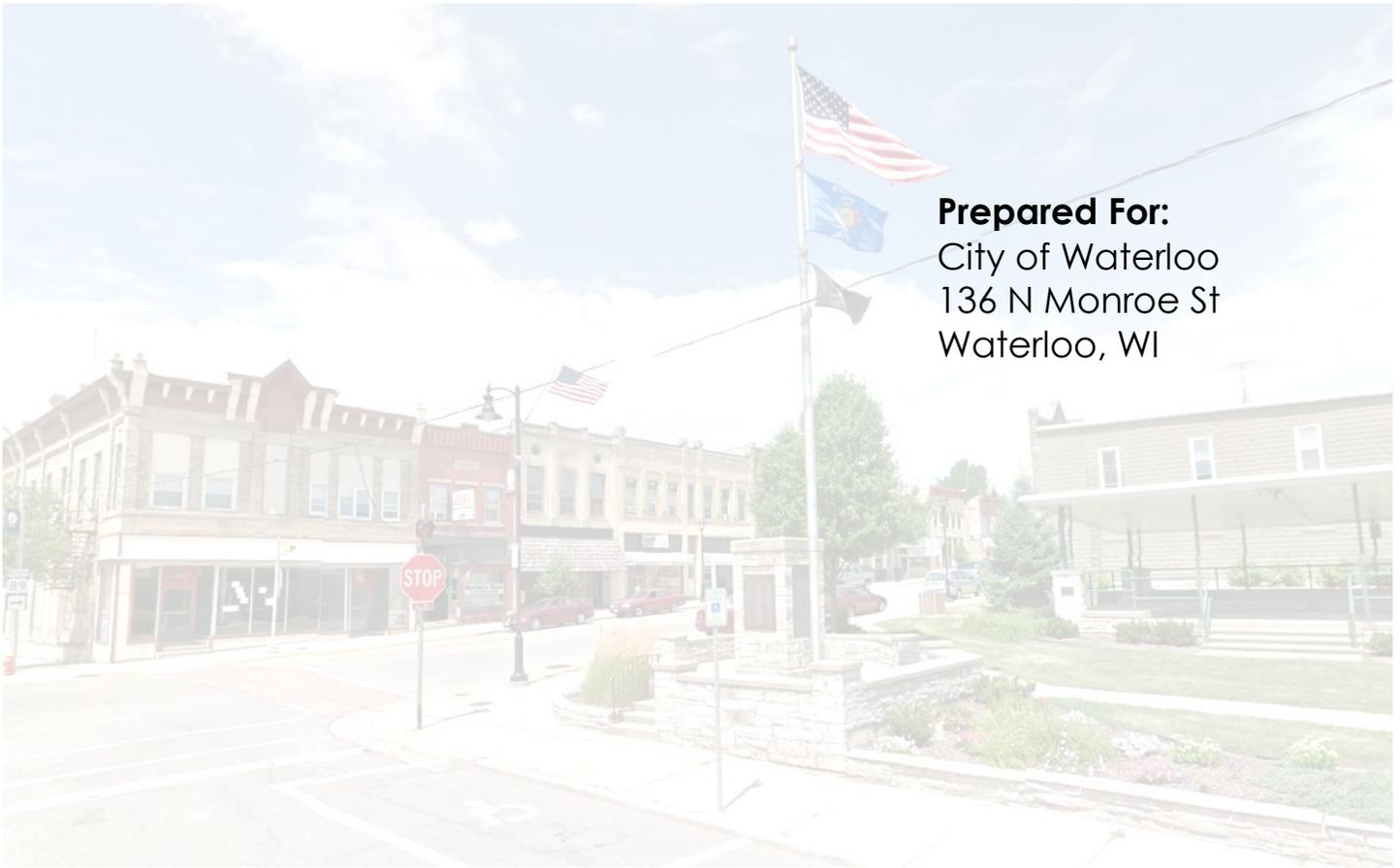


# Market Analysis

## City of Waterloo



**Prepared For:**  
City of Waterloo  
136 N Monroe St  
Waterloo, WI

**Prepared By:**

vierbicher  
planners | engineers | advisors



999 Fourier Drive, Suite 201  
Madison, Wisconsin 53717



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Vierbicher Associates, Inc.  
999 Fourier Drive, Suite 201  
Madison, Wisconsin 53717  
(608) 826-0532  
[www.vierbicher.com](http://www.vierbicher.com)

