Mayor's Economic Development Team Briefing

AGENDA

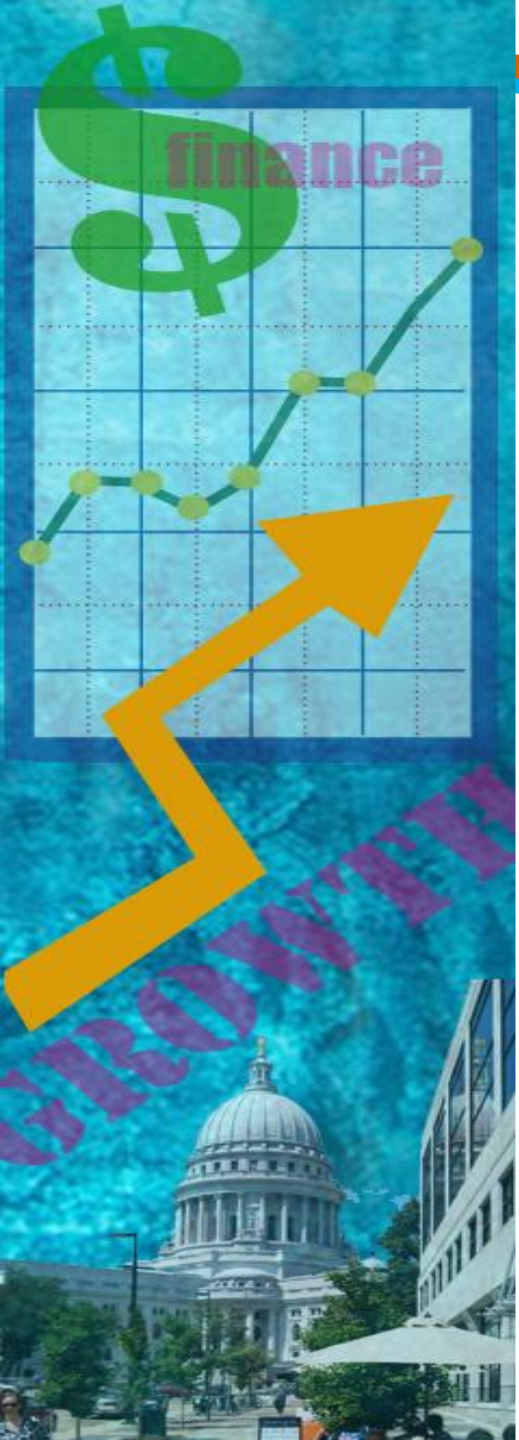
June 24, 2010

10:00 AM

Mayor's Conference Room

- Economic Dashboard
- General Business/Economic Discussion
- Other Intelligence
- Next Meeting: July 30

Madison



Economic Dashboard Report

June 23, 2010

UNEMPLOYMENT RATES

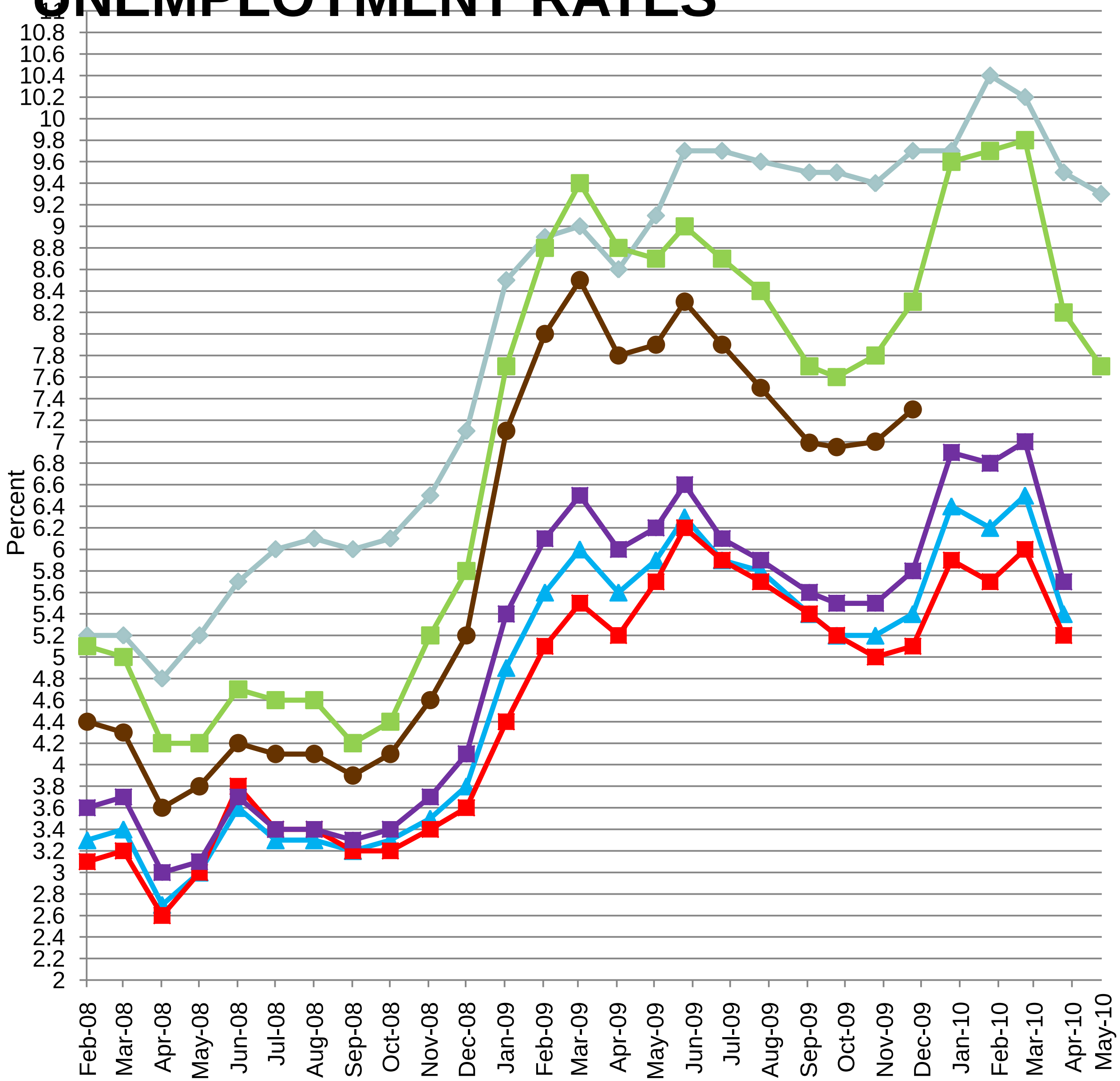
U.S., May = **9.3%**

WI , May = **7.7%**

8 county region-THRIVE
current =__%

MSA, April = **5.7%**

Dane County, April= **5.4%**

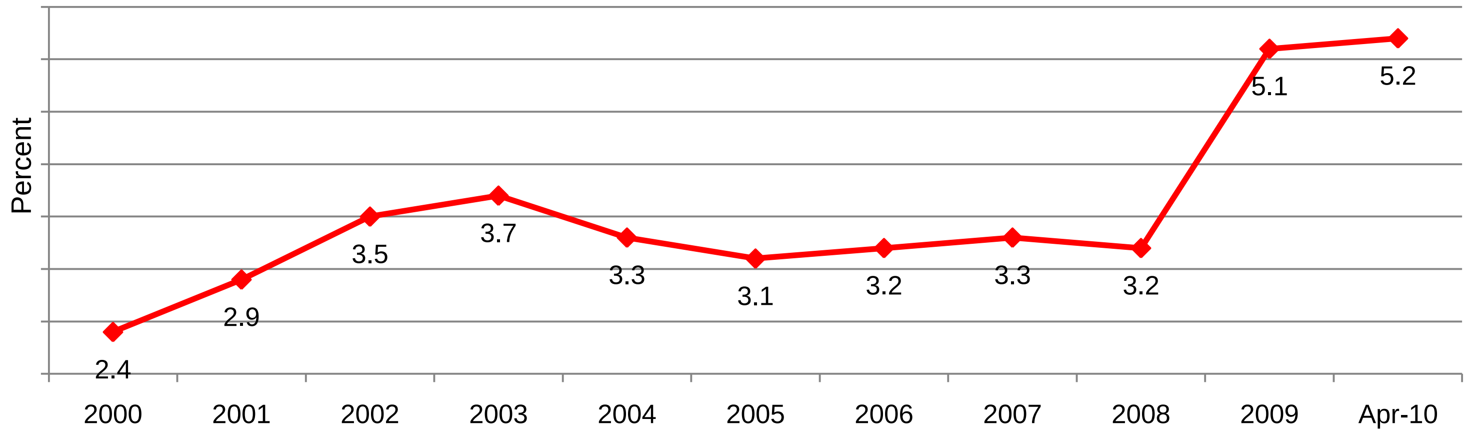


CITY OF MADISON April= 5.2%

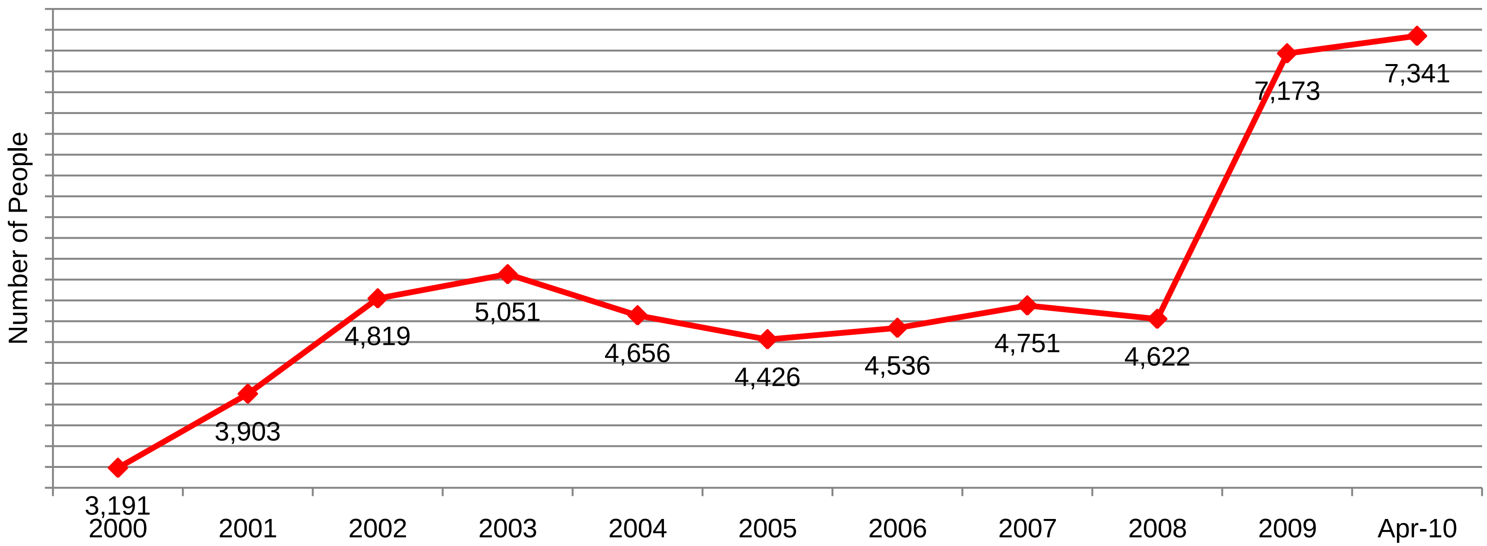
Source: Wis. Dept of Workforce Development, THRIVE , updated 6/22/10

Madison

City of Madison Unemployment Rate (U3)



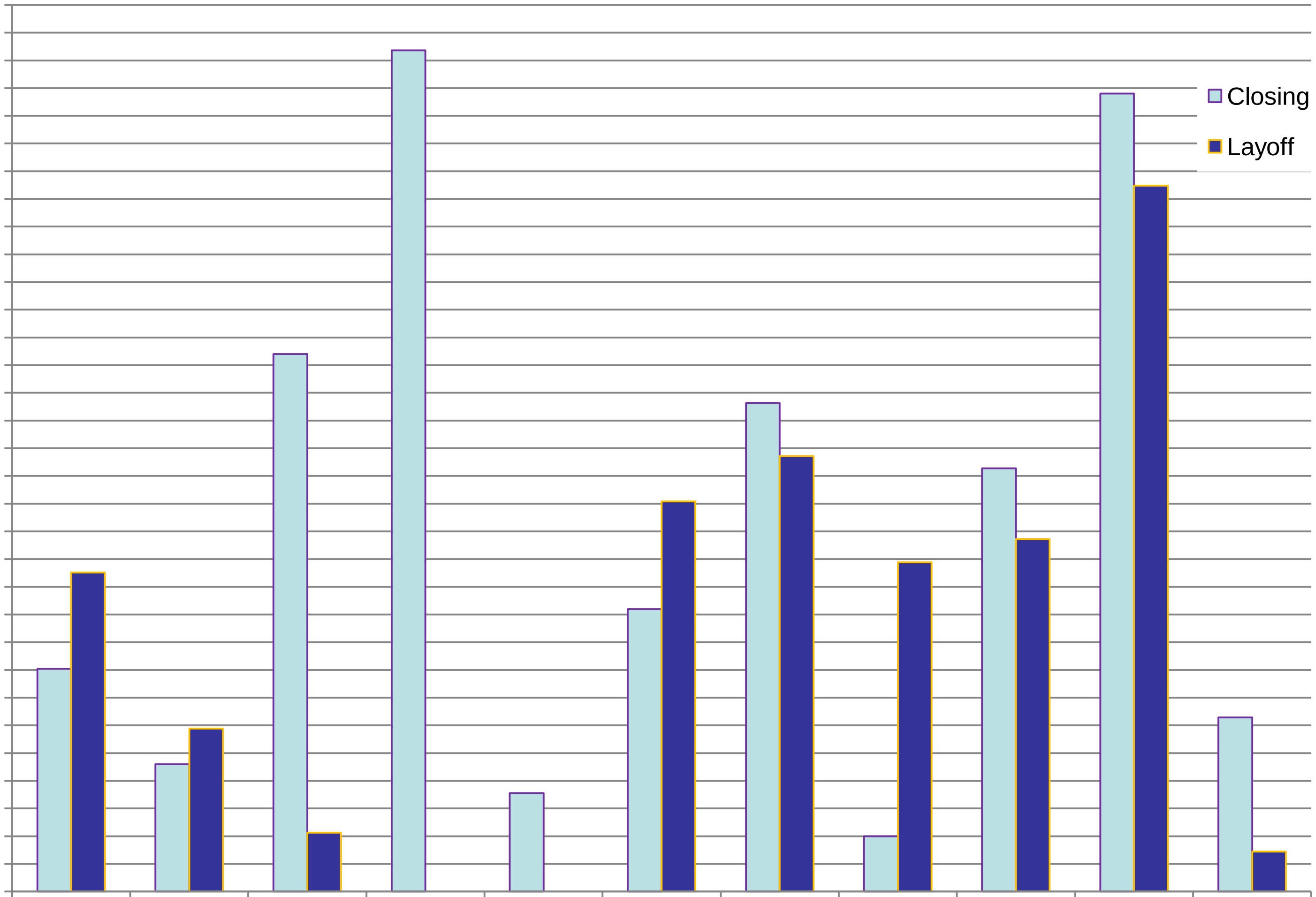
City of Madison Unemployed People (U3)



Source: Wisconsin Dept of Workforce Development, updated 6/22/10

Madison

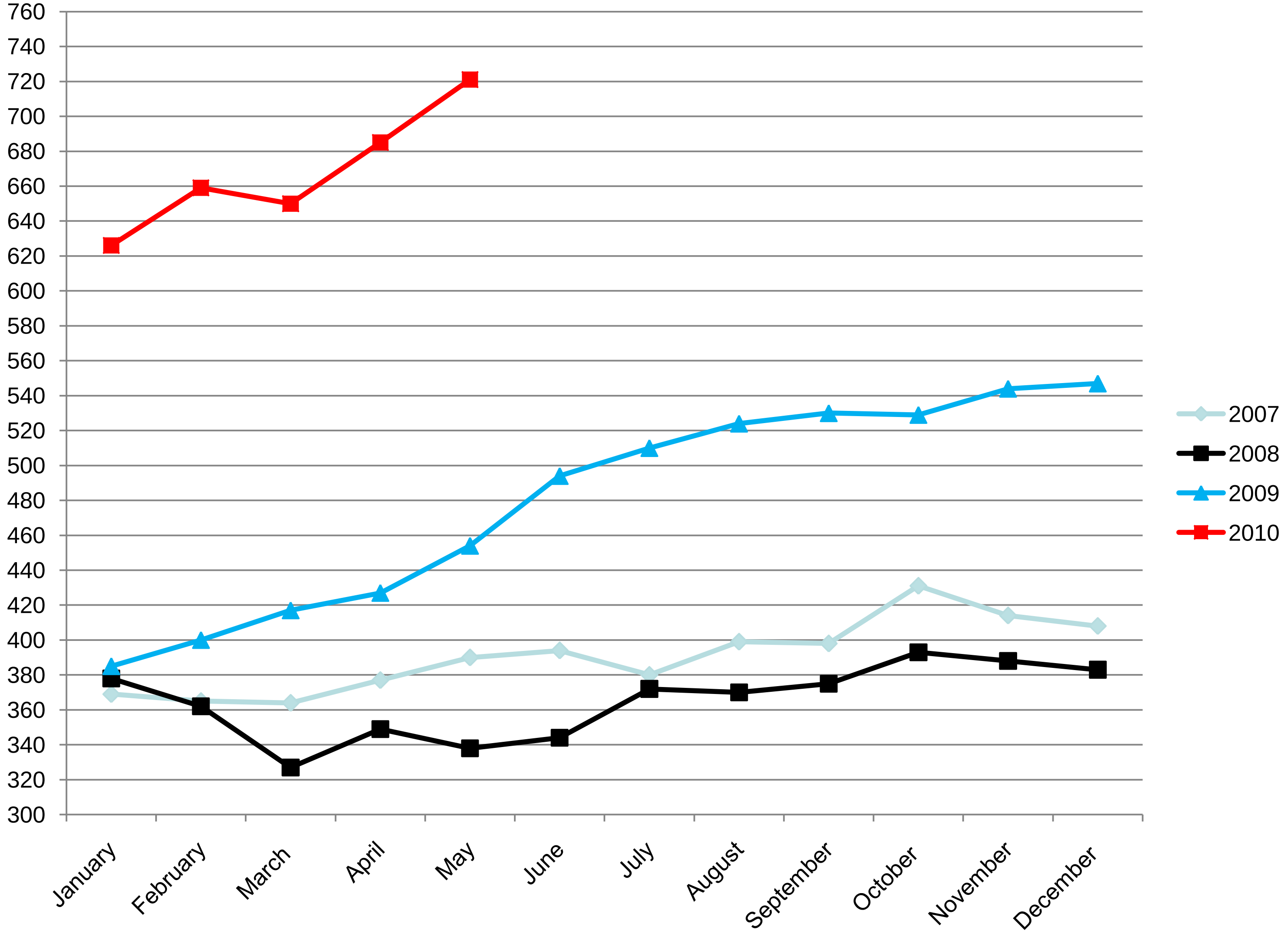
City of Madison - Number of Jobs Eliminated Due to Plant Closings and Mass Layoff Notices



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	14-Jun-10
Closing	201	115	485	759	89	255	441	50	382	720	157
Layoff	288	147	53	0	0	352	393	297	318	637	36

