could also meet the demand for entertainment and education by offering lessons on specialty gardening topics, or a restaurant could provide an indoor recreation area (Stoughton Cinema Café already does this). Similarly, the previously discussed grocery gap could be met through specialty baked goods or ethnic items offered for sale at popular local restaurants. In those clusters where there is an existing local draw (such as motor vehicles) the greatest opportunity is to complement existing goods, offering customization, repair or complementary parts/supplies.

Some industries will do best if operated by individuals familiar with the community and local influencers. This is especially important for personal service businesses, individuals offering lessons, etc. However, a second source of potential business recruitment targets is adjacent market areas. Current destination businesses located in Janesville, Fort Atkinson, Oregon, Edgerton and Fitchburg may have a significant amount of business from the Stoughton area. As their business expands, they may be willing to explore opening a second or third location in Stoughton to solidify this consumer base and expand their reach further.

This analysis does not take into account the economic situation within individual industry clusters or the availability of suitable space within the community. For example, the construction sector remains in contraction mode, and companies in this sector will not be seeking new space in the near future. Many financial institutions have also significantly scaled back plans to open additional locations until financial markets and local business profitability has improved. A review of spaces currently listed as available on local commercial property listing services shows a wide range of property availability, with individual spaces ranging from 900 to 20,000 square feet. Available spaces include a variety of retail, office and service spaces around town, including some with existing buildout for medical or specific retail uses. Overall asking rates range from \$8.30 to \$14 per square foot triple net, a rate marginally higher than the range in nearby communities. While this may be due to the availability of higher quality space or buildout available locally than in other communities, it may also limit near term recruitment, as retail financing is especially difficult in the present environment and businesses are more cost conscious. For similar reasons, uses which are identified as highly desirable in the community but have high startup costs may require loans or other assistance. In many cases these costs are associated with capital improvements to properties lacking necessary infrastructure (for instance the addition of restaurant hoods and vents or fiber optic connections for information companies). If available, this type of assistance should be part of the recruitment marketing materials.

Ultimately, this report is intended to facilitate activities which are most likely to result in the recruitment and expansion of sustainable businesses to/in Stoughton. Of course, there are a number of factors which contribute to business success, and a well-run business in a poor location may fail, just as a poorly run business in a prime space may succeed. Ultimately, any entrepreneur or business owner who sees an opportunity in Stoughton should be considered equally, provided that their business complements existing City plans and economic realities.