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## Executive Summary

Waterloo is a community of roughly 3300 residents, located on the Mauneha River in southeast Wisconsin, east of the state capital Madison. Waterloo is home to the headquarters of Trek Bicycle Corporation, a leading bicycle manufacturer, McKay Nursery Company, a wholesaler of plant and landscape supplies, and Van Holten Pickles, the largest producer of individually packaged pickles in the world. More than 120 businesses make their home in Waterloo. This document is part of a project designed to move Waterloo's economic development effort forward. It provides an overview of the current and emerging demographic and real estate trends associated with Waterloo's retail, housing, and commercial markets. Opportunities for growth within each of these markets are also identified to help focus future initiatives to align with anticipated market demand.

In addition to market information, a steering committee representing a variety of local businesses and community organizations and real estate and economic development professionals with knowledge of the community contributed to the analysis. These individuals provided feedback on local business issues, potential market opportunities, and perceptions of the City in the marketplace. There was a general consensus that, because there has not been a long-term sustained strategy over the past several years, economic development progress has been minimal. Moreover, efforts to galvanize and coordinate members of the community have been generally unsuccessful. It was agreed that once an economic development strategy has been created it will be essential for members of the public as well as business and real estate owners to commit to the actions that will yield the desired results for the City of Waterloo.

Major findings from the market analysis include the following:

- The population of Waterloo is stagnant. The 2015 population of 3,311 is 22 persons lower than in 2010 but is projected to regain most of that decline by 2020 when it reaches 3,326. The median age is expected to increase by less than 1 year, from 37.4 in 2010 to 38.5 in 2020.
- Waterloo's retail trade area is limited by the large trade centers nearby, particularly Sun Prairie and Madison to the west and Watertown to the east. Being surrounded by larger communities on all sides restricts the types of services and retail goods a community like Waterloo can provide. Retail sales per capita in Waterloo are \$1,535, which is significantly lower than comparable communities. The next lowest is Marshall at \$2,820 per capita with the highest being found in Columbus at \$24,510 per capita.
- There are retail opportunities in the restaurant, health & personal care stores, clothing stores, and general merchandise sub-sectors. Though not as strong, there are additional retail opportunities for furniture and home furnishings, specialty food stores, and building material and lawn and garden suppliers.

## Executive Summary

- Revitalizing Waterloo's downtown retail will require more people choosing to locate in the community. The population needs to increase. This can be accomplished by enhancing the perception of Waterloo as a desirable lifestyle community and having a range of housing choices for a variety of residents to select from.
- The recent addition of affordable and market rate housing improves the choices available to residents and increases downtown residential density. More higher-end housing could help to entice residents with higher disposable incomes.
- Waterloo's median household income, at \$61,768, is higher than comparison communities. This is due to many residents being employed in relatively well-paying jobs, but most have to commute out of Waterloo for these employment opportunities.
- The City of Waterloo is a net importer of labor, primarily due to the high number of employees who work at Trek and commute into Waterloo each day.
- Because of the long-term retail vacancy in the downtown, there is ample retail and commercial space available in Waterloo. The presence of high-speed fiber optics infrastructure should be a valuable amenity for the right type of business.
- Waterloo has several site options for industrial and commercial development. Some are more shovel-ready than others. The City is willing to use incentives to enable developers and entrepreneurs bring appropriate development to the City.

## Local Community Comparisons 2015

	Waterloo	Marshall	Lake Mills	Columbus	Watertown
<b>Total Population</b>	3,311	3,928	5,730	4,998	24,003
<b>Median Household Income</b>	\$61,768	\$57,563	\$52,454	\$52,378	50,415
<b>Median Age</b>	38.6	36.3	39.1	39.9	36.6
<b>Median Home Value</b>	\$174,333	\$152,600	\$164,500	\$155,700	\$154,935
<b>Families with Income Below Poverty level</b>	9.0%	16.9%	3.1%	6.6%	9.3%
<b>Unemployed Population Age 16+</b>	5.5%	6.9%	8.0%	7.8%	6.9%
<b>Population Age 25+: Bachelor's Degree or more</b>	16.7%	20.3%	29.8%	28.7%	24.7%

## Economic Position

Waterloo occupies an interesting economic position. On the one hand, it has a strong base of employable residents, it is home to some large, successful businesses, including Trek Bicycles, McKay Nursery and Van Holten Pickles, as well as an array of other good manufacturing and agricultural employers. On the other hand, it has seen its retail sector businesses leave the City over an extended period of decades, resulting in a visibly vacant and downtrodden downtown center.