Source: Wisconsin Dept of Workforce Development, updated 6/22/10

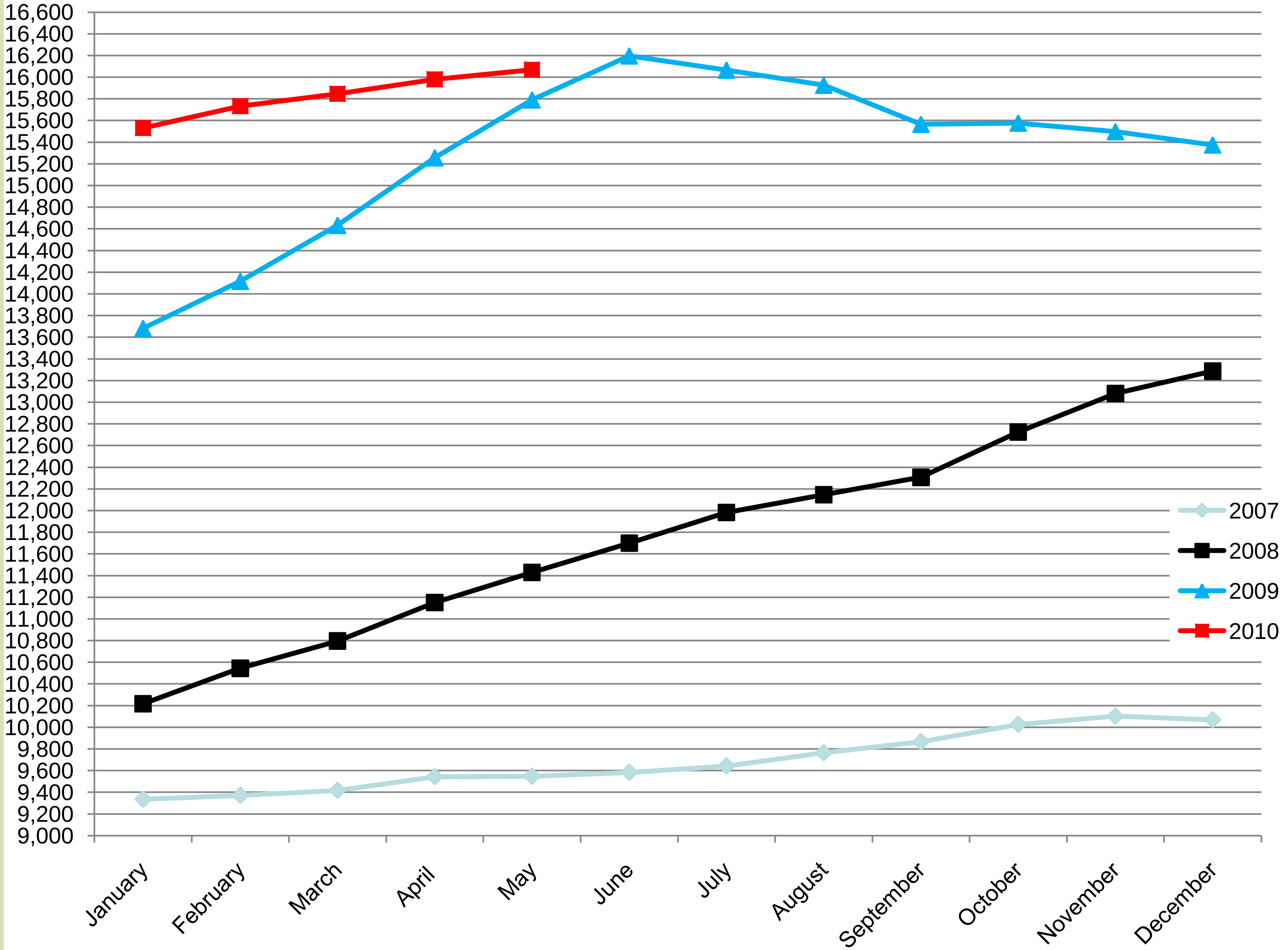
Dane County W2 Caseload (Total Caseload)



Source: State of Wisconsin, updated 6/22/10

Dane County Food Stamps(Food Share)

Unduplicated Recipients



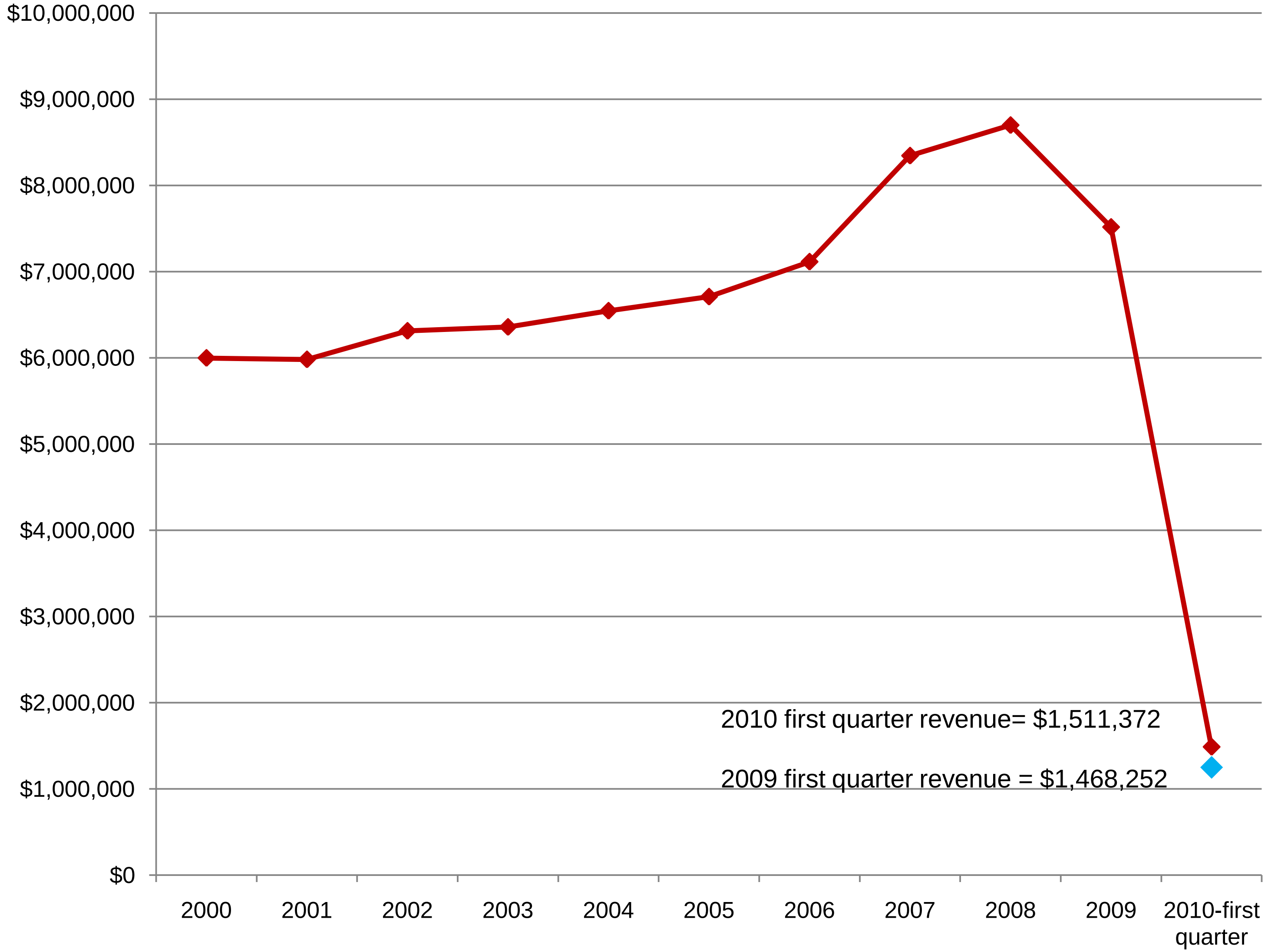
Source: State of Wisconsin, updated 6/22/10

Dane County Food Pantry Visits

Total Household Visits

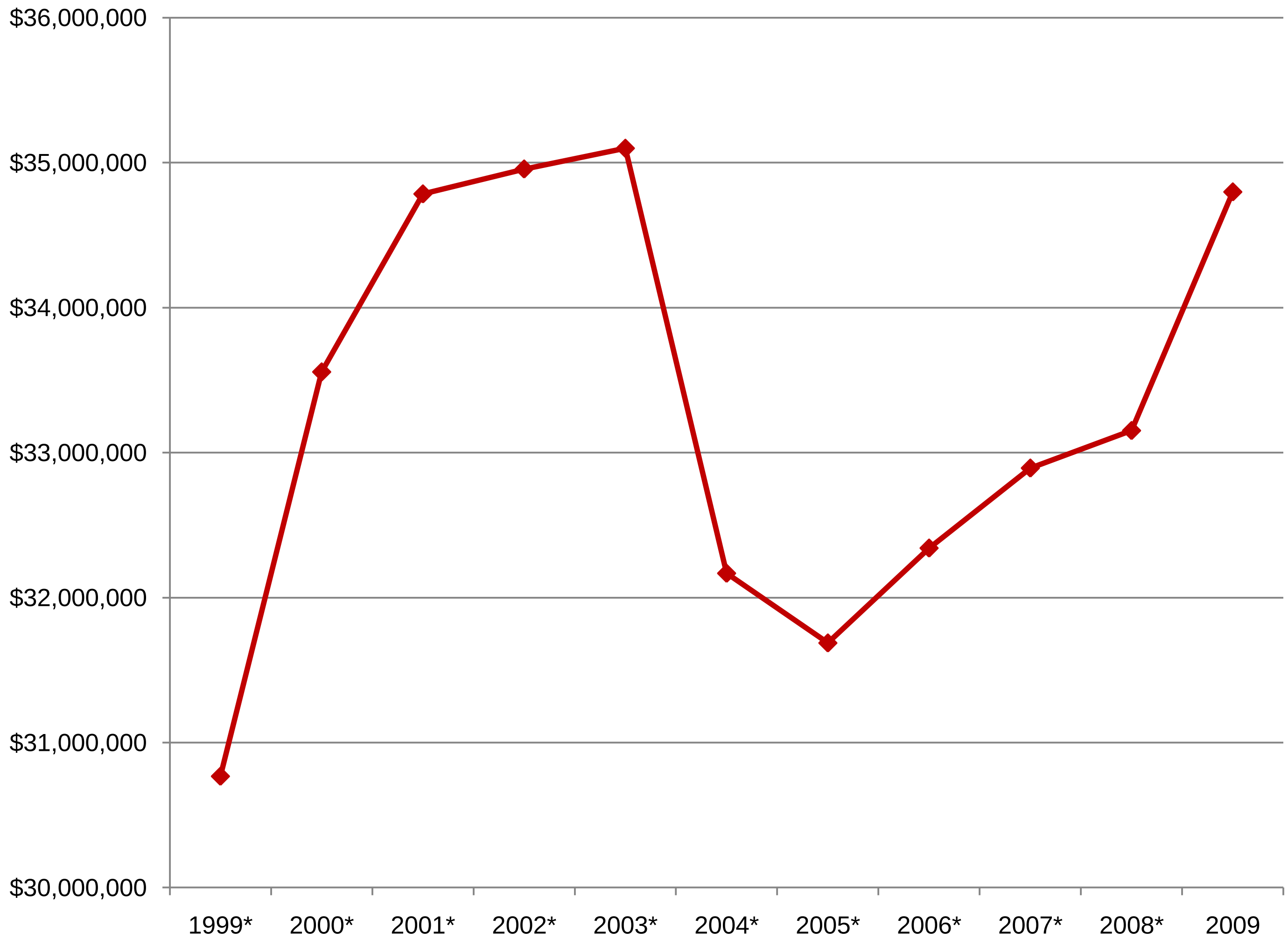
	2007	2008	2009
Totals	82,918	98,675	117,553

City of Madison Hotel Tax Revenues



Source: City of Madison Treasurer's Office & City of Madison 2010 Adopted Budget

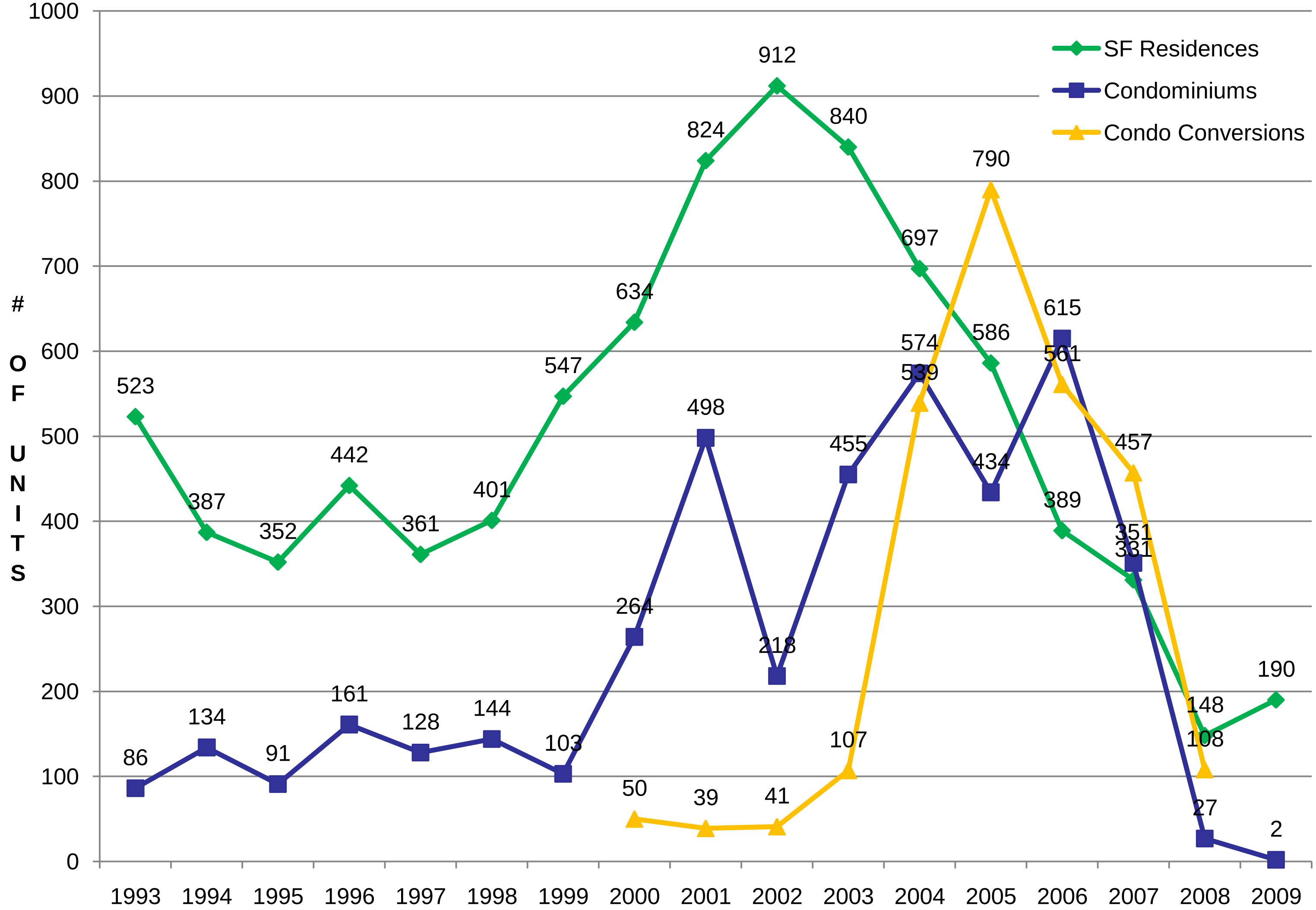
Total Intergovernmental Revenues



* = actual, all others are adopted

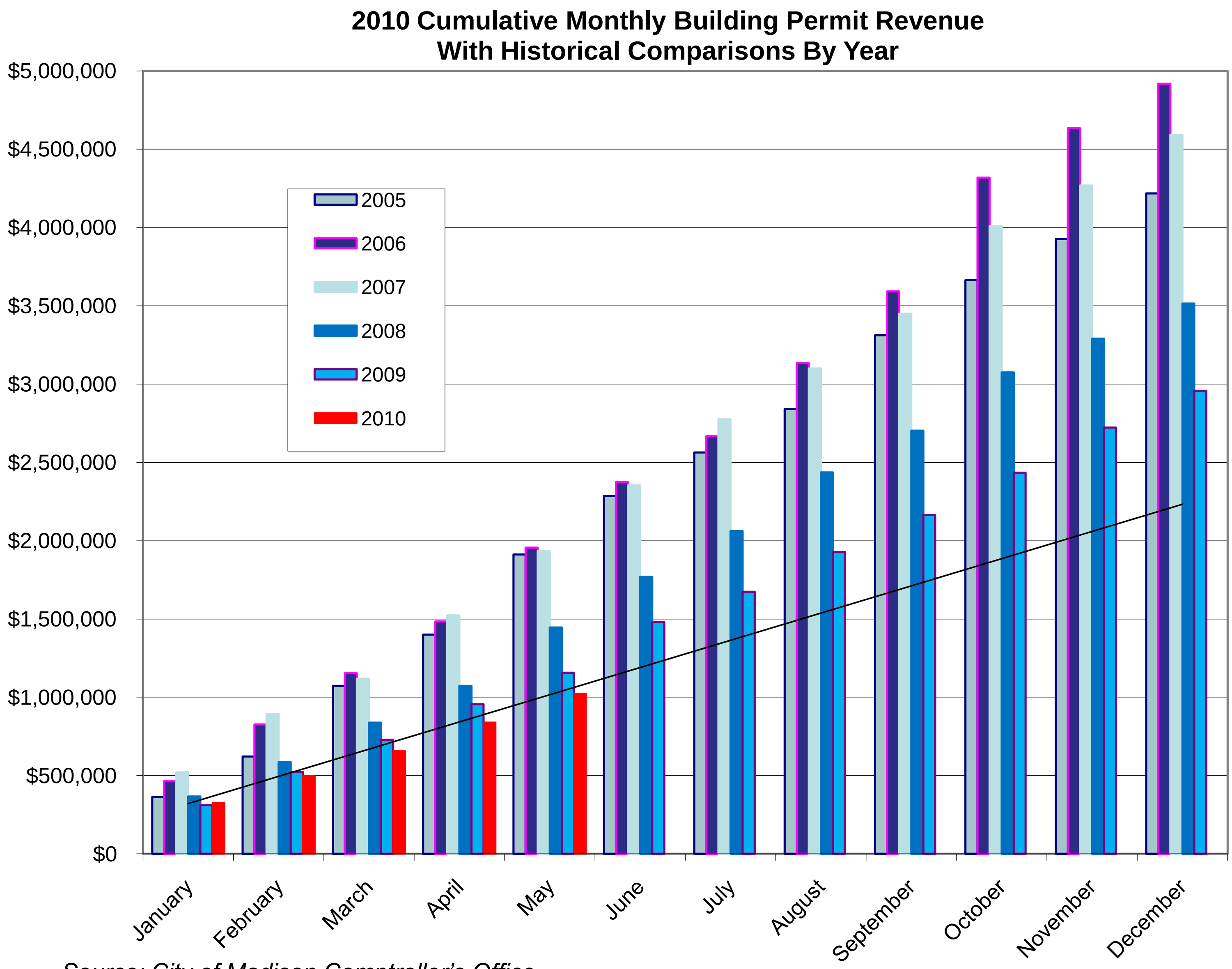
Source: City of Madison Adopted Budgets

BUILDING PERMITS SUMMARY
Units of SF Residences, Condos & Condo Conversions



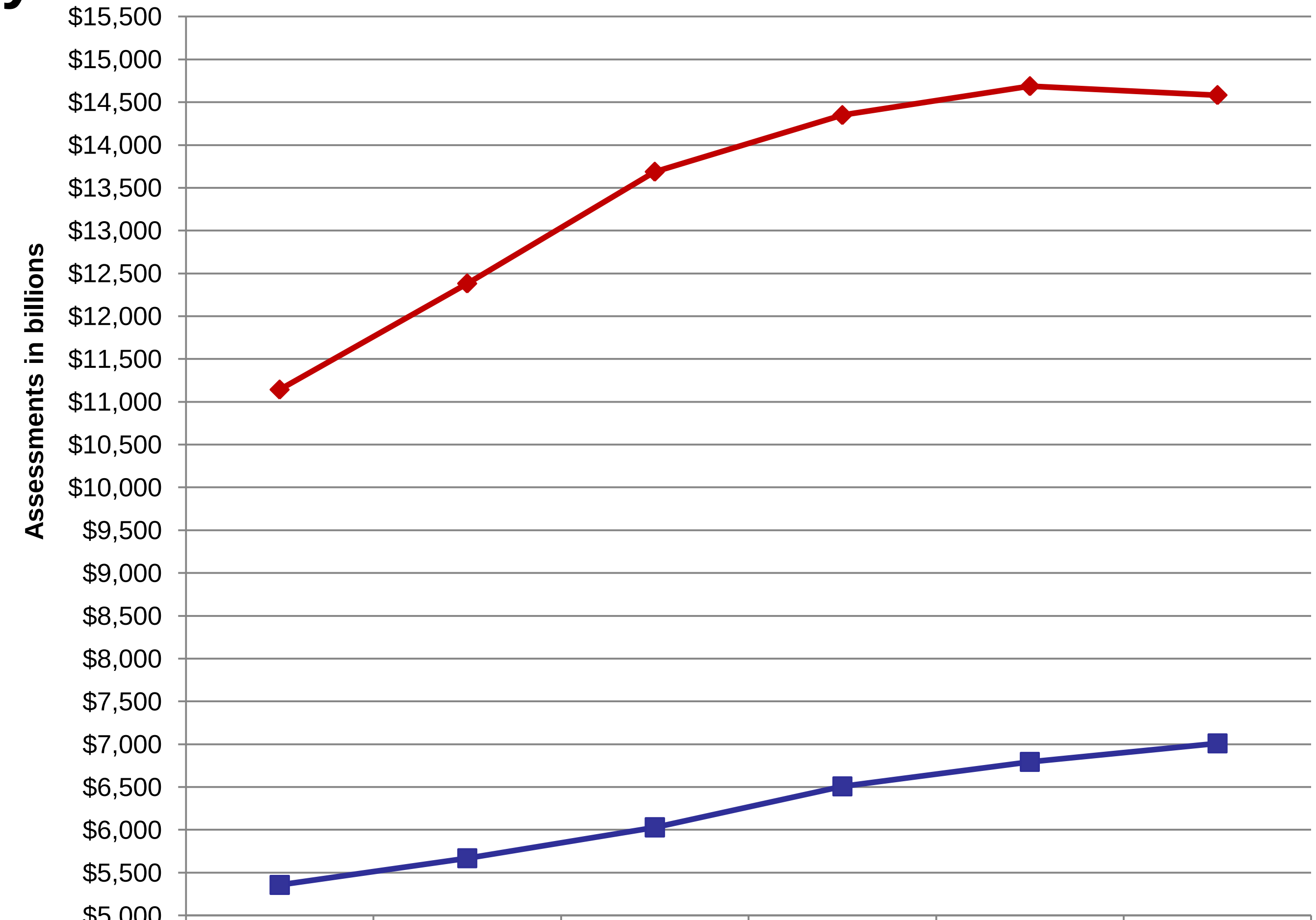
Source: Dept. of Planning & Community & Economic Development
Building Inspection Division: 1993-2009
City Assessor's Office: 2000-2009

