

## Watertown Redevelopment Authority (RDA)

To: RDA Board

From: Mason Becker, RDA Executive Director

Date: February 19, 2025

Subject: WEDA 2025 Governor's Conference Recap

### Background

I was recently able to attend the WEDA 2025 Governor's Conference on Economic Development in downtown Milwaukee, which provided critical insights into workforce trends, redevelopment strategies, TIF policy updates, and funding opportunities. Below are key takeaways on some of the topics that were covered, which are relevant to the Redevelopment Authority:

#### Looming Labor Shortage & Workforce Trends

- **Historical Workforce Growth (1970s-1990s)**
  - Rapid workforce expansion due to Baby Boomers and increased female workforce participation. Since that time, workforce growth has slowed, but immigration and other factors have helped at times.
- **Current Workforce Challenges**
  - Early retirements, declining birthrates, and rising competition for workers.
  - Millennials are **late workforce bloomers**.
  - **Highly educated workforce**, but prime-age male participation rates are declining due to multiple factors...addiction (opioids) and incarceration rates were mentioned as contributing factors.
- **Future Workforce Projections**
  - Fewer people collecting unemployment than in 1970, despite a labor force **104% larger**.
  - By 2032, only **6.4 million additional workers nationwide**—net annual growth of just 90,000 workers.

- By **2027**, more people will be exiting the workforce than entering.
- Potential workforce solutions: Increased participation from **women, immigrants, or automation**. AI is still a long way off from being a total solution, though more companies are attempting to utilize it, largely to increase productivity of existing workers.
- **The Role of Immigration**
  - Without foreign-born workers, workforce shrinkage would have already occurred over the past five years.
  - Immigration has played a **critical role** in stabilizing the U.S. labor force.
- **Global Workforce Trends**
  - Declining birthrates are an issue in **other countries as well**, mirroring the U.S. challenge. Higher childcare costs, medical costs, etc may be contributing factors. Many people putting off starting families until later in life, family sizes also shrinking.
- **AI & Workforce Automation**
  - AI is **years away** from being a tangible solution in most sectors.
  - Customers are **skeptical of AI** replacing critical jobs (e.g., chatbots, automated phone trees).
  - **Japan's Lessons**: Offshoring, AI augmentation, delayed retirements, and urbanization have helped mitigate workforce shortages in professional jobs but **not in hands-on industries**.
  - More **job training and upskilling** will be essential for workforce sustainability.
  - **Healthcare & construction** are among the most critical sectors that **cannot** be offshored or replaced with AI.

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## TIF Policy & Redevelopment Strategies

- **TIF Law Overview**

- Established **circa 1976**.
- 10.8% of Wisconsin's current tax base was a result of TIF.
- **1,400 active TIDs** in the state today.
- Remains a powerful tool for redevelopment when applied correctly.
- **Wisconsin Legislature is considering increasing the TIF limit beyond 12%** of a community's equalized value, which could provide additional financing flexibility for municipalities. This will likely be discussed further during the state budget process this summer.
- **Workforce Housing Tax Credit Expansion** – Discussions are ongoing about expanding tax credits to encourage **affordable workforce housing development**.
  - Wisconsin needs an **"all of the above" approach** to housing solutions—local governments cannot simply say "we don't have housing, so we can't do anything." Communities that engage in this issue will succeed over those who stick to traditional approaches or take "wait and see" approach.

## **TIF Fine-Tuning & Evaluation Metrics (John Kovari)**

- **Pittsburgh Mills Mall Case Study**
  - One of the last large indoor malls built.
  - **\$50 million in TIF assistance**, but the **TIF value declined significantly by 2015**.
- **ICMA TIF Handbook** – A "best practices" reference guide. Available for purchase with a 20% discount (code: TIF20). (I will likely be purchasing a copy of this).
- **Key TIF Evaluation Metrics**
  - **Net Present Value (NPV) Analysis** – Measures long-term benefits vs. upfront costs.
  - **Leverage Analysis** – Is the developer borrowing enough from private lenders?
  - **Internal Rate of Return (IRR) Evaluation** – Determines if a project provides reasonable investor returns.
  - **Cost Assessment** – Evaluates land costs, hard and soft costs.
- **TIF & Developer Accountability**

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- Assess how much profit the developer is making—Is the rate of return reasonable?
  - Real estate is a **mid-risk investment** (stocks are generally riskier, whereas savings accounts and bonds are generally low risk).
  - Governments must be willing to walk away from deals when the developer demands excessive subsidies.
  - Debt Service Considerations – Ensuring TIF revenues cover financing obligations.

## Transportation-Related Investment Program (TRIP)

- **TRIP funds** can be leveraged for infrastructure improvements supporting TIF projects.
  - **Note that this is a newer concept...**I will be discussing further with our city attorney in the near future. This may be a fit for limited situations where creating or expanding a TID is not feasible or desirable.