The gradual decline of downtown retail businesses, combined with a significant number of Waterloo's residents having to travel outside of the City for employment, has contributed to a slight decrease in population over the last 5 years. Arguably this has caused a vicious cycle of fewer retail businesses willing to locate in Waterloo which, in turn, makes the City less

appealing to potential new residents who are looking for a full range of amenities when making decisions about lifestyle and location. This trend can be difficult to reverse.

This market analysis identifies market issues and opportunities associated with the residential, retail, and real estate market sectors, as well as the City's workforce. Comparisons with similar communities are provided across a variety of metrics throughout the assessment. These opportunities represent business recruitment, business expansion and new development potential, and also include marketing and programming opportunities which can help existing businesses and property owners capitalize on Waterloo's market position and draw. A summary of findings within each sector are highlighted on the following pages.

*Comparison of Growth Trends: Projected 2015-2020 Annual Growth Rates*

	Waterloo	Trade Area	Jefferson County	Wisconsin	United States
<b>Population</b>	0.09%	0.13%	0.23%	0.32%	0.73%
<b>Households</b>	0.19%	0.22%	0.29%	0.40%	0.75%
<b>Median Household Income</b>	3.68%	4.14%	2.99%	3.02%	2.74%

### **Residential & Housing**

Residential population growth is the simplest and often a main factor in contributing to economic development. An increase in population, either from migration into a community or natural increase from births creates the need for additional housing and expanded retail trade. New jobs are created to provide these needs for the growing community. Waterloo's population is expected to grow very slightly in the next 5 years. The Wisconsin DOA predicts Waterloo will exceed 3,665 residents by 2030.

One of the biggest demographic and residential trends facing many communities is an aging population. The median age in Waterloo is expected to increase modestly. It was 37.4 years in 2010 is expected to be 38.5 in 2020, compared to 38.5 and 39.7, respectively for Wisconsin as a whole. Assuming a steady population, the projected number of individuals in Waterloo under the age of 35 is expected to fall by 1% by 2020. During the same time, households and families are expected to decrease modestly in size in Waterloo, which is consistent with the larger trends seen in both Wisconsin and the nation toward smaller households and families. The number of total households was 1,331 in 2010 and 1,339 in 2015. It is expected to increase to 1,352 by 2020.

Waterloo has a smaller range of housing values when compared to Jefferson County. This suggests that additional units of both affordable housing and higher value housing could be absorbed within the community. It should be noted that the recently completed Monroe Street Apartments development, which brought 24 units to the market at the end of 2015,

will not have been included in the data used for this study. Notably, another 16 market rate apartments and a 28-unit assisted living facility are planned for the former RR Donnelley property on W. Madison Street. Future phases of this Hawthorne & Stone development will include another 64 units.

### **Retail & Opportunity Sectors**

Waterloo is a local trade center that meets some of the everyday retail needs of its residents and workers. The nearest community larger than Waterloo is 14 miles away, but there are 3 communities larger than Waterloo within 20 miles. The proximity and size of the neighboring trade centers restricts Waterloo's ability to expand the geographic boundaries of the area in which it provides daily or regular shopping and services. Trade centers like Columbus, Lake Mills, and Watertown have larger retail trade areas that absorb many of the regular shopping and service needs of Waterloo. Likewise, larger-ticket purchases are often done in even larger trade areas like Sun Prairie, Madison or Milwaukee that provide more higher-order goods.

Consumer spending in Waterloo has not been evenly distributed among retail sectors, and there are retail sectors which demonstrate sufficient surplus demand to support additional businesses. Significant retail gaps exist in almost every analyzed industry group, except for grocery stores, gas stations and used merchandise stores.

The decline in the retail downtown of Waterloo has left the community with few options in the City. While some of the retail sectors analyzed show potential opportunity, first the City needs to offer appealing amenities and options in order to attract more visitors and new residents.

This will give new business owners and entrepreneurs more confidence to invest in retail options for the City. A priority retail opportunity exists with a restaurant (full- or limited-service.) For example, a brew pub could be a popular addition to the existing downtown alternatives for both day and night-time patronage. See the extended discussion beginning on page 20 to see a list of more retail opportunities.