City of Madison Total Permit Fees



Source: City of Madison Comptroller's Office

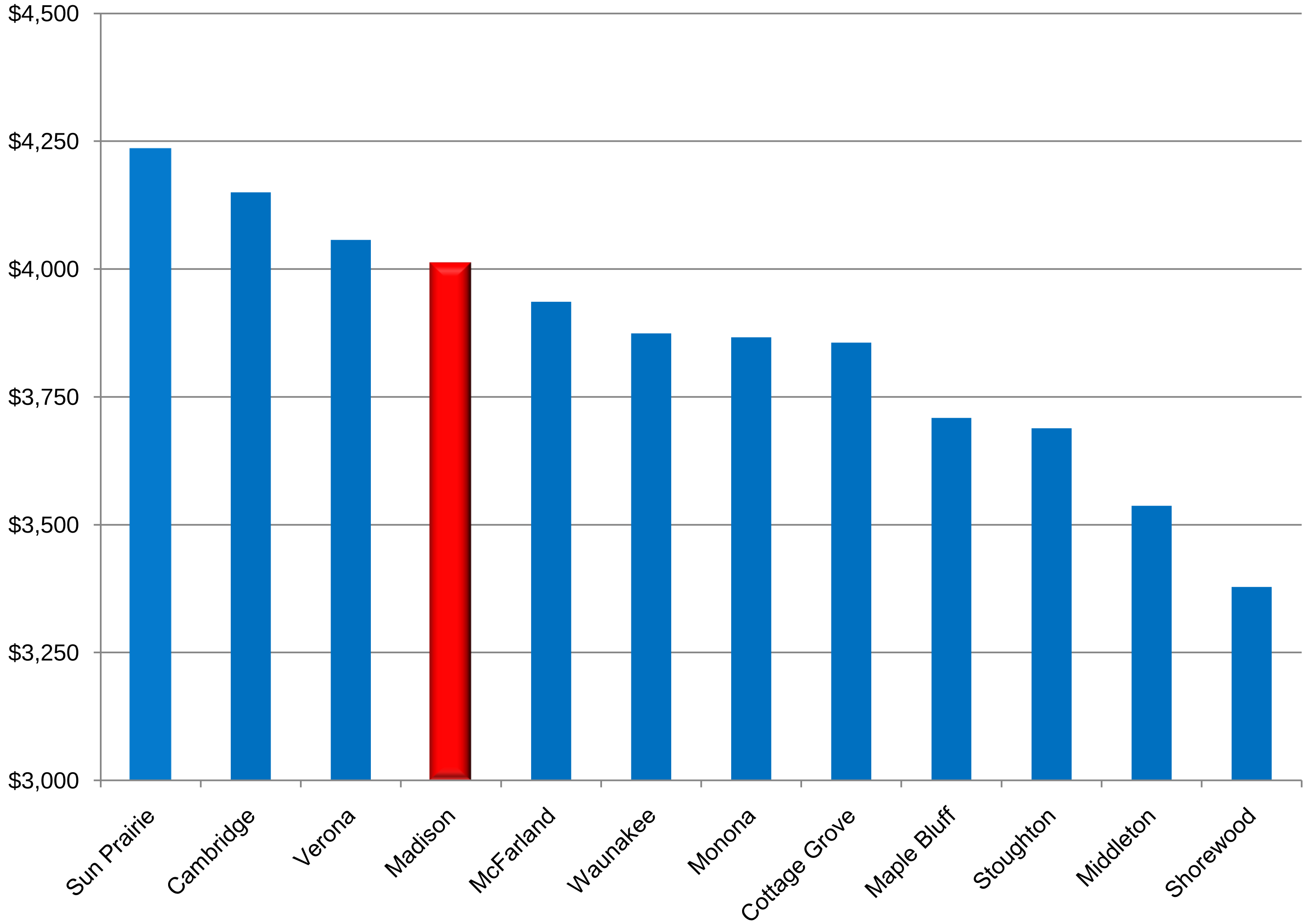
City of Madison Tax Base



	2004	2005	2006	2007	2008	2009
Residential Assmts	$11,141	$12,381	$13,687	$14,349	$14,687	$14,583
Commercial Assmts	$5,357	$5,669	6,029	$6,507	$6,793	$7,010
Agriculture Assmts	$2	$3	$13	$10	$13	$16

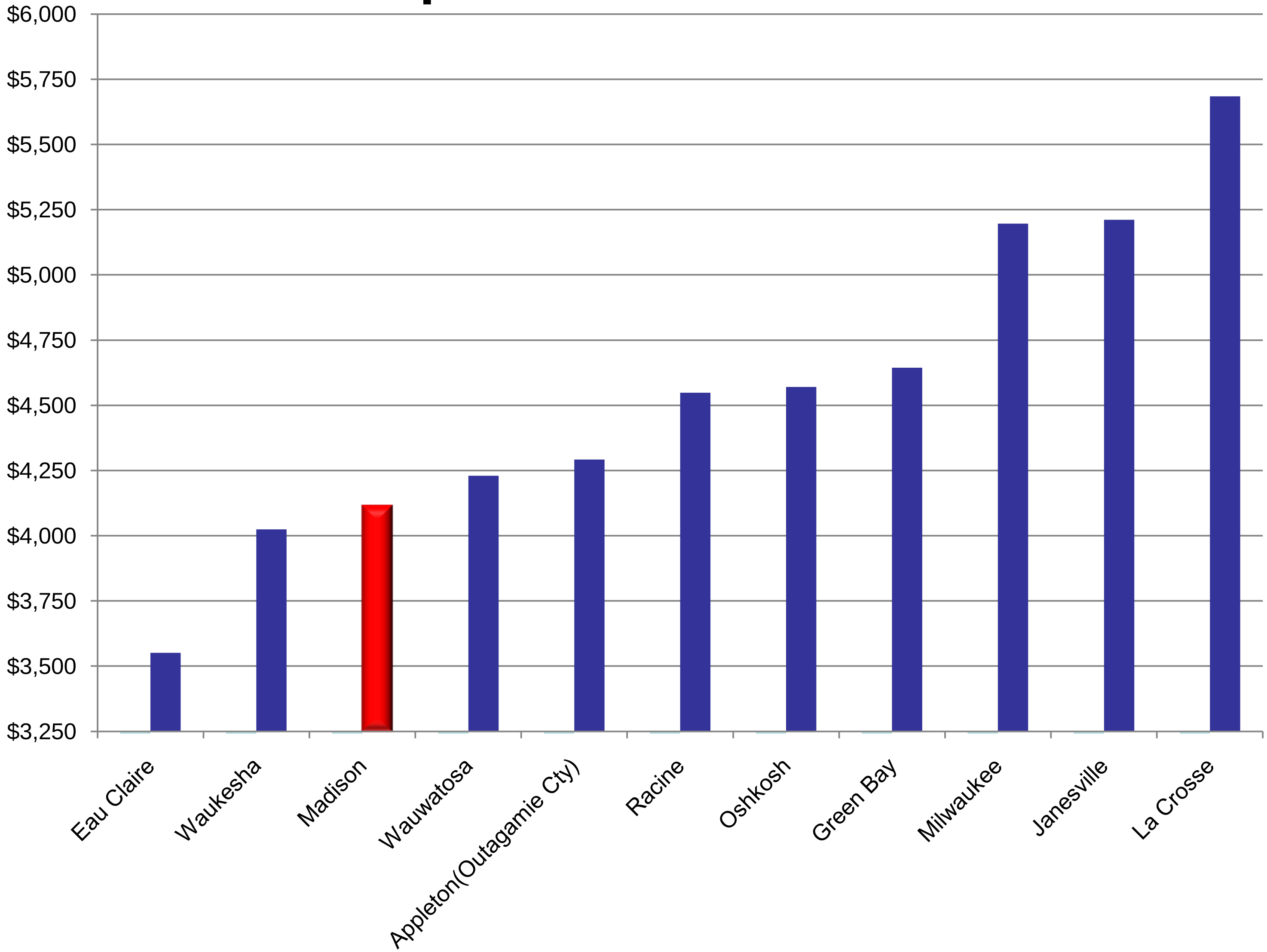
Source: City of Madison Assessor's Office

2009 Property Tax 0n a $200,000 Home-Dane County Communities



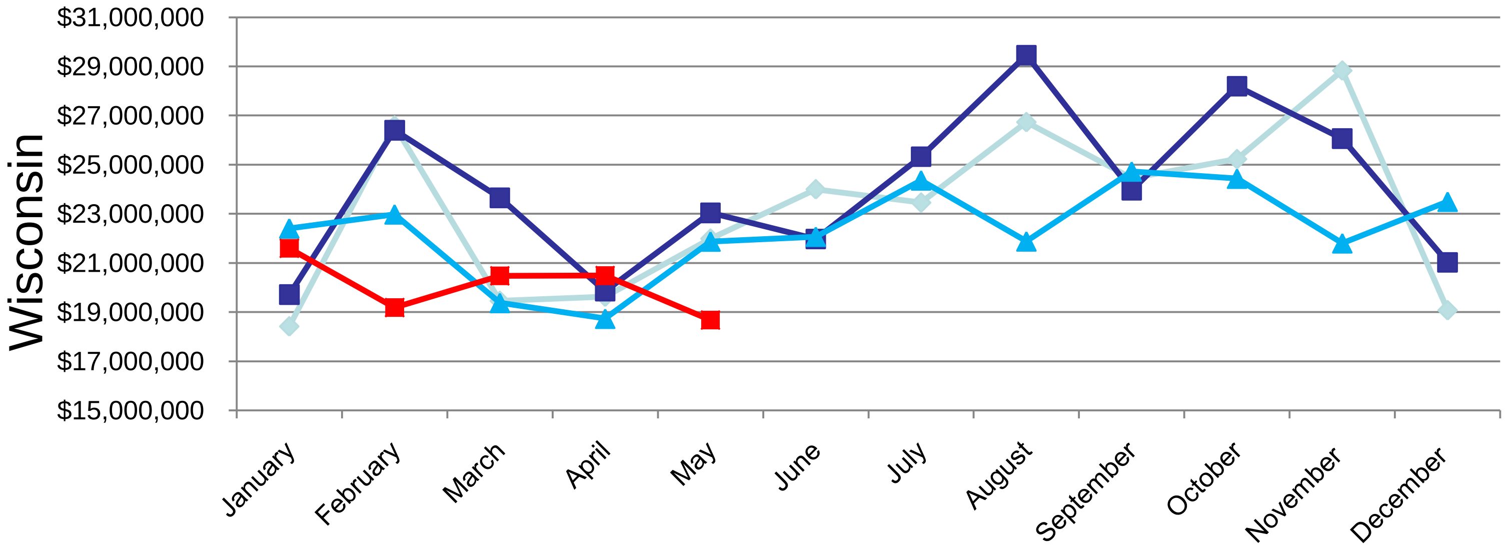
Source: 2010 Book of Business

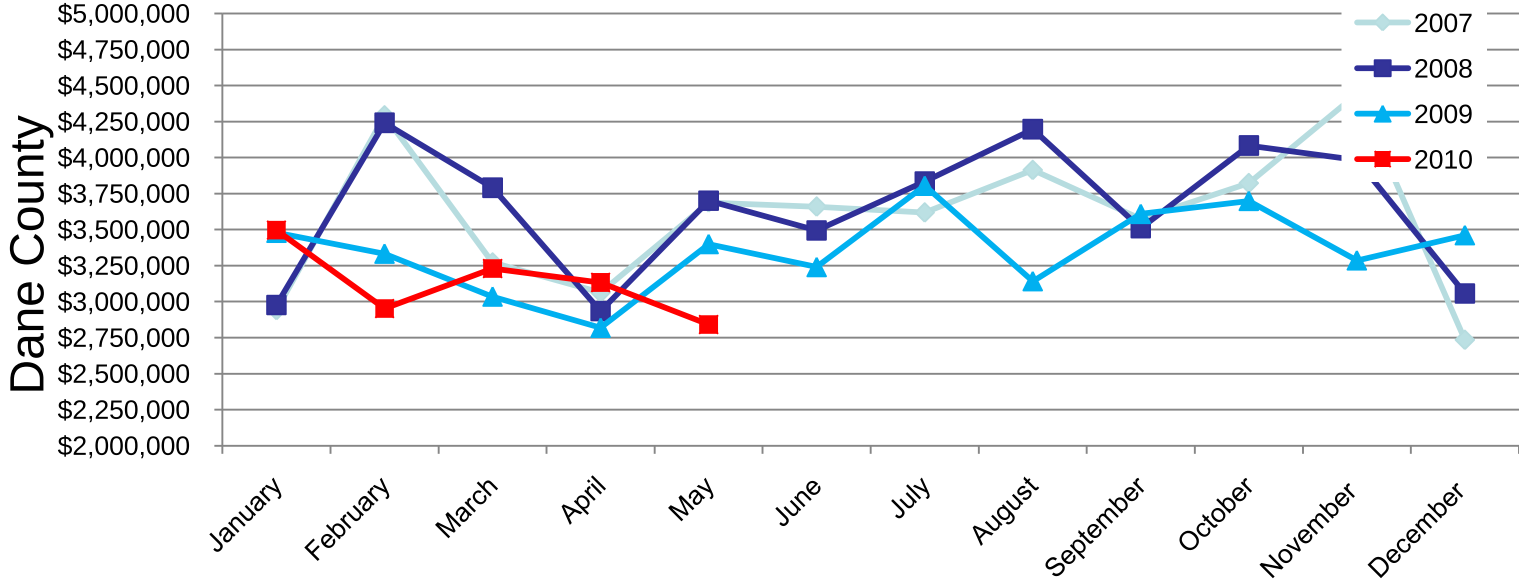
2009 Property Taxes on a $200,000 Home- Statewide Comparison



Source: Municipal Treasurers Offices

Sales Tax Revenues

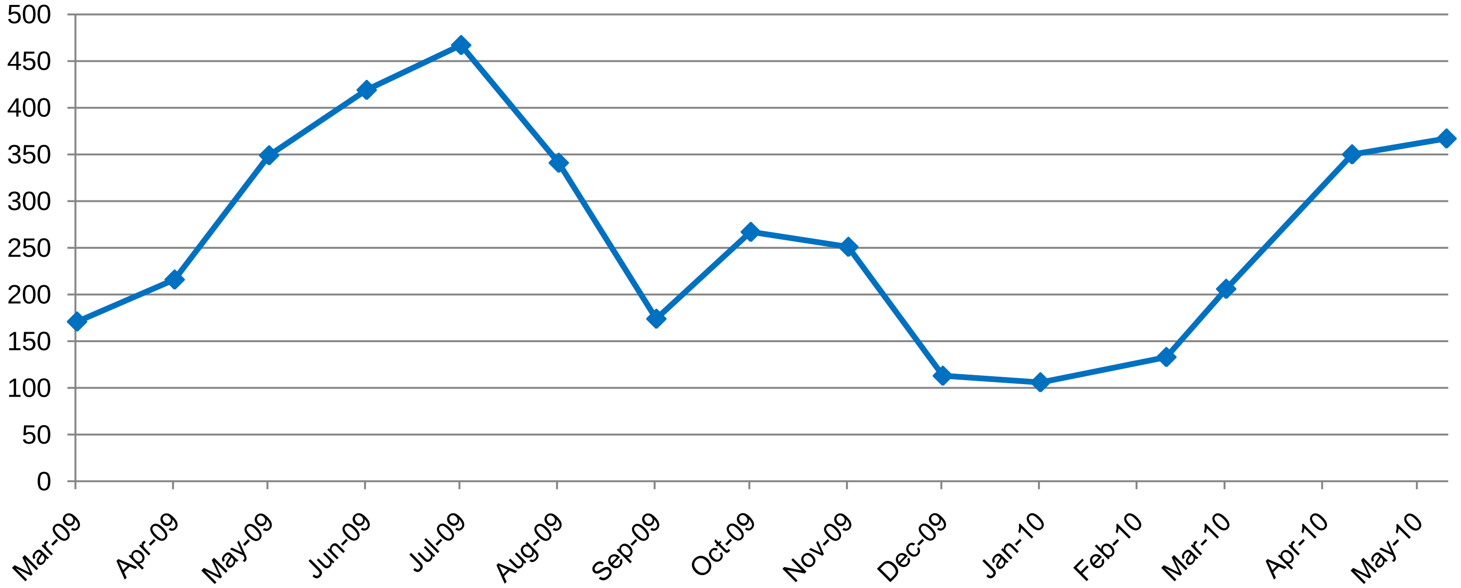




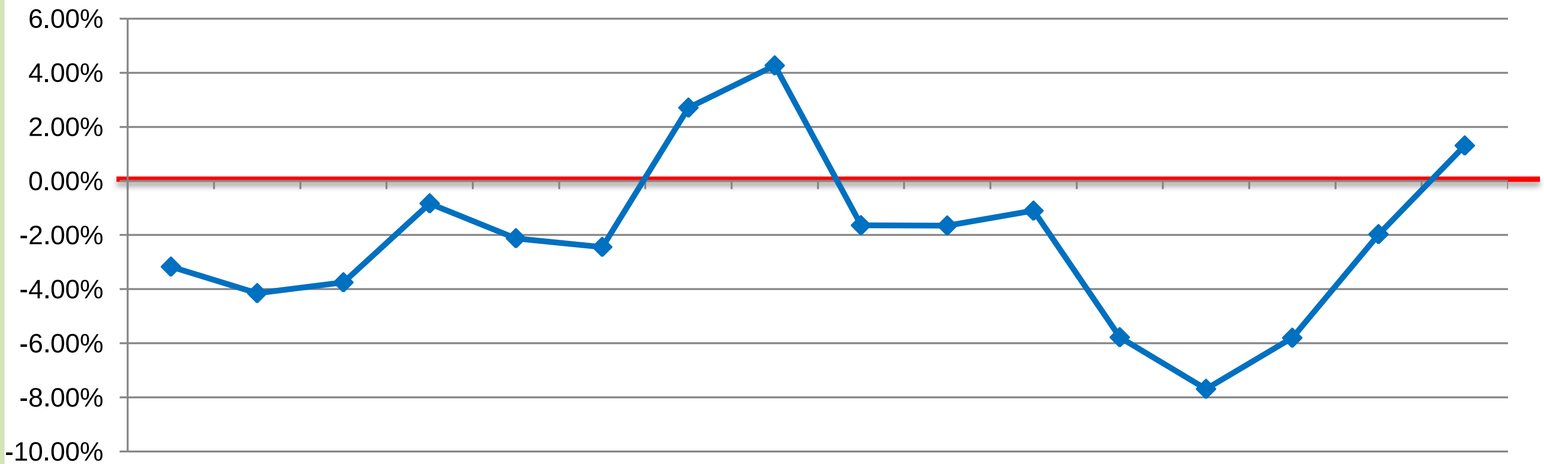
Source: State of Wisconsin, Department of Revenue *Updated 6/15/10*

City of Madison Valid Residential Sales

(Includes single-family, condos, multi-units up to 7 units)