## Grant Funding Opportunities

- Funding opportunities can be found through different resources, including grants.gov, foundation directorie, the WEDA Handbook, and through local partnerships.
- Tips for crafting winning proposals:
  - Use funder language. Tailor each application.
  - State measurable outcomes and long-term value.
  - Ensure compliance with state and federal regulations.
  - Have clear matching funds and other leverages utilized.
  - Every grant is different and can change year-to-year.
- Key takeaways:
  - Align projects with funder priorities.
  - Build funder trust through storytelling and compliance.
  - Blend multiple revenue streams effectively.

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## Sectors Driving Wisconsin's Economy

### Key Industries & Emerging Trends

- **Rockwell Automation** – Example of a leader in industrial automation and smart manufacturing solutions. Automation is only going to continue growing.

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- **Biohealth, Water, and Energy Sectors** – Growth in biotechnology, water management, and renewable energy is shaping Wisconsin’s future economy.
  - **Supply Chain Innovations** – Continued adaptation post-COVID to prevent future disruptions. Many companies are evaluating potential tariffs and looking at bringing their supply chains closer to home.

## **Manufacturing & Economic Growth in Wisconsin**

- **Wisconsin’s Manufacturing Sector**
  - **1986 Insight from Lee Iacocca** – There was concern that the U.S. would shift away from manufacturing in favor of service-based industries.
  - **COVID-19 exposed supply chain shortfalls**, reinforcing the importance of domestic manufacturing.
  - Despite shifts in the economy, **most R&D dollars still come from manufacturing** today.
- **Hiring & Workforce Challenges**
  - The idea that a "**college degree is the new high school diploma**" is gaining traction. Trades training/apprenticeships seen as growing alternative.
  - Two-thirds of manufacturers say automation is crucial for future growth.

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## **Housing & Construction Innovations**

### **Lange Brothers (Milwaukee) – Modular Homes**

- LUSH Home – “Lange Urban Sustainable Homes” A new modular housing concept.
- Rubber Mallet Construction – Simplifies on-site assembly, reducing costs and construction time. Designed to be built by 1-2 people in a short time frame.
- City of Milwaukee is looking to partner directly with a modular home manufacturer to increase supply of attainable housing.

### **Habitat for Humanity**

- City of Waukesha development projects highlighted. Lots tend to be smaller, traditional neighborhood design including sidewalks, etc.

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- Partnered with the City, their council approved contributing \$1 million of American Rescue Plan Act (ARPA) money to project.
  - Habitat families pay a mortgage and contribute 200 hours of “sweat equity” to project.
  - Online interest survey is used for screening, home visit happens with families during vetting process.
  - Note: Habitat is currently looking at developing six twin builds (12 units total) across from Madison College here in Watertown.
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## Data Centers & Utility Expansion

- **Major Tech Companies Expanding in Wisconsin:**
    - **Stargate, Microsoft, and others** are developing or evaluating large-scale data centers.
  - **Power Demand Considerations:**
    - New data centers require **50-500 MW of power**.
    - **Utility Expansion** – Need to **evaluate the nearest substation** before approval.
    - **Public Service Commission (PSC) Regulations:**
      - Protects ratepayers from subsidizing unused production.
      - Requires a **6-12 month approval process** for new infrastructure.
      - Transformer and power line backlog due to demand spikes.
    - New customers enter a queue for feasibility studies, which can cost hundreds of thousands (paid by the prospective customer).
    - Clawback Provisions Exist – Developers may need to return incentives if projects fail to meet commitments.
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## Broadband Expansion & Economic Growth

- Broadband, economy, and workforce development are interconnected.
- Matt Kures (UW Extension) shared workforce trends:
  - Between 2010-2020, **only 10 Wisconsin counties** saw workforce growth.

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- Most counties are expected to **lose** working-age population over the next decade.
  - Broadband access is directly linked to higher entrepreneurship rates.

## Education & Tech Inclusion Programs

- I.C. Stars Program – A two-year program designed to create a more inclusive tech workforce.
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## Key Takeaways for Watertown's Redevelopment & Workforce Strategy

1. **TIF reform and potential legislative changes** could provide more flexibility for redevelopment projects. Watertown has been a great example of responsible and successful use of TIF to sustain economic growth.
2. **Workforce housing must be prioritized**—an "all-of-the-above" approach is needed to address shortages. We are fortunately focused on this in Watertown and looking at growth of both owner-occupied and rental housing options.
3. **Emerging sectors (automation, biohealth, and data centers) present new opportunities for economic development:** We are currently evaluating marketing of City-owned land on Highway A for Biohealth or similar uses.
4. **Utility and broadband expansion** must align with economic development goals, but regulatory hurdles exist. We have to recognize what projects we can and can't support right now, but we will remain engaged with Thrive ED and other groups in lobbying for infrastructure expansion.
5. **Public-private partnerships remain essential**—leveraging TIF, TRIP funds, and workforce tax credits can maximize impact. Working with groups like the Greater Watertown Community Health Foundation and others will remain critical to our success.

I once again appreciate the opportunity to attend conferences and events like this one. I found this year's conference to be both engaging and relevant to the work we are doing here in the City of Watertown. Please let me know if you have any additional questions.

Sincerely,



Mason T. Becker

RDA Executive Director