### **Workforce & Employment**

There is a significant labor pool available in many sectors in Waterloo. There are several sectors in which employment in Waterloo is more concentrated than in the County, State, or both. Waterloo is over-represented, when compared to the State of Wisconsin, in the sectors of agriculture/mining, wholesale trade, transportation/utilities and finance/insurance/real estate. Waterloo is underrepresented in the sectors of public administration and services.

More than 125 businesses employing over 2,000 total workers are located in Waterloo. Although more than 2,000 jobs are available in the City, fewer than 1,700 workers across all industries reside in the City, and only about 200 people living in the City work there as well. This difference is fulfilled by workers commuting in to Waterloo from nearby communities. The Waterloo area has a worker deficit in wholesale trade and retail trade (which, due to the classification scheme used, includes Trek employees) businesses which attracts employees from outside the area to fill those positions. The entire Waterloo area has a surplus of workers in all other sectors. Workers in these sectors must commute to other communities for jobs.

### **Commercial Real Estate**

The availability of suitable land and real estate has a significant impact on the ability of businesses to grow and expand in a community. There is currently an excess supply of retail and commercial office space in Waterloo due to changing trends in space needs, with some vacant industrial space available as well. Waterloo may benefit from efforts to assist tenants or property owners to upgrade existing office or retail spaces, and should continue to support development of commercial and industrial spaces to retain and attract businesses. Additionally, there are several planned future development options in the City, although these will likely not come to fruition without a stabilization of the population and a clear improvement in the number of viable downtown businesses.

Many businesses opt for a location in smaller communities due to better affordability of space. However, there is only one commercial property and there are no industrial properties listed for sale on commercial listing sites including LoopNet and Locate In Wisconsin. The only lease space listed on these sites is Class A office space found in the Waterloo Tech Center, at \$4.50-\$6.00 per square foot. While other surrounding communities are likely to have rent discounts similar to what Waterloo may have, the excess supply of retail and office space, combined with the City's willingness to attract new businesses should place Waterloo in a good position in comparison with these markets. Unfortunately, this rent benefit does not offset the limited local customer pool and travel time to supplier or customer destinations for many businesses.