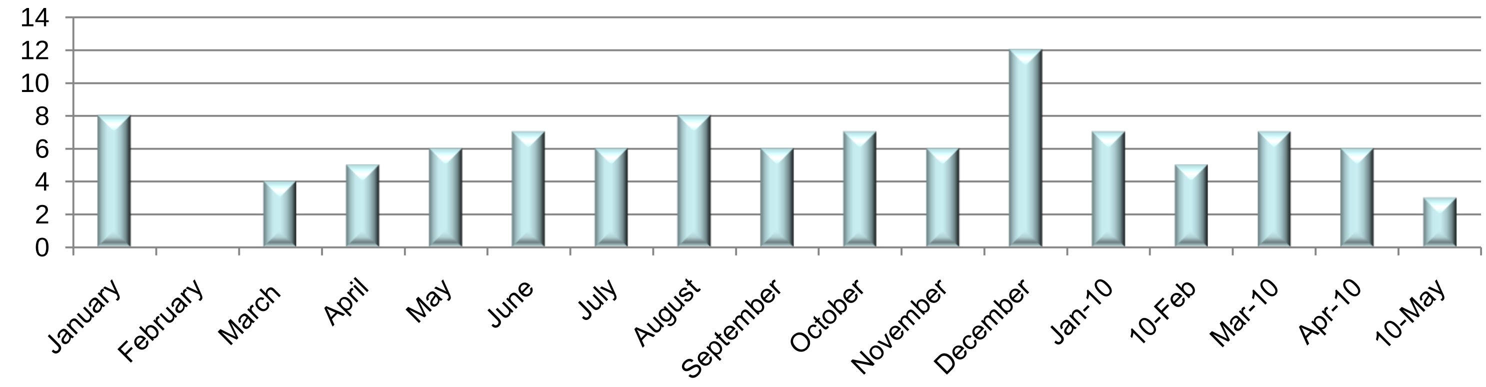


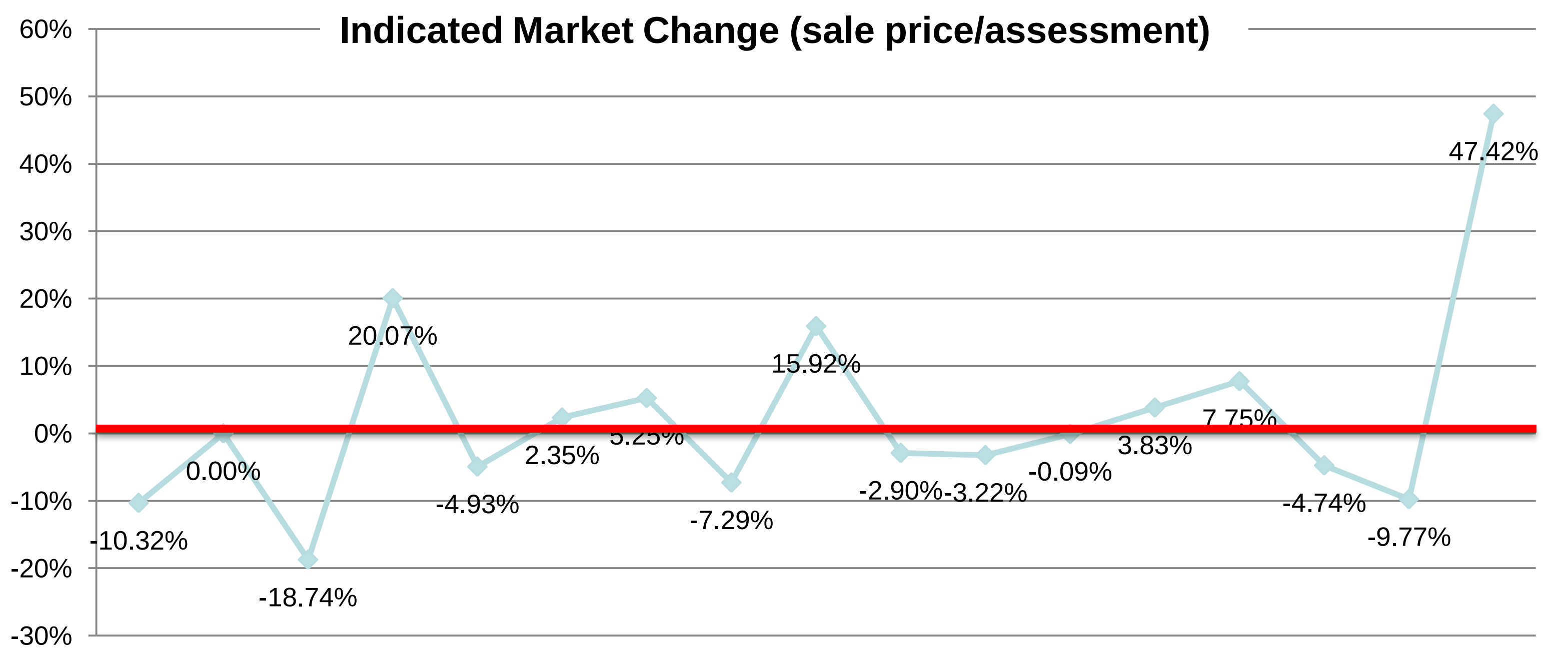
Indicated Market Change (sale price/assessment)



Source: City of Madison Assessor's Office, updated 6/22/10

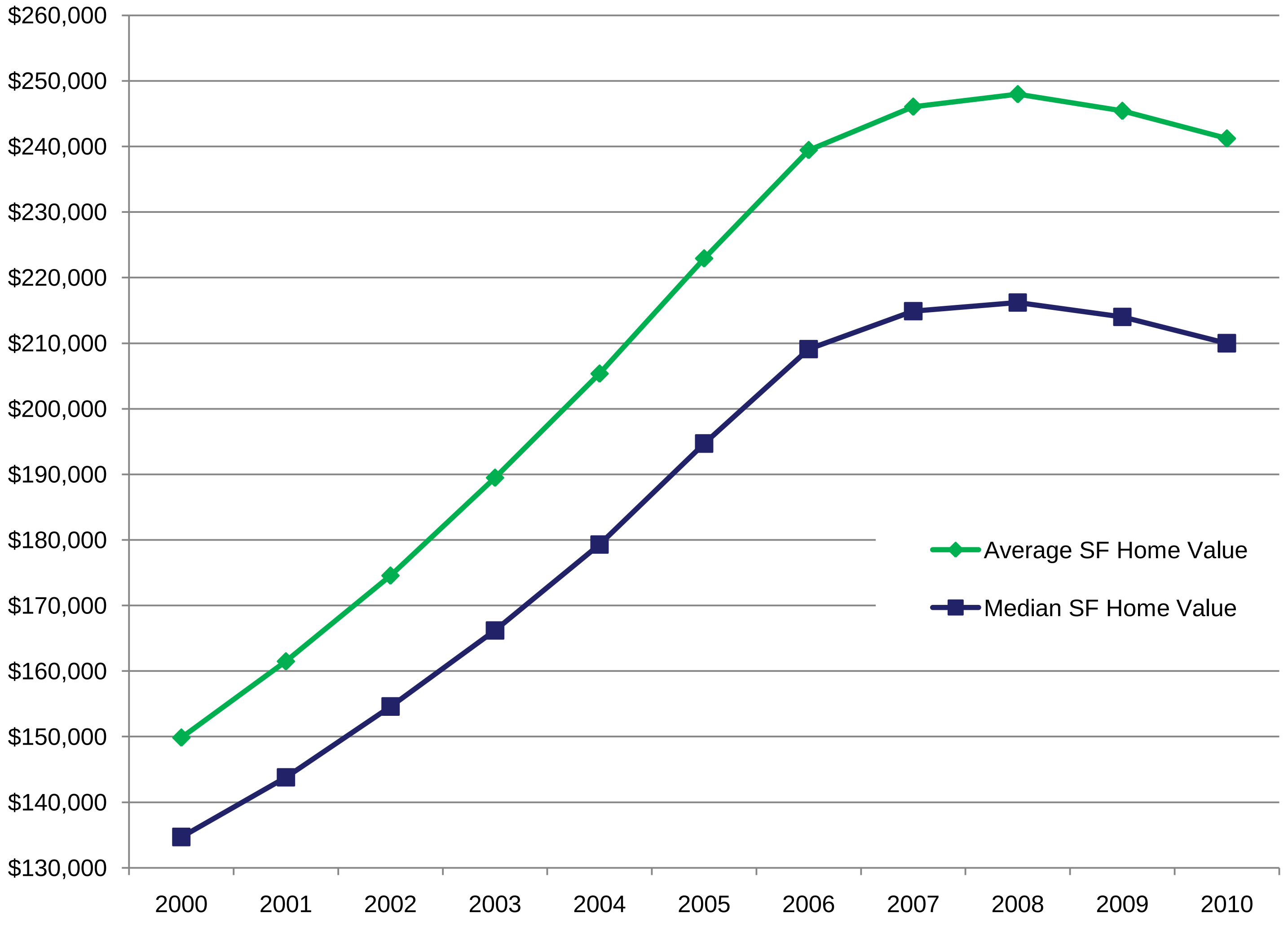
City of Madison Valid Commercial Property Sales, 2009-2010 **does not include manufacturing property**





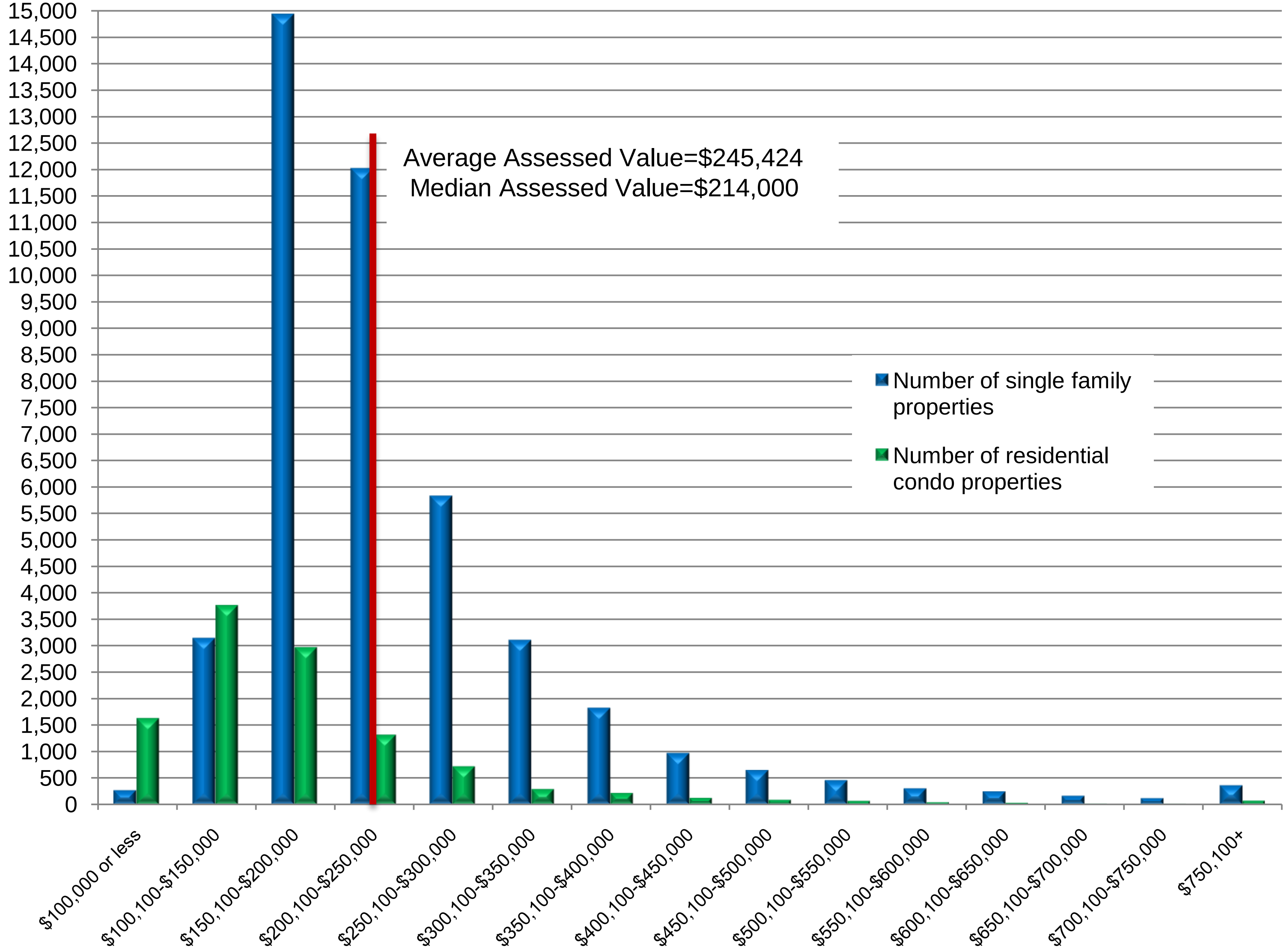
Source: City of Madison Assessor's Office, updated 6/22/10

City of Madison Single Family Home- Average and Median Values



Source: City of Madison Assessor's Office

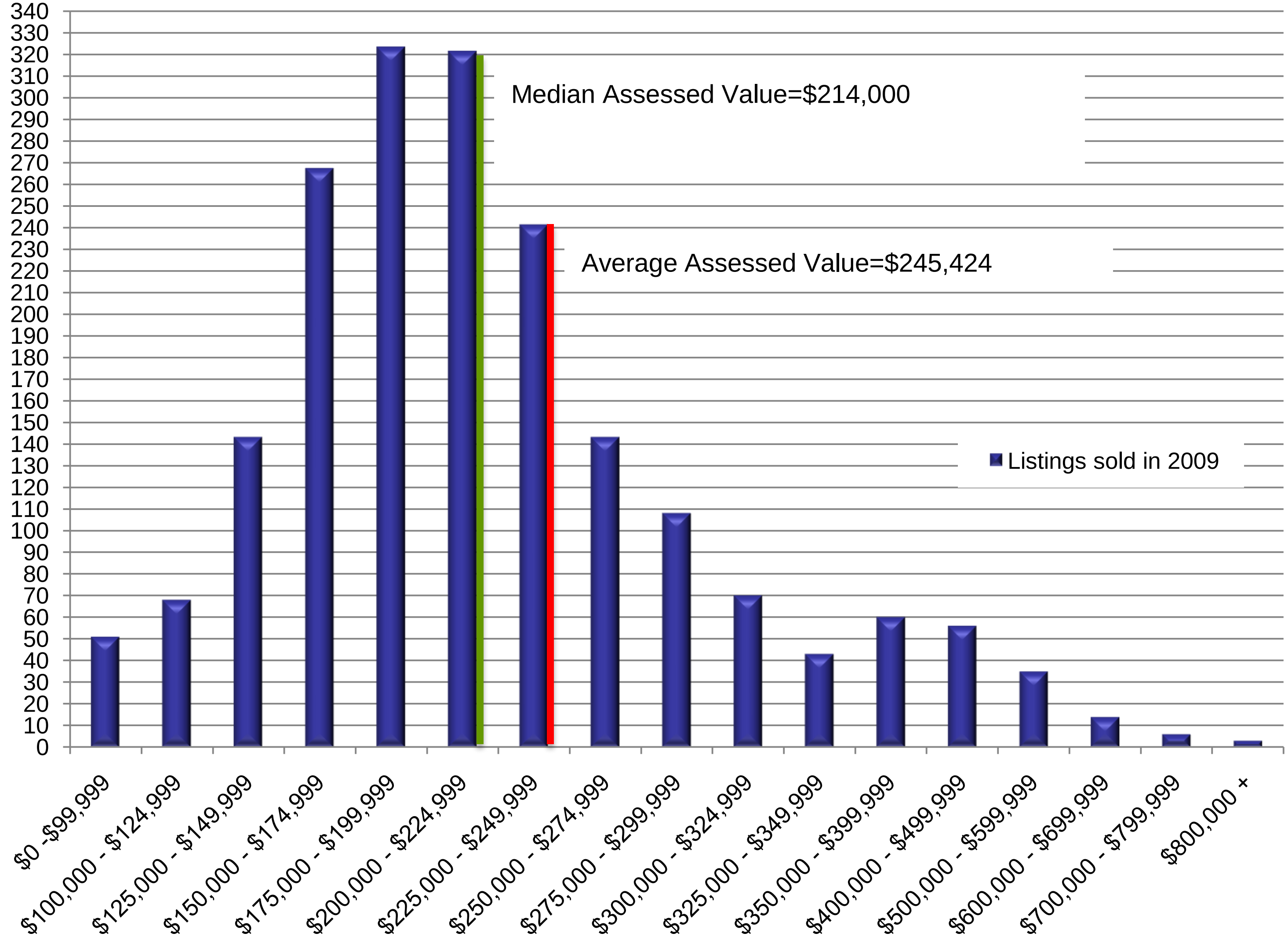
City of Madison Number of Residential Properties by 2009 Assessed Value



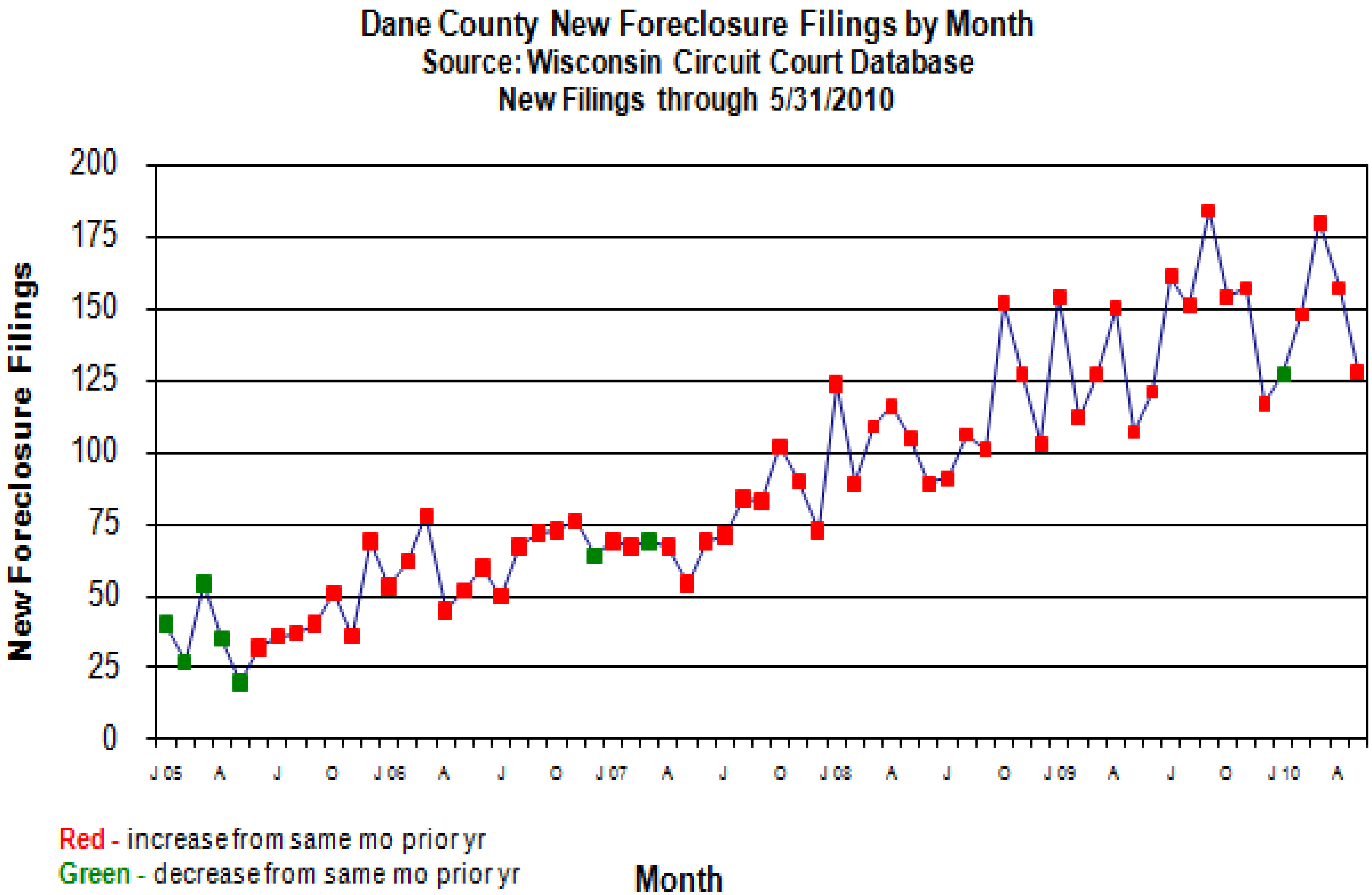
Source: City of Madison Assessor's Office