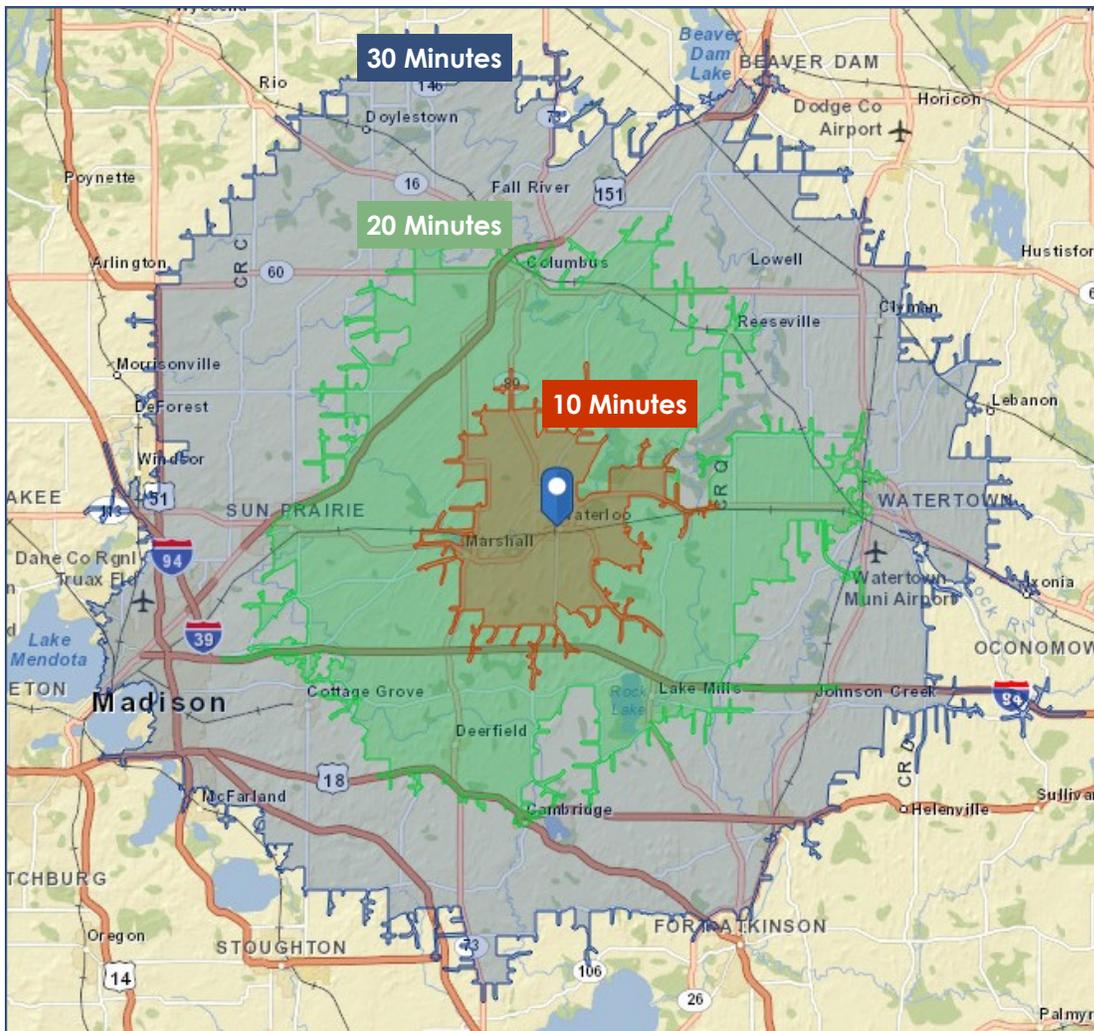
## Location & Access

The City of Waterloo is located in the north-west corner of Jefferson County and abuts Dane and Dodge counties. Wisconsin State Highway 19 connects the trade center of Marshall, less than 5 miles to the west, through Waterloo and on to the larger Watertown center approximately 14 miles east of Waterloo. Waterloo is north of US Highway I-94. It takes approximately 12 minutes (8.8 miles) to reach the nearest west-bound I-94 onramp and 11 mins (9.5 miles) to connect with east-bound traffic. East-west rail service operated by Wisconsin & Southern runs through Waterloo. The nearest airports with scheduled passenger service are Dane County Regional Airport in Madison (24 miles) and General Mitchell International in Milwaukee (67 miles.) Watertown Municipal airport offers charter flight capabilities. Sun Prairie, Madison and Milwaukee are the largest nearby commercial and employment centers.

Distance to Major Markets	
Madison	26 miles
Janesville	40 miles
Fond du Lac	54 miles
Milwaukee	61 miles
Green Bay	117 miles
Chicago	147 miles
Minneapolis	284 miles

Source: Google Maps

Waterloo Drive Times



## Methodology

In order to appropriately define local market opportunities, projections of key economic and demographic variables are included in this analysis. These projections form the basis for decision with respect to future demand and supply within each of the analysis areas. Specific variables which utilize projected data include population, households and median family income. These projections are developed based on census data, historic trend data, data and projections provided by Esri, one of the leading demographic information firms. Other data sources include the U.S. Economic Census, the Census' American Community Survey, 2015 Applied Geographic Solutions estimates, and the UW Extension Center for Community and

Economic Development. These data and projections are based on nationwide demographic trends for similar environments, and calculations made by Vierbicher and informed by local observations. These assumptions and calculations are used to project demand for the City and for the larger Trade Area, which is defined in the following chapter. Projections associated with sales are based on the existing commercial mix and trade area capture, and can be significantly influenced by the addition of new retail or consumers to the City, as well as by the departure of existing merchants, or increased competition from nearby trade centers.