Madison

City of Madison Homes Sold by Price Range - 2009

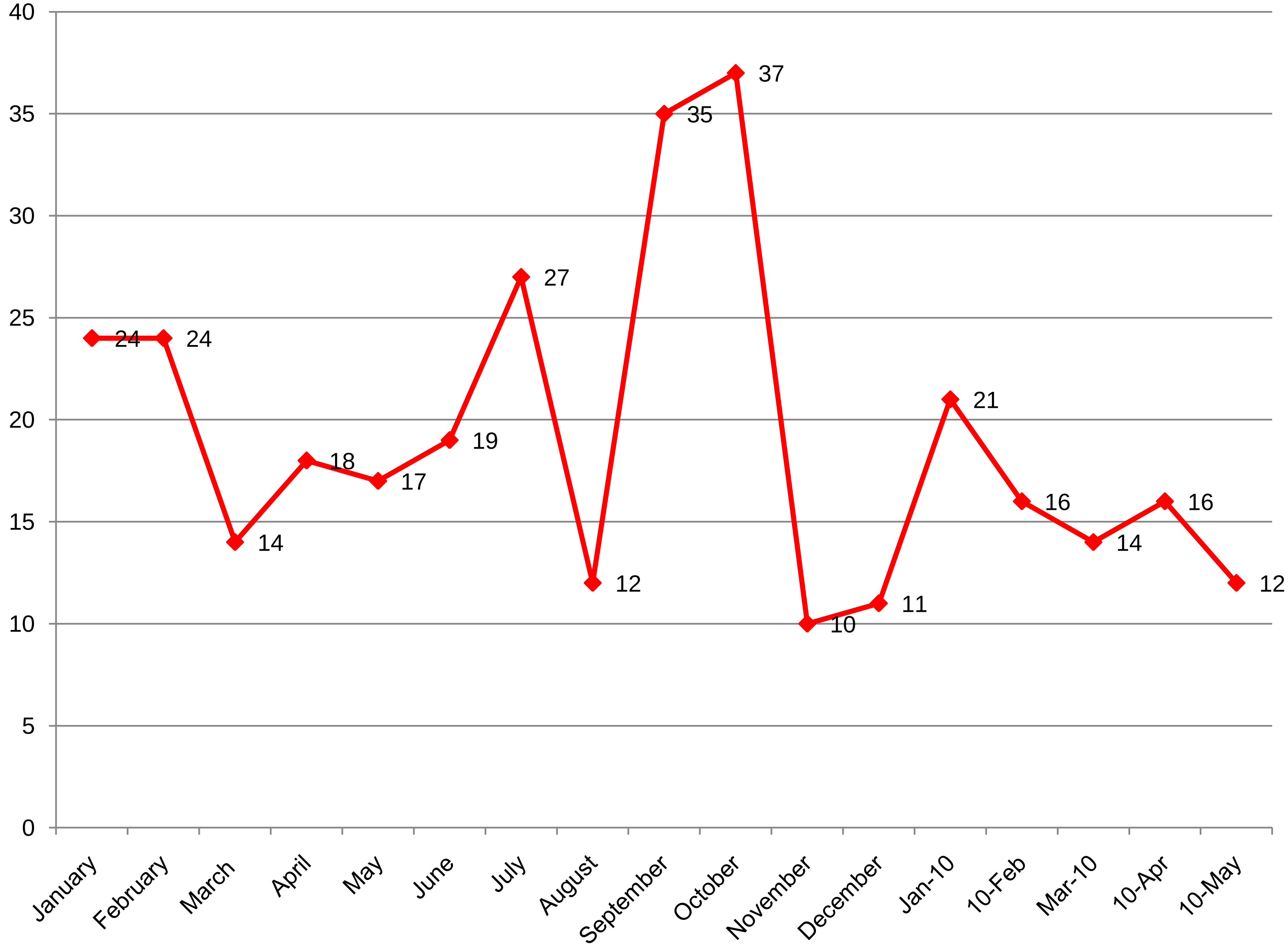


Source: South Central Wisconsin MLS Corporation



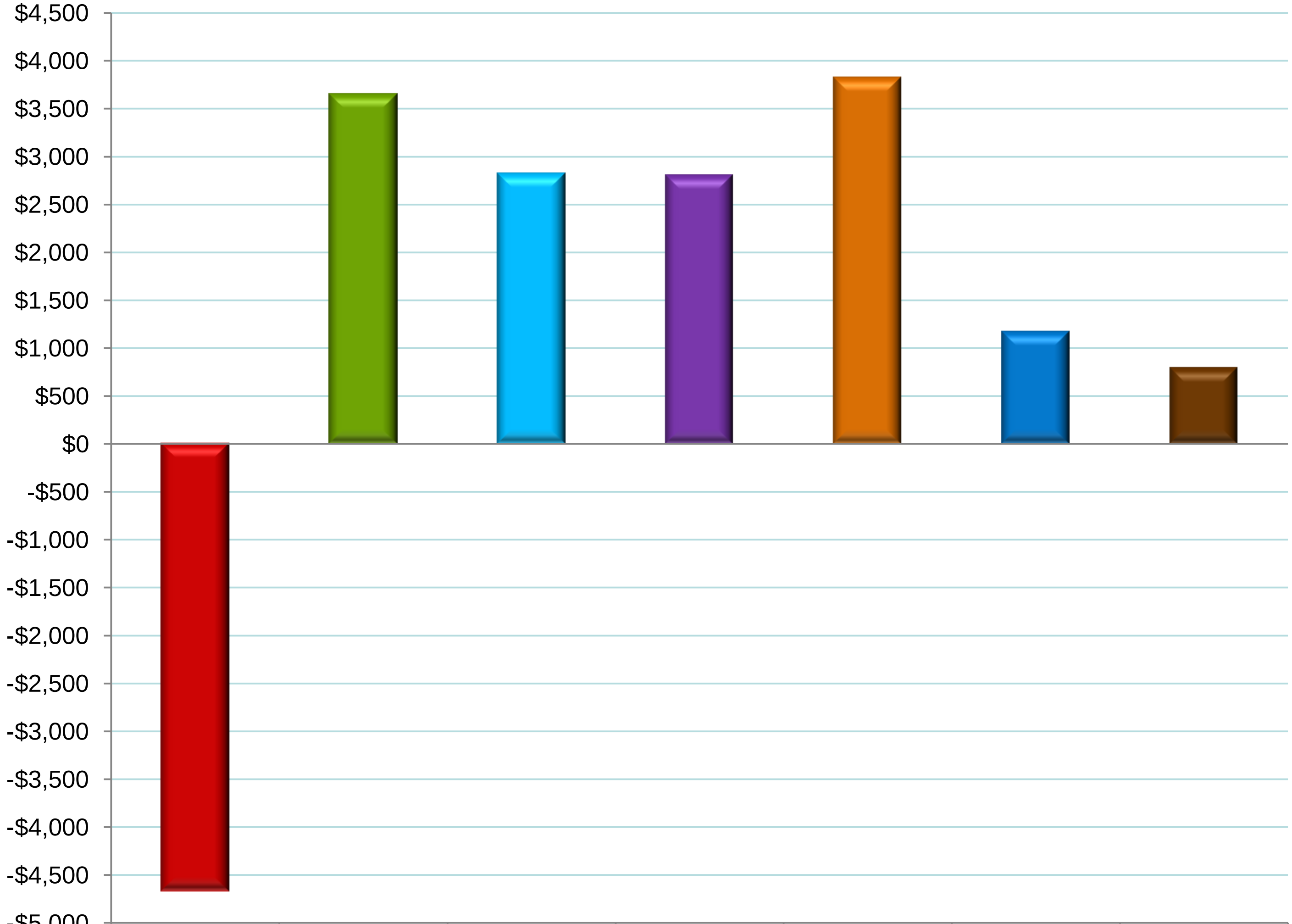
Source:www.madisonrealestatemarket.com *updated 6/15/10*

City of Madison Foreclosures – 2009-2010



Source: City of Madison Assessor's Office, updated 6/22/10

Net Median Household Income Migration 2000-2005

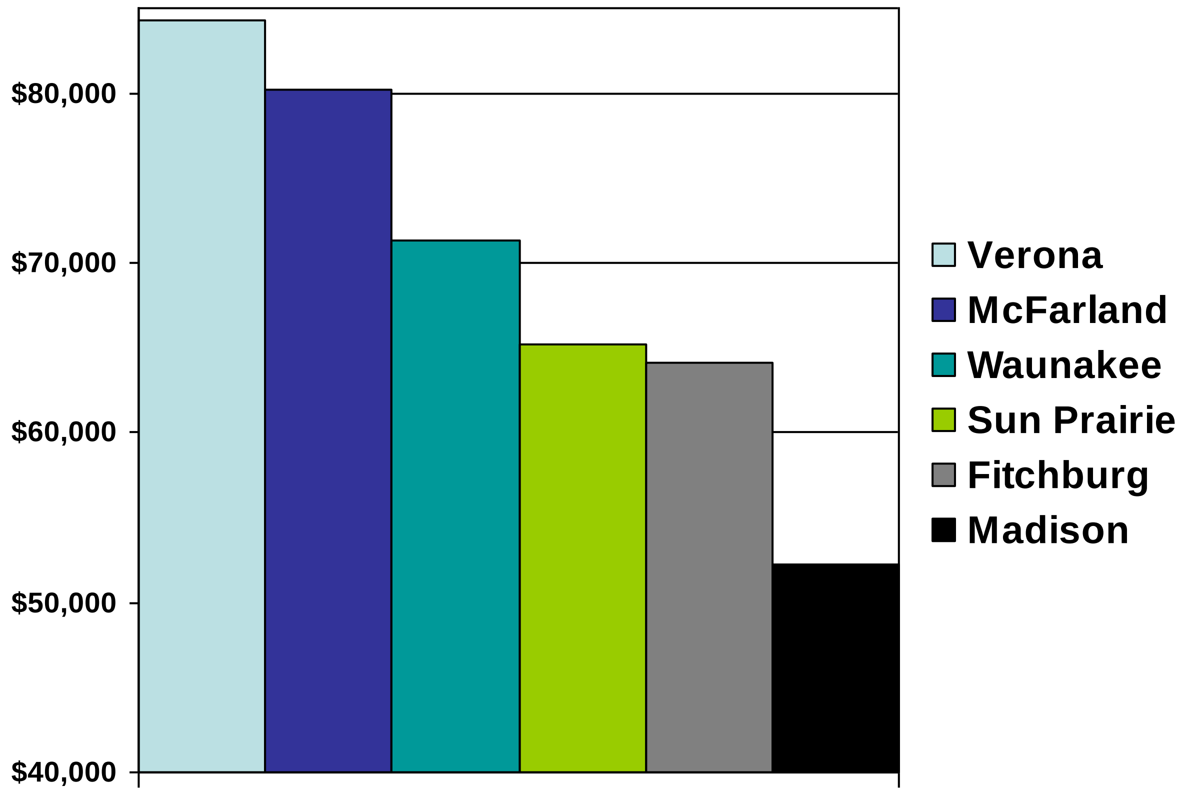


	Dane	Waukesha	Jefferson	Iowa	Columbia	Rock	Green
Net	-$4,668	$3,652	$2,826	$2,805	$3,828	$1,169	$787

Source: http://enterprise.star-telegram.com/ARCIms/Maps/clt/2007/irsmig.a...

Large Disparity with Immediate Suburbs

2008 Median Household Income

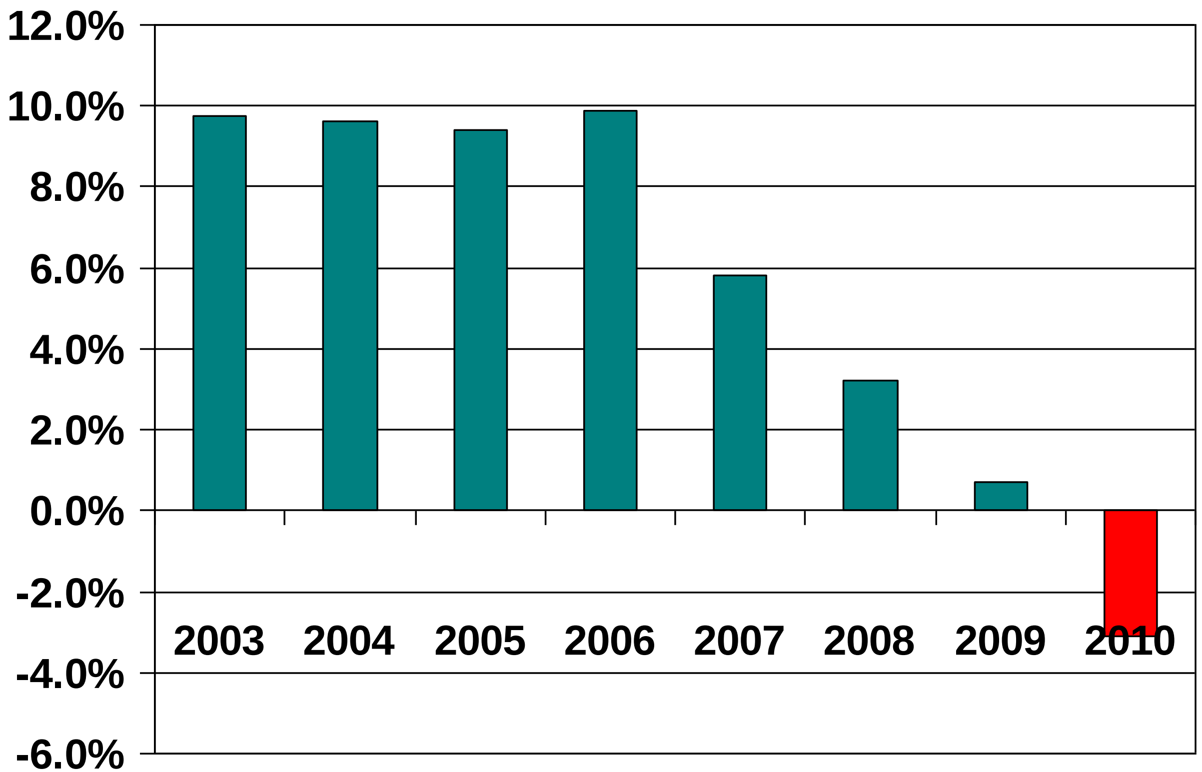


Source: U.S. Census Bureau, American Community Survey

Assessment Change Over Previous Year

2003 – 2010

OVERALL

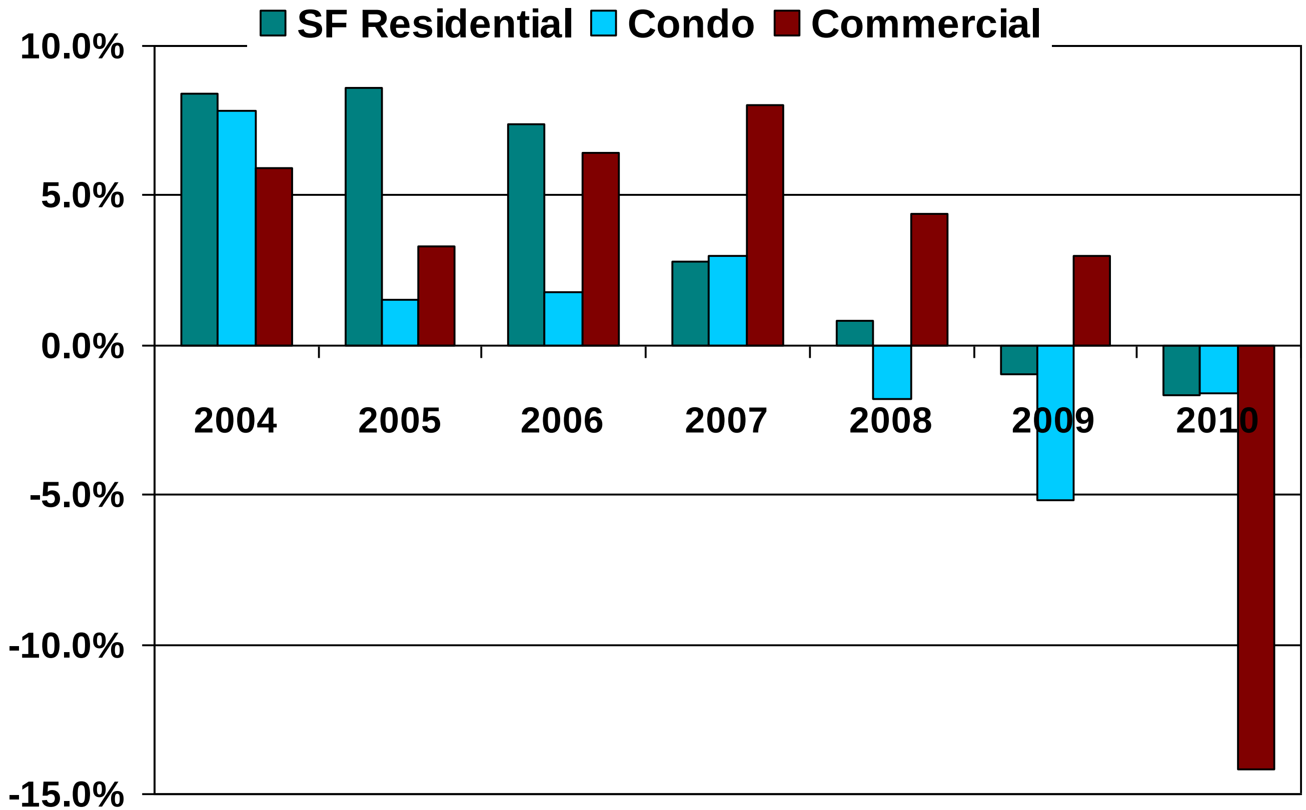


Source: City of Madison Assessors Report

Assessment Change Over Previous Year

2003 – 2010

On <u>average</u> single-family residential, condo & commercial property



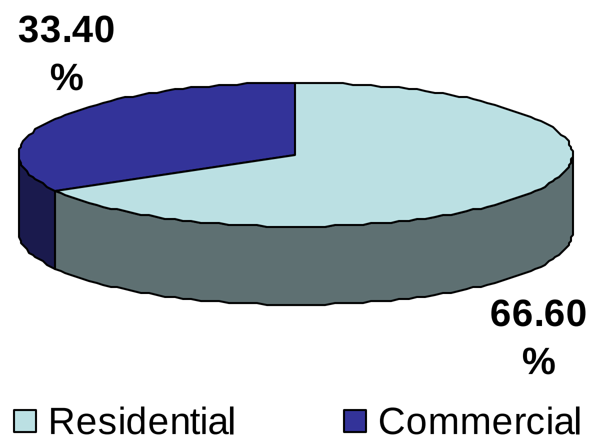
Source: City of Madison Assessors Report

2010 City of Madison Assessment Data

Breakdown of $671.7 M **DECREASE** over 2009	Change in $ Millions
New Construction	246.6
Revaluations	(885.9)
Annexations	4.3
Real Estate Exemptions	(48.6)
Buildings Removed	(2.9)
Property Formerly Exempt, Now Assessed	13.8
Personal Property	1.0
TOTAL	**$(671.7)**

Net impacts assuming same levy as current year:
City = ($5.32M)
MMSD = ($7.03M)

On a $20.8B base
(- $2.2B)



Source: City of Madison Assessors Report

Articles and Research

- Here Comes The Neighborhood, Christopher B. Leinberger, The Atlantic, June 2010
- Wisconsin Job Watch, May 2010
- Cleveland's jobs commitment is an enviable model, June 19, 2010
- Inside the Dire Financial State of the States, www.Time.com, June 17, 2010
- Sun Prairie Development: Prairie Lakes' Ship will hoist Two Anchors, INBusiness Magazine
- As federal stimulus fades, private hiring falters, MNNBC.com, June 4, 2010
- Employment in America's 100 Biggest Markets(April 2010)
- Where Americans Are Moving, Forbes.com

Madison

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Madison

CONVENTIONAL SUBURBS ARE OVERBUILT *and out of favor. In cities and suburbs alike, walkable neighborhoods linked by train are the future. Here's how a new network of privately funded rail lines can make that future come to pass more quickly and cheaply—and help reinvigorate housing and the economy.*

HERE COMES THE

By CHRISTOPHER B. LEINBERGER

WHILE HOUSES ARE (mostly) sturdy, the construction industry is as sensitive as a 19th-century debutante. At the first sign of trouble, it swoons, often knocking the economy down with it. In each of the three recessions before the Great Recession, the economy shrank by less than 2 percent—but housing starts, on average, declined by a third. In the years leading up to the 1990 recession, when real estate bankrupted about half of the savings-and-loans, housing starts fell 44 percent. Usually, an economic recession means a *depression* in the housing industry.

It's been worse this time around. From their pre-recession peaks, economic output fell 3.3 percent and employment 6.1 percent, but housing starts dropped 73 percent. Last year housing starts were lower *by half* than in any year since 1959, when the U.S. population stood at 178 million (compared with 309 million today). About a third of all the jobs lost in this recession have been in construction, real-estate finance, architecture, or building services. Housing prices, meanwhile, have fallen 28 percent, adjusted for inflation, since their peak in 2006—that's far more than they fell during the Great Depression.

But housing hasn't cratered everywhere. According to Stan Humphries, the chief economist of Zillow, an online housing-research firm, if you plot changes in home values within a typical metro region on a satellite map, the result "looks like an archery target, with the outlying areas having experienced substantially higher total declines in home values" than areas closer to the central city.

Zillow data for metropolitan Washington, D.C., for instance, shows that housing prices on average have declined 33 percent since the peak. But this average masks big differences. In densely built inner suburbs, like Arlington, Virginia, and in the walkable, urban neighborhoods of the District of Columbia, prices typically dropped about 20 percent. Housing on the suburban fringe, on the other hand, lost about half its value. Many exurban homeowners

who had purchased or refinanced in the mid-2000s are now well underwater.

Housing is such a large part of the economy that a sustained, robust recovery is difficult to imagine without a corresponding recovery in the building, buying, and selling of houses. Indeed, housing has usually helped lead us out of prior recessions. While home buying typically plunges when the economy turns south, life goes on. People continue to age, children leave the nest, couples marry, babies are born, new jobs are taken. When consumer confidence returns, the pent-up demand for different housing choices sparks a boom in construction and renovation. The economic expansion during the 1990s, for instance, was fueled in part by a 44 percent rise in housing starts from 1991 to 1994, providing substantial job growth early in the recovery.

But this time may be different. As Zillow's satellite maps begin to indicate, what we face today is not just a *cyclical* housing problem, but a *structural* one as well. Over the past decade, most house building occurred on the suburban fringe, in large part because that's where houses could be built most easily and quickly. But now that the bubble has popped, we can clearly see that underlying demand in these areas is extremely weak, and oversupply is massive.

Nationwide, houses on the exurban fringes are now generally priced below the cost of the materials that went into building them. That's usually the first step in the creation of a slum. Owners have no financial incentive to invest in their houses if they will not get that investment back upon resale. Developers have no financial incentive to build in those areas either.

Urban-style housing in walkable neighborhoods—including those in the inner suburbs—is what's in demand today. And for a variety of reasons, that demand will intensify in the coming years. Only by serving it can the country kick-start growth in an enormous and essential part of the economy.

Yet the creation of new, attractive urban spaces is slow and difficult, and becomes all but impossible without substantial new infrastructure. Most of all, it relies on good transit options—especially rail links—around which walkable neighborhoods can develop. Rail, biking, and walking infrastructure is the backbone of urban development, and as a country we've for the most part neglected to build it in recent decades, in favor of new roads for new suburbs farther and farther away from metropolitan hubs. To support growth in the next decade, we need to change that dynamic—and nourish our walkable urban spaces and neighborhoods. Complicating matters, in these cash-strapped times we need to find a way to do so on the cheap.

HOUSING COMES IN TWO basic types. The first is the now-classic *Ozzie and Harriet*–style single-family house on its own large lot, from which nearly every trip is taken by car. The second is similar to what we predominantly built before the Great Depression: small-lot single-family houses, townhouses, and apartments that are within walking distance of most everyday needs and are typically connected by public transit to work, shopping, and entertainment—housing that is built at least five times more densely than that in conventional suburbs.

Ten years ago, conventional large-lot housing in wealthy suburbs was the highest-priced housing, per square foot, in nearly all metropolitan areas. Today, housing in walkable neighborhoods is typically the most expensive; the lines crossed in the 2000s.

Why did this happen? Cities, of course, have experienced a cultural renaissance over the past 15 years. Some suburbs, meanwhile, have become less attractive as they've grown more congested and lost open space, betraying suburbia's original promise and pushing new subdivisions farther and farther out into the hinterland.

The increasing costs of driving, meanwhile, have put great pressure on suburban family finances. On average, traditional suburban households spend 24 percent of their income paying for and maintaining their cars; urban households in walkable neighborhoods spend only 12 percent of their income on transportation. The difference amounts to half of what a typical household spends on health care—nationally, $700 billion a year in total.

Two-thirds of all households today consist of singles, childless couples, or empty-nesters, and that proportion will rise over the next 20 years. All of these groups tend to prefer walkable urban housing. Millennials—the rising generation of 20- and 30-somethings—are particularly drawn to urban living, seeing it not only as exciting but as healthy and environmentally friendly.

Americans are not about to abandon conventional suburbs en masse; many prefer them. But demand for walkable urban living is rising, and today supply of that sort of housing is limited. As for conventional suburban housing, the reverse is true. In a 2006 article in the *Journal of the American Planning Association*, Arthur Nelson of the University of Utah estimated that, based on current supply and shifting demand, the nation may have a surplus of some 22 million large-lot single-family houses by 2025.

Some national home builders are still betting on conventional suburbs. Once the economy picks up, they're planning to build more McMansions on the fringe, just faster and cheaper than ever before. With the price of existing fringe housing so low, they are hoping to offer competitive pricing by limiting the number of models, simplifying their plans, reducing house sizes, using more vinyl, relying more on factory construction, and shipping prefab housing parts in on a flatbed, so they can assemble some houses in a week. But this strategy may not have much further to go; the difference between site-built houses and mobile homes is narrowing.

"It is very unlikely that new projects in sprawl areas will be financed," says Jonathan Rose, the CEO of the national development-and-investment firm Jonathan Rose Companies, based in New York City. "Urban areas with diverse transit options and thriving universities are the choice of Baby Boomers and young people." Mark Falcone, the CEO and founder of the Denver-based firm Continuum Partners, which has experience redeveloping downtowns and dead malls, sounds much the same note: "It is clear that the primary development demand will come from closer-in locations over the next several years," he told me.

Urban spaces of the kind that people want today feature mixed-use zoning and lots of stores and parks within walking distance. But most of all, they feature good public-transit options—usually rail lines.

Metropolitan voters in recent years have passed roughly two-thirds of all ballot measures calling for tax increases to pay for new or expanded transit. But asking cities and suburban towns, which are now strapped for cash, to shoulder the entire burden of rail-transit investment is not realistic. And in a variety of ways, federal funds have typically privileged road building over public transit. Progress will be slow unless something changes.

This problem has a solution, one that could be borrowed from U.S. history, and that might help our economy get up more quickly off its knees: What if developers and property owners build the transportation infrastructure themselves?

IN THE EARLY 20th century, every town of more than 5,000 people was served by streetcars, even though real household income was one-third what it is today. By 1920, metropolitan Los Angeles had the longest street-railway network in the world. Atlanta's rail system was accessible to nearly all residents. Until 1950, our grandparents and great-grandparents did not need a car to get around, since they could rely upon various forms of rail transit. A hundred years ago, the average household spent only 5 percent of its income on transportation.

How did the country afford that extensive rail system? Real-estate developers, sometimes aided by electric utilities, not only built the systems but paid rent to the cities for the rights-of-way.

These developers included Henry Huntington, who built the Pacific Electric in Los Angeles; Minnesota's Thomas Lowry, who built Twin City Rapid Transit; and Senator Francis Newlands from Nevada, who built Washington, D.C.'s Rock Creek Railway up Connecticut Avenue from Dupont Circle in the 1890s. When Newlands got into the rail-transit business, he wasn't drawn by the profit potential of streetcars. He was a real-estate developer, and he owned 1,700 acres between Dupont Circle and suburban Chevy Chase in Maryland, land served by his streetcar line. The Rock Creek Railway did not make any money, but it was essential to attracting buyers to Newlands's housing developments. In essence, Newlands subsidized the railway with the profits from his land development. He and other developers of the time understood that *transportation drives development*—and that development has to subsidize transportation.

After the Second World War, federally funded highways slowly supplanted this system, creating a windfall for a new batch of developers. One Polish-refugee-turned-real-estate-developer, Nathan Shapell, who owned a large tract of land outside Los Angeles, was approached in the 1960s by the California highway department about the possibility of building a freeway through his property. Shapell was delighted at the prospect—and immediately offered as much land as needed, for free. He also offered to pay for an interchange to get customers to his land. The state official said that would not be necessary; the state would buy his land for the road and pay for the interchange. "What a wonderful country!" he recalled thinking, in a conversation I had with him many years later.

Transit lines, along with other sorts of infrastructure improvements, almost inevitably raise property values—and cities have recently begun to exploit that relationship, funding transportation improvements through the expected increases in property-tax collections. Chicago, under Mayor Richard M. Daley, has extensively used this "tax-increment financing" model of development to rejuvenate itself. In 160 neighborhoods, the city has funded more than $560 million worth of improvements in infrastructure.

But this sort of financing has a limited reach; annual property taxes are only about 1 percent in many parts of the country, so only 1 percent of the upside in rising real-estate values can be captured by the city. The rest is a bonanza for lucky private-property owners (or possibly a payback for smart lobbying). Many of these owners would be willing to pay directly to get these investments under way. A recent Brookings Institution analysis of a proposed $140 million streetcar line in the District of Columbia showed, for instance, that the line would create $3 in land appreciation for nearby private-property owners for every $1 it would cost to build. This is what Senator Newlands found out more than a century ago: transportation drives development, so development can and should help pay for transportation.

How would the private funding of public transit work? Most states already have laws in place that allow local groups of voters to create "special-assessment districts," in which neighborhood property owners can vote to fund an upgrade to infrastructure by charging themselves, say, a onetime assessment, or a higher property-tax rate for some number of years. If a majority of the property owners believe they would benefit from the improvement, all property owners in that district are obligated to help pay for it. These districts can vote to fund new transit as well (potentially, the transportation-financing agency could even receive a minority-ownership stake in the district's private property in return for building new transit). In the late 1990s, property owners paid for a quarter of the cost of a new Metrorail station in D.C. using this approach; after the station opened, an office developer told me he believed his investment was being returned manyfold.

However, this sort of private payment for infrastructure is relatively new in the U.S., and is growing slowly. Organizing these communities of course takes time, and cities and towns have barely begun to publicize their potential.

We could hasten the process by making a much-needed change in federal transportation law. The federal government typically provides 20 to 80 percent of the money for local transportation projects (with local and state governments paying the rest). Yet federal funding of projects that involve private partners is extremely rare—in large part because federally funded projects typically take years to approve, and private developers usually can't tie up their capital waiting for the government wheels to turn. Over the past few years, private corporations and foundations in Detroit raised $125 million to help build a light-rail line, and have been working for some time to secure federal funds to complete the project. Fixing federal transportation law to expedite transit projects would allow faster development at lower public cost.

IN THE EARLY 20TH CENTURY, EVERY TOWN OF MORE THAN 5,000 PEOPLE WAS SERVED BY STREETCARS. REAL-ESTATE DEVELOPERS NOT ONLY BUILT THE SYSTEMS BUT PAID RENT FOR THE RIGHTS-OF-WAY.

The encouragement of additional walkable urban development, which all starts with public transit, would have many benefits. Although building the infrastructure that supports dense development seems expensive, in the long run it's actually much cheaper than conventional suburban infrastructure—at most one-tenth the cost per home. A mile of sewer line costs about the same to build whether it is on the metropolitan fringe or in a densely built inner suburb, but the line serves many more people in the inner suburb. And households in walkable urban areas use considerably less energy, in some instances at least a third less. High-density living even appears to spur faster rates of innovation; in a knowledge economy, ideas come faster and can be developed more quickly when more people can meet and mix easily.

But most immediately, investment in rail, bike, and walking infrastructure, laying the groundwork for developing the kind of housing that is now in demand, is essential if we want to restore the economy to health. In the mid-to-late 20th century, the growth of the suburbs propelled America's economy. Growth of walkable neighborhoods in cities and suburbs can play a similar role in the decades to come, sparking growth in the broader economy—but only if we start preparing today. ▣

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May 2010 Data Update

UNEMPLOYMENT DROPS, JOBS HOLD STEADY

Wisconsin's job picture held constant between April and May 2010, following small but steady gains in employment since December 2009. As of May, the state has gained over 34,000 jobs in 2010, welcome news following the massive losses of 2008 and 2009. The stagnation in job growth between April and May 2010 interrupts the year's upward trend, but the longer-term economic picture is more worrisome still. Wisconsin has lost 153,000 jobs since the recession's start in December 2007, and the state's job base is still 5.3 percent below its pre-recession level.

In good news for the state, Wisconsin's unemployment rate dropped 0.3 percentage points to 8.2 percent in May 2010, its lowest level since March 2009. Despite this improvement, unemployment in the state remains much higher than its December 2007 level (4.5 percent), and this recession continues to set records across the nation for long-term unemployment. (Table 1, Figure 3 on back page)

MANUFACTURING CONTINUES CLIMB, CONSTRUCTION FALLS

Manufacturing and construction – two of the hardest hit sectors this recession – both posted gains in early 2010. Wisconsin's manufacturing sector continued this upward trend in May with the addition of 2,000 jobs, representing the fifth month of consecutive job growth in this sector. However, these gains have been small, and Wisconsin's manufacturing sector still has 67,500 fewer jobs than when the recession started, representing a 14 percent loss of manufacturing jobs and accounting for almost half of Wisconsin's total job loss.

Wisconsin's construction sector lost 3,500 jobs between April and May, reversing a promising upward trend in construction jobs seen early this year. Even if the industry resumes positive growth in the months to come, there is a long way to climb to reach pre-recession levels. The construction sector has lost 25,600 jobs this recession, a 21 percent loss in the industry since December 2007. (Table 1, Figure 2)

Table 1

CHANGES IN UNEMPLOYMENT AND NUMBER OF JOBS IN WISCONSIN, DECEMBER 2007 TO MAY 2010

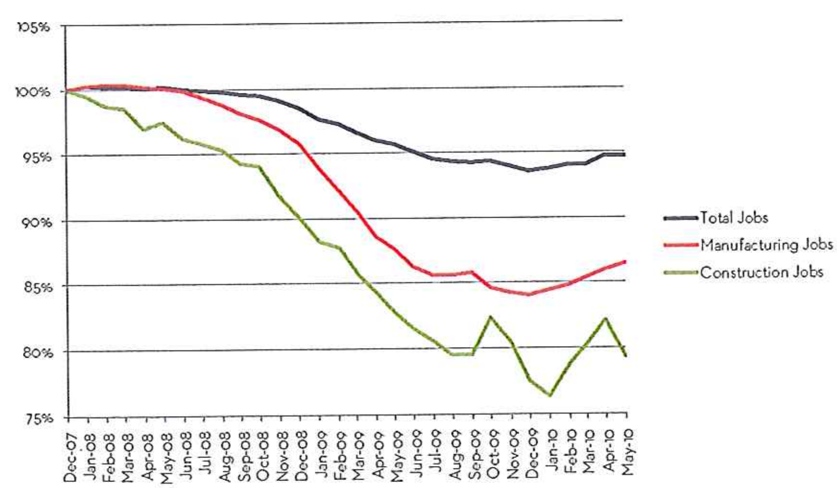
	December 2007	May 2010	Change	Percent Change
Unemployment	4.5%	8.2%	3.7	
All jobs	2,885,500	2,732,700	-152,800	-5.3%
Manufacturing jobs	498,100	430,600	-67,500	-13.6%
Construction jobs	123,700	98,100	-25,600	-20.7%

Figure 1

TOTAL JOB LOSS IN WISCONSIN, DECEMBER 2007 TO MAY 2010

Figure 2

PERCENT CHANGE IN MANUFACTURING, CONSTRUCTION, AND TOTAL JOBS IN WISCONSIN, DECEMBER 2007 TO MAY 2010



RECOVERY FAR SLOWER THAN RECENT RECESSIONS

The length and relentlessness of this recession stands out when compared to the three most recent downturns of 2001, 1990, and even that of 1981. Wisconsin has lost 5.3 percent of its pre-recession job base, a substantially larger deficit than has been seen in generations. Despite the increase in jobs starting at the beginning of this year, we are still far from pre-recession levels of employment. Moreover, despite the drop in Wisconsin's unemployment rate between March and May of this year, unemployment in the state remains stubbornly high. (Figures 3 and 4)

Figure 3
WISCONSIN UNEMPLOYMENT RATE IN CURRENT RECESSION, COMPARED WITH 1981, 1990, AND 2001 RECESSIONS

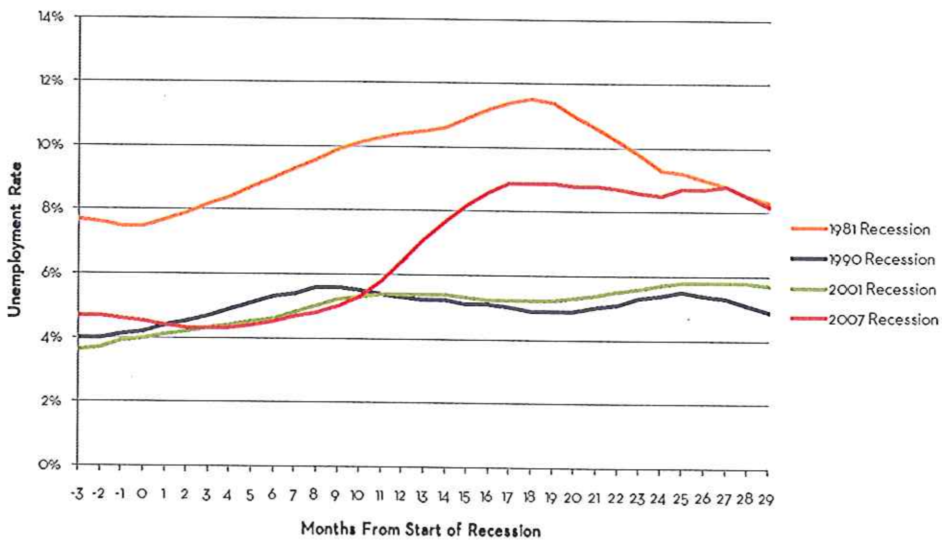
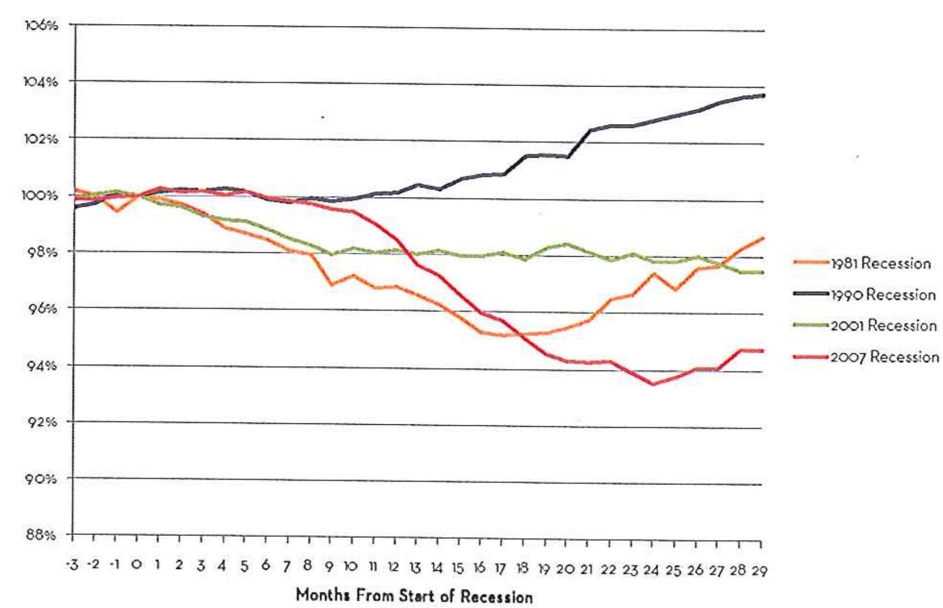


Figure 4
PERCENT CHANGE IN WISCONSIN JOBS IN CURRENT RECESSION, COMPARED WITH 1981, 1990, AND 2001 RECESSIONS



Wisconsin Job Watch, a monthly publication of the Center on Wisconsin Strategy (COWS), provides a snapshot of Wisconsin's job picture and reports on key recession trends. The numbers provided in this report are based on seasonally-adjusted Bureau of Labor Statistics data compiled by the Economic Policy Institute (www.epi.org).

The Center on Wisconsin Strategy (COWS) is a policy center and field laboratory for high road economic development – a competitive market economy of shared prosperity, environmental sustainability, and capable democratic government. Housed at University of Wisconsin-Madison, COWS has been supporting progressive policy innovation since 1991. For more information, visit www.cows.org.

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JOURNAL INTERACTIVE

Cleveland's jobs commitment is an enviable model

Two Great Lakes states face similar concerns

June 19, 2010

Ray Leach is an Ohio boy who started and sold four information technology companies, earned a master's in business administration at MIT, and then left a teaching gig there to return to Cleveland, where he characterized the economy as "scorched earth."

His assignment, he said, was to reinvent the economy of Cleveland, which had lost 150,000 jobs in two decades and the headquarters of 15 Fortune 500 companies.

Knowing that almost all new jobs are created by young companies and that northeastern Ohio desperately needed more jobs, he set out to create an entrepreneurial ecosystem, a rich soil that would be hospitable to new ventures.

"There's no other way," he said during a visit here sponsored by the Greater Milwaukee Committee last week. "If you want jobs, you have to concentrate on start-ups."

Ohio "couldn't bribe enough companies" to come to the state and offset the losses, he said.

Dan Steininger, vice president of BizStarts Milwaukee, commented that the Milwaukee region has its own share of scorched earth, ranking 49th in the country in new ventures. Other measures, like per capita income, wage levels and gross domestic product per capita, have been dropping compared to other states for more than a decade. Unemployment remains high.

Ohio and Cleveland became alarmed early in the last decade and used their economic losses as a call to action. At the state level, then-Gov. Robert Taft and a bipartisan group of legislative leaders launched the Third Frontier to transform Ohio's performance in the innovation economy. More than $1 billion in technology development bonds were put on the table.

Foundations step up

At the regional level, leaders in Cleveland launched JumpStart in 2004 to accomplish an equivalent transformative leap. Leading the charge were the foundations of the region. They held $8 billion in assets, almost all donated by first-generation entrepreneurs.

Like most foundations, they had done an admirable job of dealing with the growing poverty that was wrapping its tentacles around Cuyahoga and surrounding counties. They were providing the safety nets.

But the foundations decided they also needed a prosperity strategy to change the region's sinking fortunes. They took a leadership position on economic development and reducing poverty.

Today, JumpStart runs with a donated budget of about $11 million, a staff of 35 start-up veterans and a network of 225 volunteers and 3,000 subject-matter experts.

New companies need time to grow, but the results are starting to accumulate. About $4.5 million of the donated JumpStart funds are invested each year in promising new technology companies. And capital gains on its share go back into the fund.

It has invested in 47 companies, of which only three have failed. The initial investment by JumpStart was $16 million in those ventures, which have gone on to attract $227 million in outside capital for subsequent rounds.

The 47 ventures account for 700 jobs, a small but growing number. "The job growth is starting to get logarithmic," said Leach.

Successful start-ups

BizStarts Milwaukee is a similar initiative, but it is about 2 years old. So far, various people in the seven counties have launched 22 companies with high growth potential, all of which attracted outside investor capital.

It's too early for a tally on jobs created or outside capital attracted, but that will happen. The numbers will grow here, too.

For instance, Spaulding Clinical Research in West Bend, one of the recent start-ups, already has 88 full-time equivalent employees; Hands-on-Garage in Milwaukee has 22 new jobs on site and is adding eight more; Expressume has 10. Helios expects to employ 50 in the Menomonee Valley within a year. Others have smaller numbers.

Nothing in a community works very well without job creation. So any win is significant.

The next phase for the Milwaukee 7 region will be to raise serious early stage funding. The average investment in Cleveland is $350,000 per venture, and the current pace is about 1 1/2 start-ups per month with direct JumpStart investment.

With more funding, we could catch up with Cleveland. That's no small feat, because JumpStart is setting the pace for the suffering metro regions in the Midwest.

Milwaukee is further along with its transformation strategy than the 90 cities that have benchmarked on Cleveland's early success, Leach said. That's encouraging, but good words are no substitute for leadership and hard work.

We have built the foundation for serious job creation. It's time to take the initiative to the next level.

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TIME IN PARTNERSHIP WITH CNN

Thursday, Jun. 17, 2010

Inside the Dire Financial State of the States

By David von Drehle

In New Jersey, taxes are high, the budget's a mess, government is inefficiently organized, and the public pension fund is blown to kingdom come. Which makes New Jersey a lot like most other states in 2010. What makes the state unusual is its rookie governor, a human bulldozer named Chris Christie, who vowed to lead like a one-termer and is keeping his promise with brio. He has proposed chopping $11 billion from the state's budget — more than a quarter of the total — for fiscal year 2011 (which starts July 1). He's backing a constitutional cap on property taxes in hopes of pushing the state's myriad villages and townships to merge into more efficient units. He's locked in an ultimate cage match with the New Jersey teachers' union. It may be the bitterest political fight in the country — and that's saying something this year. A union official recently circulated a humorous prayer with a punch line asking God to kill Christie. You know, New Jersey humor. And in an interview with the *Wall Street Journal*, Christie didn't talk about the possibility that his fiscal initiatives might be compromised or defeated; he pictured himself "lying dead on State Street in Trenton," the state capital. Presumably that was a figure of speech.

The tone of the New Jersey budget battle may be distinctive, but many of the same notes can be heard in state capitals across the country. From Hartford to Honolulu, once sturdy state governments are approaching the brink of fiscal calamity, as the crash of 2008 and its persistent aftermath have led to the reckoning of 2010. Squeezed by the end of federal stimulus money on one hand and desperate local governments on the other, states are facing the third straight year of staggering budget deficits, and the necessary cuts will cost jobs, limit services and touch the lives of millions of Americans. Government workers have been laid off in half the states plus Puerto Rico. Twenty-two states have instituted unpaid furloughs. At least 28 states have ordered across-the-board budget cuts, with many of them adding deeper cuts in targeted agencies. And massive shortfalls in public pension plans loom as well. (See a stimulus report card.)

Almost no one — and no place — is exempt. Nearly everywhere, tax revenue plummeted as property values tanked, incomes dwindled and consumers stopped shopping. Falling prices for stocks and real estate have made mincemeat of often underfunded public pension plans. Unemployed workers have swelled the demand for welfare and Medicaid services. Governments that were frugal in the past are just squeaking by. Governments that were lavish in the good times, building their budgets on optimism and best-case scenarios, now risk being wrecked like a shantytown in an earthquake.

How the Money Ran Out

For the first time in four decades of collecting data, the National Governors Association (NGA) reports that total state spending has dropped for two years in a row. In hard-hit Arizona, for example, the state budget has sagged to 2004 levels, despite blistering growth in population and demand for government services. Starting with the 2008 fiscal year, state governments have closed more than $300 billion in cumulative budget gaps, with another $125 billion already projected for the coming years, says Corina Eckl, fiscal-program director at the National Conference of State Legislatures (NCSL). Similar figures aren't collected for the nation's counties, villages and towns, but when the National League of Cities surveyed mayors recently, three-fourths of them described worsening economic conditions. (See 10 big recession surprises.)

Accustomed to the ups and downs of the ordinary economic cycle, elected officials and budget planners are facing something none of them have experienced before: year after year of shortfalls, steadily compounding. Ordinarily, deficits are resolved mostly through budgetary hocus-pocus. But the length and depth of the recession are forcing governments to go beyond sleight of hand to genuine cuts. And that makes lawmakers gloomy in all but a handful of states. (It's a swell time to be North Dakota.) According to an NCSL survey, worry or outright pessimism is the reigning mood in the vast majority of capitals.

Many taxpayers might say that it's about time spending dropped. But then they start hearing the specifics. Government budgets contain a lot of fixed costs and herds of sacred cows. K-12 education absorbs nearly a third of all spending from state general funds. Add medical expenses, primarily Medicaid, and it's over half. Prisons must be maintained, colleges and universities kept open, interest on bonds and other loans paid. Real cuts provoke loud howls, and you can hear them rising in every corner of the country. College students have marched in California, firefighters have protested in Florida, and on June 10, Minnesota saw the largest one-day strike of nurses — some 12,000 — in U.S. history. (Read "Municipal Bonds: The Next Financial Land Mine?")

And don't count on the shaky economic recovery for relief. After plunging in 2009, tax receipts are stabilizing in many places — but the next big shoe is fixing to drop. Having poured billions of dollars into state coffers through the stimulus act of 2009, the federal government is poised to close the tap. President Obama made an unusual Saturday night request to Congress last week for $50 billion in emergency aid to the states to stave off layoffs of teachers, firefighters and police. But it's an election year, and there is scant appetite among vulnerable Democrats in Washington for more zeros at the end of the federal deficit. (Only the federal government is allowed to run deficits; states and cities must balance their budgets or face default.) Already, 11 states are projecting major budget gaps — greater than 10% of general-fund spending — well into 2013. Such persistent budget woes are unprecedented in the era of modern American government. You'd have to go back to the 1930s to find a parallel.

Crisis in the Statehouses

On the grand scale, this fiscal fiasco is playing out in California and New York. Both states boast economies far larger than that of Greece, which so disturbed the world economy this spring. And both are paralyzed by structural deficits far larger than their politicians seem able to grasp. The impasse in California between Republican governor Arnold Schwarzenegger and the Democrats controlling the legislature appears set in concrete. Last year, the Golden State was reduced to issuing IOUs; this year's budget, some $19 billion in the hole, is once again a shambles. In New York, Democrats control all the levers, but they can't find a cost-cutting deal acceptable to the public-employee unions that helped elect them. The deficit in Albany is $9.2 billion.

Read "How California's Fiscal Woes Began: A Crisis 30 Years in the Making."

See which businesses are bucking the recession.

Or you can picture the crisis through the other end of the telescope, through the eyes of one young lover of books. Not long ago, 9-year-old Campbell Jenkins of Charlotte, N.C., heard from his mom that two-thirds of the library branches in Mecklenburg County might be closed for lack of funds. "We were completely freaked out," says Campbell's mother Jessica. So the next day, young Campbell organized a letter-writing protest among his third-grade classmates. Not content with words, the kids also sold lemonade and donated the proceeds — $595 in an empty pretzel jar — to their branch-library manager. "It was really heartwarming," says Heather Gwaltney, whose son Gavin, also 9, joined the effort.

This all comes as a shock to the folks of Charlotte, who long ago grew accustomed to seemingly endless prosperity. The seeds of Bank of America, among other empires, were sown there. "People are asking, 'We're Charlotte, North Carolina. We're big banks. How did we get like this?' " says county budget director Hyong Yi. The answer is rooted in that once booming economy. As Charlotte burgeoned, the county approved $1.5 billion in bonds to build a new courthouse and new schools, expand its jails, improve its parks and — irony alert — open state-of-the-art libraries. Then the recession hit. Local unemployment rose to 11.7% in January — twice what it was two years earlier. Homes and commercial real estate lost value, which dried up the county's chief revenue source, property taxes. The result: a 5% reduction in the upcoming budget, $71 million in cuts on top of $76 million in cuts the year before. Losing nearly $150 million in two years — an eternity of lemonade stands won't fill that hole. (See how some Americans are facing the prospect of long-term unemployment.)

At the last minute, county commissioners allocated an additional $3.5 million for libraries, sparing at least some of those facing closure. Campbell Jenkins' branch is safe — for now — but budget woes in the Tar Heel State look like an ongoing problem. A spokesperson for North Carolina governor Bev Perdue said the outlook remains grim: "Next year will not be pretty."

When Main Street Acted Like Wall Street

The collapse of a Wall Street institution like Lehman Brothers looks nothing like the threatened closing of a branch library in the Charlotte suburbs. But whether the characters are mighty or meek, this unfolding economic disaster story is in fact a series of variations on a single theme. When times were good and the future seemed bulletproof, all sorts of grand ventures were floated on waves of debt. No one cared, because everyone planned to be richer when the bills came due. The arbitrageurs of leveraged derivatives, the cash-strapped subprime home buyers, the government grandees issuing bonds and boosting pensions — all were versions of the same doom-shadowed figure. Only if the bubble burst would the bills become unpayable. How did so many people forget all at once that the bubble always bursts? (See Wall Street's worst days.)

Strapped for cash, state and local governments so far have taken mostly predictable steps. They've depleted their rainy-day funds; of all the cash expected to be on hand in state treasuries by the end of the 2010 fiscal year, two-thirds of it will be held by just two states, Alaska and Texas, which enjoy income from vast energy deposits. By comparison, 14 states are expected to have reserves of less than 1% of their annual spending — basically they're living hand to mouth, hoping their checks don't bounce. And a majority of states will have reserves well below safe levels recommended by the National Association of State Budget Officers. Leery of broad tax hikes in a bad economy, governments have instead chosen to shake the sofa cushions and punish the naughty, closing loopholes, cracking down on tax evaders and raising levies on tobacco, alcohol, gambling, soda pop and candy — even bottled water in Washington State. Nearly half the states have hiked fees for higher education, court services, park access, business licenses — or all of the above.

These are the tried-and-true responses to dips in the business cycle, but as the woes drag on from year to year, the job of closing budget gaps grows more difficult. Now larger issues and harder choices are being laid bare, beginning with the sprawling mess that is Medicaid. Created by Congress, administered by the states and paid for by a patchwork of federal, state and local governments, the health care system for America's poor is a jumble in the best of times. With enrollments growing rapidly, that jumble is becoming a train wreck.

According to the NGA, the number of people covered by Medicaid will grow again next year by an estimated 5.4% on average. Meanwhile, anticipated funding is expected to grow hardly at all. That might not spell disaster for a state like Nebraska, which anticipates just 2% enrollment growth. But in foreclosure-racked Arizona, officials are planning for a jump of more than 17%, and the budgetary pressure is enormous. As Governor Jan Brewer put it in her state-of-the-state address this year, government revenues have sagged to 2004 levels, and "some people ... say we should just adopt the 2004 budget." But Arizona's Medicaid rolls have grown by 475,000 patients since then. (See pictures of Cleveland's smarter approach to health care.)

What's going to give? Prepare for a free-for-all. The states are pressing Washington to maintain the emergency Medicaid supplement that was part of the stimulus package. So far, congressional moderates are blanching at the price tag. If the Beltway budget hawks win that battle, states plan to squeeze the patients, who are currently protected by strings attached to the stimulus money. No federal supplement means no more strings. Already various states are contemplating tighter eligibility rules, lower benefits, higher co-pays and other restrictions. And then there's the ongoing fight between the states and the medical system. Governments are wringing money from doctors and hospitals coming and going: first they are cutting payments for Medicaid services, and then they are raising fees on Medicaid providers.

Just as ugly is the issue of public-employee pay and benefits. The mess in New Jersey is just an extreme example of a widespread problem: many state and local governments have made the mistake of courting the votes of public employees by fattening salaries and benefits, all the time imagining that pension-fund investments could only go up. Tales of lavish retirements for relatively youthful public servants have been making a lot of headlines lately. The New York *Times* reported that some 3,700 retired New York State public employees earn more than $100,000 a year in pension payments, including a former policeman in Yonkers at the ripe old age of 47. California's pension poster boy is a Bay Area fire chief who, at 51, was collecting more than $241,000 a year in retirement pay. The Pew Center on the States, a nonpartisan research group, estimates that states are at least $1 trillion short of what it will take to keep their retirement promises to public workers. Two Chicago-area professors recently calculated the shortfall at $3 trillion. According to Pew, half the states ran fully funded pension plans in 2000, but by 2008 that number had dwindled to four.

See the five big questions about retirement.

See 10 perfect jobs for the recession — and after.

It's tough to cut the benefits of police officers, firefighters and schoolteachers. But the long recession has cast a glaring light on the fact that public and private workers increasingly live in separate economies. Private-sector employees face frequent job turnover, relentless downsizing, stagnant wages and rising health-insurance premiums. They fund their own retirement through 401(k)s and similar plans, which rise and fall with the tides of the economy. Many public-sector workers, by contrast, enjoy relative job security, and the number of government jobs rose even as the overall unemployment rate shot just past 10%.

B Is for Bankruptcy

The crash of 2008 has also left some civic leaders with eggy faces — and possibly worse. In Georgia, at least a dozen Atlanta-area municipalities and agencies embraced the "exotic, high-risk derivative securities" called swaps in hopes of lowering the cost of bond issues, according to an investigation by the Atlanta *Journal-Constitution*. They paid nearly $300 million in fees for the privilege to such investment banks as Goldman Sachs, JPMorgan and UBS. Then, when the deals went sour, the same governments paid another $100 million to cancel them. (See the top 10 financial collapses of 2008.)

Busted swaps led to even more dire consequences in Birmingham, Ala. Former mayor Larry Langford was sentenced in March to 15 years in federal prison for bribery in a pay-for-play scheme involving sewer-bond swaps in 2002 and 2003. That debt was only a part of a municipal spending spree for a domed stadium, transit improvements and a scholarship program — worthy causes, perhaps, but now unaffordable in a city where a sky-high sales tax of 10%, even on food, has failed to produce the anticipated revenue. New mayor William Bell is trying to mop up, proposing a 10% wage cut for city workers, closing libraries and recreation centers and canceling a city program to provide laptops for grade-school students. As for sewer rates: they have quadrupled, and there's speculation that Birmingham is headed for bankruptcy.

In sun-drenched San Diego, meanwhile, a grand jury probing that city's troubled finances found a recurring practice of skipping required payments to the city's pension fund while simultaneously awarding ever more generous pensions to public employees. Legal? Apparently. Prudent? Nope. A once solvent system is now billions of dollars in the red. The grand jury raised a scarier question: Is San Diego still a "viable" financial entity?

Indeed, the *B* word has crept into so many conversations in communities around the country that a number of investors are worried that municipal bonds have become the latest debt-fueled bubble ready to burst. California's public-employee unions are lobbying for a bill to ban government bankruptcies entirely, so worried are they about the possibility of widespread defaults to escape pension obligations. Perhaps more worrisome, though, is the risk that all this calamity will ultimately produce little in the way of lessons learned.

States are already barred from formal bankruptcy, so although many of them are broke, somehow — given enough time — they will make ends meet. But will they do it only by tweaking taxes and killing innovative programs like Kentucky's juvenile drug courts, which spend money up front on aggressive intervention and rehabilitation programs in hopes of saving the long-run expense of ruined lives in costly prisons? "It always will cost us more to remove [addicted criminals] from their communities and incarcerate them for years," says District Judge Brandy Oliver Brown of Clark and Madison Counties, whose program of intensive drug testing and counseling will be shuttered by budget cuts. In Harrisburg, Pa., the city council needs to make $68 million in debt payments, mostly related to a mismanaged deal to modernize a trash-burning power plant, when the total city budget is about $60 million. A consulting firm has some ideas: freeze pay, furlough workers, double the property tax, sell city landmarks, artifacts and museums. In one Ohio county, a local judge urged citizens to carry a gun because the sheriff's department was laying off half its deputies. (See the top 10 bankruptcies.)

A few leaders have their sights set higher, trying to shape this crisis into a moment for significant government reform. Governor Jennifer Granholm of Michigan, a state devastated by the shrinking of the American auto industry, has called for an efficiency revolution. She has cut unneeded departments, sold excess state property and killed hundreds of obsolete boards and commissions. Having risen to power in 2002 on the shoulders of the state teachers' union, Democrat Granholm this year successfully pushed a plan to coax thousands of senior teachers into retirement, to be replaced by a smaller number of younger teachers earning less generous but more sustainable benefits. "The 21st century economy is all about speed, access, intelligence and efficiency," Granholm said in announcing her latest round of restructuring. "A 21st century government needs to be about the same things."

Indiana Governor Mitch Daniels, a budget czar in the free-spending Bush Administration, has proved an efficiency fiend at the state level, privatizing bureaucracies, selling a poorly managed toll road, even harvesting the paper clips from state tax returns for reuse in government offices. Daniels took the controversial step of decertifying Indiana's public-employee unions, a move that may endear him to Republican voters should he decide to run for President in 2012.

Modernizing government is no less painful than globalizing industry has been. Consider the proposal by Nebraska state senator Rich Pahls to merge many of the state's 93 counties. The idea could mean boarding up stately old courthouses while forcing consolidation of such services as road maintenance, vehicle registration, even sheriffs' offices — and many of the jobs that go with them. The bill died, in part because it seemed too frank an acknowledgment of the passing of small-town America. Yet surely its time will come: only 16 of the counties have more than 20,000 residents, and two are home to fewer than 500 people each. "I tell these people, You don't ranch or farm the way they did 100 years ago," says Pahls. "A ranch might have had 20 hands, and now they have four. They didn't stay behind the technology." (See 10 ways your job will change.)

The great reckoning of 2010 took us years to create and will be years in the fixing. It's not as if the economic crisis isn't plenty painful already. In government, as in life, there are cuts that injure and cuts that heal. As they continue to slog through the wreckage of the Great Recession, state and local leaders have a challenge to be surgeons rather than hacks and make this era of crisis into a season of fresh starts.

— With reporting by Hilary Hylton / Austin, Texas; Bonnie Rochman / Charlotte, N.C.; Christopher Maag / Cleveland; Karen Ball / Kansas City, Mo.; and Elizabeth Dias and Katy Steinmetz / Washington

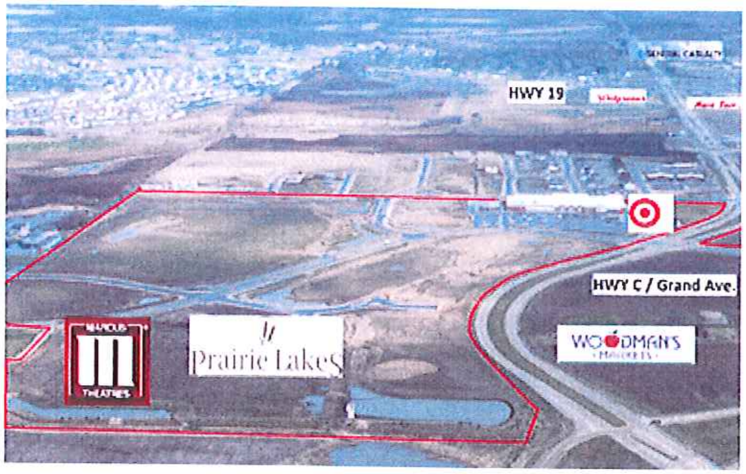
See pictures of the recession of 1958.

See pictures of the global financial crisis.

Find this article at:
http://www.time.com/time/nation/article/0,8599,1997284,00.html

Madison INBusiness Magazine

Sun Prairie Development: Prairie Lakes' Ship will Hoist Two Anchors
June 15, 2010



The Gospel according to the economic development Gods says that an anchor store is vital to drive traffic to any shopping mall or commercial area, but Sun Prairie's new Prairie Lakes commercial development will have two such traffic generators, and perhaps a third depending on how you count.

One anchor is already there; another fell into the developers' laps, and the third would represent a regional draw that isn't even part of the 100-acre development.

Prairie Lakes already features a 134,000-square-foot Target store, and sometime in the summer of 2011 it could be the home of a new, 16-screen Marcus movie theater complex.

When fully developed, the privately funded development will add between $150 million and $200 million in tax increment to the city, with Target and Marcus accounting for a combined $25 million to $30 million.

The importance of the project for Sun Prairie, one of Dane County's fastest-growing communities, cannot be understated. As part of Sun Prairie's West Side Neighborhood Plan, the city did not want a cookie-cutter approach to a development that would be situated along major roads, but they still wanted one that would appeal to every resident of Dane County.

"We had identified very early on that our west side was going to be our most critical development area," said Neil Stechschulte, economic development coordinator for the city of Sun Prairie. "We've been very deliberate. It took us a considerable amount of money in terms of plans and infrastructure improvements to set up that whole area."

The Marcus, which will include a 500-seat "ultra screen" theater, and three Cinedine (dining) theaters, will be part of Prairie Lakes after developing a snag in Madison, where it was to replace Marcus' Eastgate Cinema.

"They [Target and Marcus] are good bookends for the project," said Jerry Connery, president of Prairie Development, Ltd.

Connery's development partner is Chad Fedler, vice president of Prairie Development, Ltd.

While their vision for Prairie Lakes' goes beyond Target and Marcus, having twin anchors may help them avoid an uneven start like the kind experienced by Greenway Station, which initially was undermined by the lack of power stores that drive traffic.

While Costco has now improved the traffic at Greenway, the identity of the stores that will join Target and Marcus in the 890,000-square-foot Prairie Lakes is not yet known. There is room for three large-format retailers, up to eight junior box retailers in the 30,000-square-foot range, hotels, and restaurants ranging from fast-food to white table cloth.

Since developers have elected to use the site's storage ponds as features, they will incorporate fountains visible from the outdoor seating areas of restaurants "where you can sit outdoors over water," Fedler said. "We don't know of any other place in Madison you can do that, other than the Edgewater."

"Whatever goes in here, we want it to work for the overall development," added Connery. "We're going to sell pieces off, but we're still going to have a big investment in this whole property. So all the parts and pieces need to work together, and hopefully we can accomplish that."

Absence of Office

The retail-mixed use center will be developed on 110 acres along U.S. Highway 151 and State Highway C (Grand Avenue), just north of the American Center in Madison, which is Dane County's largest business park. Proximity to American Center, where 6,000 people work, is the primary reason Prairie Lakes did not incorporate office buildings.

Prairie Lakes' developers aren't opposed to the idea, but given the suppressed state of the local commercial office market and the fact that American Center still has lots to develop, it's probably a bad idea to make office a point of emphasis.

Fedler said Prairie Lakes' developers tried to be complementary with respect to the American Center. He noted the Center has a high daytime population, that Sun Prairie has 27,000 people, and that Prairie Lakes is likely to draw people from the east side of Madison. Based on existing plans, housing density will only increase on Sun Prairie's west side, but developers are looking to tap the more than 531,000 people who live within a 25-mile radius of the site.

"We're seeing a lot of people from Waunakee at the Target," said Connery. "It's an easy drive down Highway 19, and from Beaver Dam, Columbus, and that whole [Highway] 151 corridor."

Adjacent Anchor

Across Highway C, adjacent to but not actually in the Prairie Lakes development boundaries, is a 20-acre parcel owned by Woodman's Markets, a regional traffic generator. At this point, Woodman's plans are a point of conjecture, but Fedler cited 2012 for a possible opening. "If we start seeing dirt being moved next year, then that's actually the case because I would estimate they have a one-year build time," he said.

As a regional draw, Woodman's also would bring even more traffic to Prairie Lakes. "They have a 30- to 60-mile range," Connery said, "so they will draw a lot of people. They will also be a competitor because they have some commercial, but we're not worried about that. We get along well with them."

With zoning already established, and with storm-water management, most road and utility infrastructure and landscaping already added to the site, the approval process for prospective stores now involves the development of a precise implementation plan, which essentially is a detailed site plan that would be reviewed by the Plan Commission and the City Council.

Thanks to the groundwork that has been done, it's a relatively fast process. After its theater project fell through in Madison, it took Marcus just a few weeks to get the requisite approvals in Sun Prairie.

"We spent money doing that so when businesses open up here, we aren't moving hundreds of thousands of tons of dirt around them to disrupt them," Connery said. "We want to make sure everything is as easy as possible, so when they are up and running, they can stay up and running."

In addition, recent road improvements will bring more traffic to Prairie Lakes. Hoepker Road has been expanded from two to four lanes, which has freed traffic movement in and out of the American Center. "That road construction makes a big difference," Connery said. "Coming from the American Center, anyone can come from that park over here in a short time. It's only one-mile in distance."

Reiner Road and Highway C have been connected, sending traffic all the way down to Highways 12 and 18, something the Wisconsin Department of Transportation had wanted to get traffic off the Interstate, Connery said.

Head East

Prairie Lakes is well positioned to take advantage of surrounding growth. Fedler believes many people go to the west side to shop because a lot of those stores aren't on the east side, and people would stay closer to home if some of those same stores were on the east side.

"Initially, everybody wanted to be on the west side when it comes to retailers," he noted. "When you look at the demographics, however, there is a very, very small disparity between the east side and west side incomes. We're talking roughly $1,000 per household.

"When you look at Madison's future growth, the majority is to the north and east. There is little to the west because they are out of room."

Connery and Fedler also are developing West Prairie Village, which runs along Main Street in Sun Prairie. Even though the housing component is starting to pick up, commercial interests are waiting for economy to fire on all cylinders. "We own both sides of Main Street for a half-mile stretch," Connery noted, "but until the economy changes, it's probably going to be sitting."

Prairie Lakes is the more immediate concern, and anchors notwithstanding, the course of development could still take several more twists and turns. "One planner told us that our site plan will change 100 times," Fedler said. "When you add it up, it's changed about 55 times. This is about the 55th revision over the course of a year and one half, and it will change again."

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As federal stimulus fades, private hiring falters

Surge in Census jobs in May masks underlying employment weakness

By John W. Schoen
Senior producer
updated 11:17 a.m. CT, Fri., June 4, 2010

Friday's employment report underscores the critical transition now underway in the U.S. economy. As the impact of government stimulus fades, job creation will have to come from growth in the private sector.

The latest data on the job market weren't encouraging.

A wave of hiring by the government brought a surge in employment; some 431,000 jobs were added for the month. But almost all of them were temporary Census Department jobs that will last for only a few weeks or months. Private sector employers added just 41,000 net new workers to their payrolls in May. Payroll gains were revised downward for March and April by a combined 22,000.

Even forecasters who are upbeat about the economic recovery were discouraged by the numbers.

"You'll need to see (job gains) of about 200,000 to be considered a serious advance," said Robert Barbera, chief economist at ITG.

The large number of census jobs added in May will also weigh on employment data in the months ahead. As those short-term jobs expire, they'll count as jobs lost in the upcoming payroll data.

After a deep contraction that sidelined more than 8 million workers, the U.S. economy posted solid gains in the second half of 2009 and the first quarter of this year. The big snap back was fueled by two powerful forces. First, after panicky businesses slashed production deeply during the recession, inventories of unsold goods all but dried up. A surge in restocking lifted production. But so far, it hasn't been matched by a big increase in demand.

Video: New jobs report signals slow recovery

A bigger tailwind came from an historic boost from the federal government — in the form of hundreds of billions of dollars of emergency spending and tax cuts. That stimulus effect has now largely played out, which means the positive impact on the economy is now beginning to fade, which is expected to bring a slowdown later this year. Economists at Goldman Sachs figure GDP growth of three percent in the first half of the year will fall to 1.5 percent in the second half.

The expiration this month of the tax credit for first-time home buyers, for example, is expected to bring a sharp pullback in home sales this summer. The May employment data — showing a drop in construction jobs — may already reflect that housing slowdown, according the Wells Fargo chief economist John Silvia.

Government hiring is also under severe pressure as state and local government's struggle with a sharp drop in revenues and big budget deficits. Unlike the federal government, state and local agencies can't borrow to fund the shortfall, which bring more immediate pressure to cut spending. In May, state and local governments cut 22,000 jobs; with more budget cuts looming, those layoffs will likely continue in coming months.

Last month's employment report — showing a gain of 218,000 private sector jobs in April — had offered hopeful signs that the job market was gaining strength even as government stimulus was winding down. But the numbers for May has cast doubt on that scenario.

"V-shaped recoveries don't have months where we create 40,000 jobs," said Dan Greenhaus, Miller Tabak's chief economic strategist.

The weak showing for the job market in May also cast doubt on the stock market's increasingly wobbly advance. European stock markets sold off sharply as the numbers were released, followed by slumping U.S. stock markets.

Other measures of the job market's strength in May were also mixed. The number of job wanted ads was flat, according to a survey by the Conference Board. An employment survey by the Institute for Supply Management posted a modest gain. Payroll processor ADP reported weak private sector job gains of 55,000 net new hires. The number of people collecting unemployment benefits rose a bit, and the level of new jobless claims is running about 450,000 a week. That's higher than during past economic recoveries .

"The two areas of potential vulnerability for the economy remain payrolls and housing — and they're both staggering a good deal," said Art Cashin, UBS' director of floor operations at the New York Stock Exchange. "And we keep losing close to 1 million people every two weeks. If we're not adding them back in, this is going to be a problem."

There were some hopeful signs in the numbers. The length of the average works week ticked up a bit, as employers added hours for existing workers. That's usually a sign of a pickup in demand which, if it continues, will lead to more hiring.

Video: New jobs report signals slow recovery

The increase was especially strong in the manufacturing sector, where the average work week increased by 0.3 hours for the month — triple the overall gain in hours worked.

"That's really important because that gives us a gauge of strength in industrial production," said Chris Probyn, chief economist at State Street global Advisors. "And it looks to me as if the manufacturing hours puts a nice increase in industrial production in the month of May."

Wages also inched up a bit a bit in May, which will help support consumer spending

"You can add a million jobs but if everyone gets paid 20 cents an hour it won't make a difference," said Dan Greenhaus chief economic strategist at Miller Tabak. "You look at jobs to see what people's incomes are and their spending power."

The overall numbers also mask big disparities in the job outlook for different sectors of the workforce.

Nearly half of those looking for work have been out of a job for more than six months. Older workers — those over 55 — are out of work longer that younger age groups. Nearly 60 percent of older workers were out of a job for six months or more compared to 44 percent of younger workers.

Low-skilled workers are faring much worse than the headline numbers suggest. The unemployment rate for those without a high school diploma rose to 15.0 percent in May; the rate for workers with a college degree fell to 4.7 percent.

"That disparity reflects the continued evolution of labor demand in America over the last twenty years," said John Silvia, chief economist at Well Fargo.

URL: http://www.msnbc.msn.com/id/37510854/ns/business-eye_on_the_economy/page/2/

Employment in America's 100 Biggest Markets (April 2010)

	Labor market	Private-sector jobs (April 2010)	Raw change (2009-2010)	Percent change (2009-2010) ▼
1.	New Haven, Conn.	232,900	1,200	0.52%
2.	Honolulu	338,900	1,200	0.36%
3.	Charleston, S.C.	227,500	0	0.00%
4.	McAllen-Edinburg, Texas	164,300	-100	-0.06%
5.	Washington	2,272,900	-2,100	-0.09%
6.	Albany	333,300	-500	-0.15%
7.	New Orleans	436,700	-700	-0.16%
8.	Knoxville, Tenn.	269,400	-500	-0.19%
9.	Syracuse, N.Y.	255,700	-600	-0.23%
10.	Buffalo	438,100	-1,100	-0.25%
11.	Austin	590,500	-1,600	-0.27%
12.	Columbia, S.C.	265,900	-800	-0.30%
13.	Chattanooga, Tenn.	192,200	-600	-0.31%
14.	Allentown-Bethlehem, Pa.	286,700	-1,000	-0.35%
15.	Rochester, N.Y.	416,600	-1,900	-0.45%
16.	Bridgeport-Stamford, Conn.	348,100	-1,800	-0.51%
17.	Pittsburgh	987,800	-5,200	-0.52%
18.	Raleigh	405,100	-2,400	-0.59%
19.	Tucson	281,800	-1,900	-0.67%
20.	El Paso, Texas	204,200	-1,400	-0.68%
21.	Youngstown, Ohio	186,000	-1,400	-0.75%
22.	Baltimore	1,037,300	-8,300	-0.79%
23.	Jackson, Miss.	194,200	-1,700	-0.87%
24.	Poughkeepsie, N.Y.	193,100	-1,800	-0.92%
25.	Virginia Beach-Norfolk	576,900	-5,400	-0.93%

Labor market	Private-sector jobs (April 2010)	Raw change (2009-2010)	Percent change (2009-2010) ▼
26. Dallas-Fort Worth	2,454,200	-23,800	-0.96%
27. Oklahoma City	438,800	-4,600	-1.04%
28. Boston	2,083,200	-21,900	-1.04%
29. Hartford	445,400	-4,700	-1.04%
30. New York City	6,916,500	-73,400	-1.05%
31. Augusta, Ga.	166,700	-1,800	-1.07%
32. Scranton-Wilkes-Barre, Pa.	220,300	-2,400	-1.08%
33. Greenville, S.C.	248,900	-2,900	-1.15%
34. Des Moines, Iowa	272,700	-3,300	-1.20%
35. Louisville	509,000	-6,700	-1.30%
36. Charlotte	686,200	-9,400	-1.35%
37. Stockton, Calif.	150,300	-2,200	-1.44%
38. Phoenix	1,473,200	-21,600	-1.45%
39. Toledo, Ohio	244,500	-3,600	-1.45%
40. St. Louis	1,113,000	-16,600	-1.47%
41. Cleveland	849,100	-12,900	-1.50%
42. Richmond	486,500	-7,700	-1.56%
43. Indianapolis	734,800	-12,100	-1.62%
44. Jacksonville	504,400	-8,500	-1.66%
45. Modesto, Calif.	117,500	-2,000	-1.67%
46. Nashville	608,400	-10,400	-1.68%
47. Cincinnati	847,700	-14,500	-1.68%
48. Ogden, Utah	143,700	-2,500	-1.71%
49. San Antonio	666,100	-11,600	-1.71%
50. Grand Rapids	322,400	-5,700	-1.74%

Labor market	Private-sector jobs (April 2010)	Raw change (2009-2010)	Percent change (2009-2010) ▼
51. Minneapolis-St. Paul	1,436,000	-25,400	-1.74%
52. Philadelphia	2,324,000	-41,200	-1.74%
53. San Diego	987,200	-18,600	-1.85%
54. Dayton	302,000	-5,700	-1.85%
55. Omaha	387,200	-7,400	-1.88%
56. Kansas City	814,500	-15,700	-1.89%
57. Los Angeles	4,386,400	-85,200	-1.91%
58. Harrisburg, Pa.	255,000	-5,000	-1.92%
59. Columbus	734,000	-14,900	-1.99%
60. Atlanta	1,930,600	-39,200	-1.99%
61. Portland, Maine	157,900	-3,400	-2.11%
62. Seattle	1,375,200	-30,500	-2.17%
63. San Jose	744,400	-16,600	-2.18%
64. Houston	2,127,300	-47,900	-2.20%
65. Baton Rouge, La.	287,800	-6,500	-2.21%
66. Tulsa	352,600	-8,000	-2.22%
67. Madison, Wis.	**248,800**	**-5,900**	**-2.32%**
68. Miami-Fort Lauderdale	1,854,800	-44,000	-2.32%
69. Albuquerque	289,000	-7,100	-2.40%
70. Daytona Beach, Fla.	132,900	-3,300	-2.42%
71. Fresno, Calif.	213,200	-5,300	-2.43%
72. Bradenton-Sarasota, Fla.	218,700	-5,500	-2.45%
73. Tampa-St. Petersburg	966,700	-24,500	-2.47%
74. Boise, Idaho	205,700	-5,300	-2.51%
75. Orlando	878,200	-23,200	-2.57%

Labor market	Private-sector jobs (April 2010)	Raw change (2009-2010)	Percent change (2009-2010) ▼
76. Worcester, Mass.	195,800	-5,200	-2.59%
77. Palm Bay-Melbourne, Fla.	164,200	-4,400	-2.61%
78. Milwaukee	697,600	-19,200	-2.68%
79. Salt Lake City	500,200	-13,900	-2.70%
80. Chicago	3,620,100	-101,500	-2.73%
81. Little Rock, Ark.	262,300	-7,600	-2.82%
82. Portland, Ore.	802,800	-23,300	-2.82%
83. Oxnard-Thousand Oaks, Calif.	226,700	-6,700	-2.87%
84. Bakersfield, Calif.	162,600	-5,000	-2.98%
85. Colorado Springs	193,200	-6,000	-3.01%
86. Greensboro	289,500	-9,000	-3.02%
87. Denver	988,600	-31,400	-3.08%
88. Providence	454,000	-15,500	-3.30%
89. San Francisco-Oakland	1,552,100	-54,600	-3.40%
90. Memphis	497,100	-17,700	-3.44%
91. Akron, Ohio	260,000	-9,900	-3.67%
92. Detroit	1,477,300	-57,300	-3.73%
93. Springfield, Mass.	229,000	-8,900	-3.74%
94. Birmingham	399,900	-15,600	-3.75%
95. Lakeland, Fla.	164,200	-6,500	-3.81%
96. Riverside-San Bernardino, Calif.	877,900	-35,400	-3.88%
97. Sacramento	573,000	-24,900	-4.16%
98. Cape Coral-Fort Myers, Fla.	161,300	-7,400	-4.39%
99. Wichita, Kans.	243,600	-12,000	-4.69%
100. Las Vegas	699,700	-34,600	-4.71%

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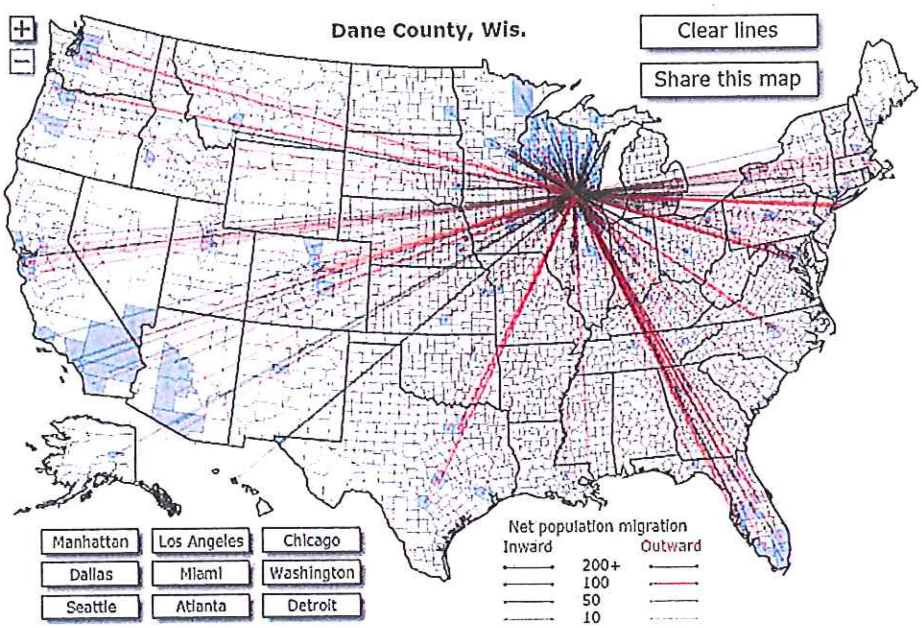
Map: Where Americans Are Moving

Jon Bruner

More than 10 million Americans moved from one county to another during 2008. The map below visualizes those moves. Click on any county to see comings and goings: black lines indicate net inward movement, red lines net outward movement.



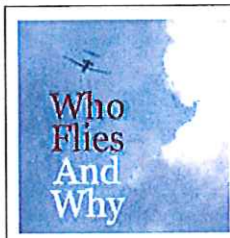
Source: Internal Revenue Service data. The IRS only reports inter-county moves for more than 10 people, so some moves are not shown on this map.

The Case For Private Jets

Private Aviation, Global Adventures

Making The Case For Business Aviation

Airports To Avoid This Summer



Flight Check With Pilots' Advocate Craig Fuller

Flight Check With The Flying Rep. Allen Boyd

Flight Check With Ex-Monsanto Pilot Jeffrey Reich

Flight Check: California Flying With Michelle Torres-Grant

Flight Check: A Q&A With Chinese Jet Manager Ricky Leung

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http://www.forbes.com/2010/06/04/migration-moving-wealthy-interactive-counties-map.html?preload=55025