## Trade Area

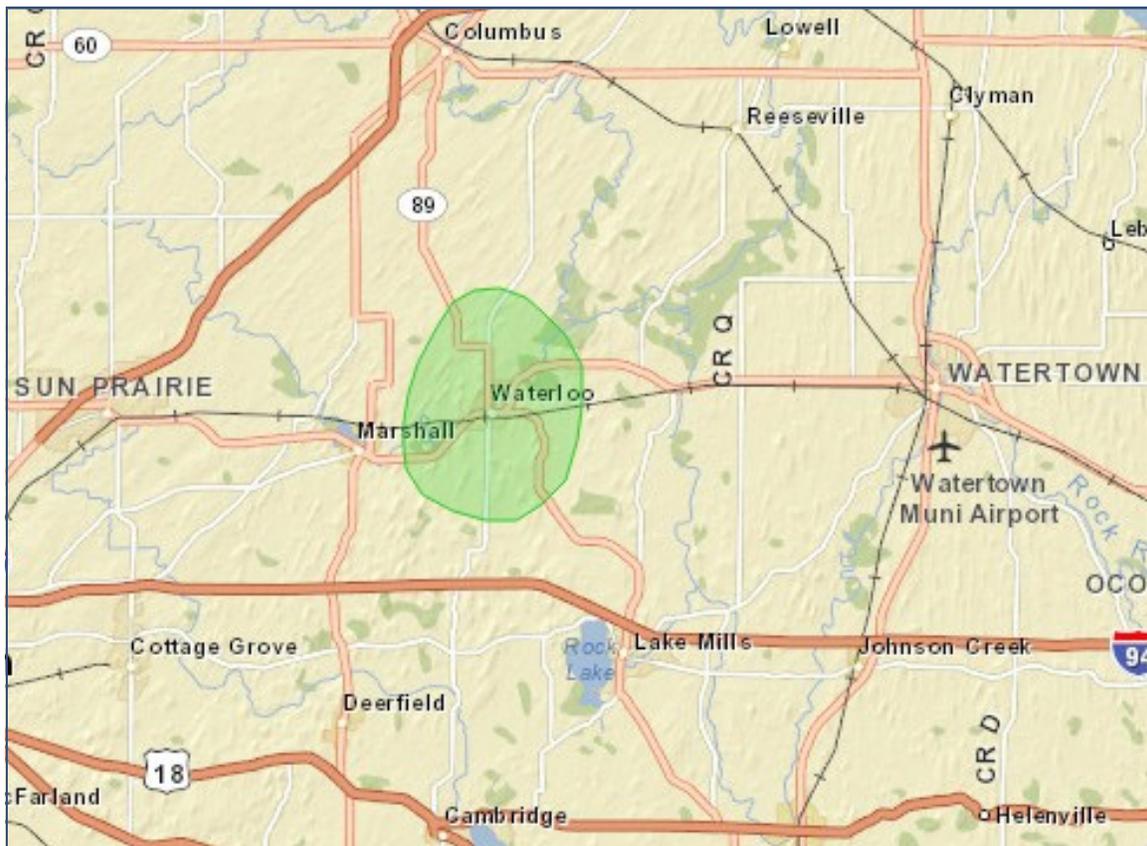
The demand for local housing, goods, services and employment are derived from an area larger than the City of Waterloo. A trade area is defined as the region from which a majority of this demand is generated. The Primary Trade Area represents the area from which the bulk of consumer demand is generated, or from which at least 50 percent of all consumers within the boundary are most likely to travel to Waterloo to shop. The Primary Trade Area is only intended to represent the area in which residents will shop in Waterloo for their regular retail needs; larger or specialty items will usually be

purchased in larger or more specialized trade centers with trade areas that overlap Waterloo for those types of goods or services.

The Waterloo Trade Area is heavily influenced by the market forces of the Madison, Sun Prairie and Watertown trade centers, which are within 15 miles to west and east respectively. The trade area is also influenced by other nearby competing communities, including, Marshall, Lake Mills and Columbus.

The estimated 2015 population for the Waterloo trade area is 4,282, down from

*Waterloo Primary Trade Area*



the 2010 Census count of 4,305. The rate of change since 2010 has been -0.11% annually. The five-year projection for the population in the trade area is 4,309 representing a change of -0.13% annually from 2015 to 2020.

The household count in the Waterloo trade area has changed from 1,705 in 2010 to 1,719 in 2015, a change of 0.16% annually. The five-year projection of households is 1,738, an annual change of 0.22%. Average household size is currently 2.48 and projected to be 2.47 in 2020, compared to 2.51 in the year 2010. There are currently 1,159 families in the trade area.

The trade area's 2015 median household income is \$54,241, compared to \$52,076 for all U.S. households. Median household

income is projected to be \$65,479 in five years, compared to \$59,599 for all U.S. households. The 2015 per capita income was \$26,905 in the trade area, compared to the U.S. per capita income of \$27,871. The trade area per capita income is projected to be \$31,746 in five years, compared to a U.S. average of \$32,168.

Currently, 68.8% of the 1,815 housing units in the trade area are owner occupied; 25.9% are renter occupied; and 5.3% are vacant. This compares with 56.0% of the housing units in the U.S. being owner occupied; 32.4% renter occupied; and 11.6% vacant. The number of housing units was 1,801 in 2010 and is expected to be about 1,836 by 2020. Median home value in the trade area is \$176,579, compared to a median home value of \$190,791 for the U.S.

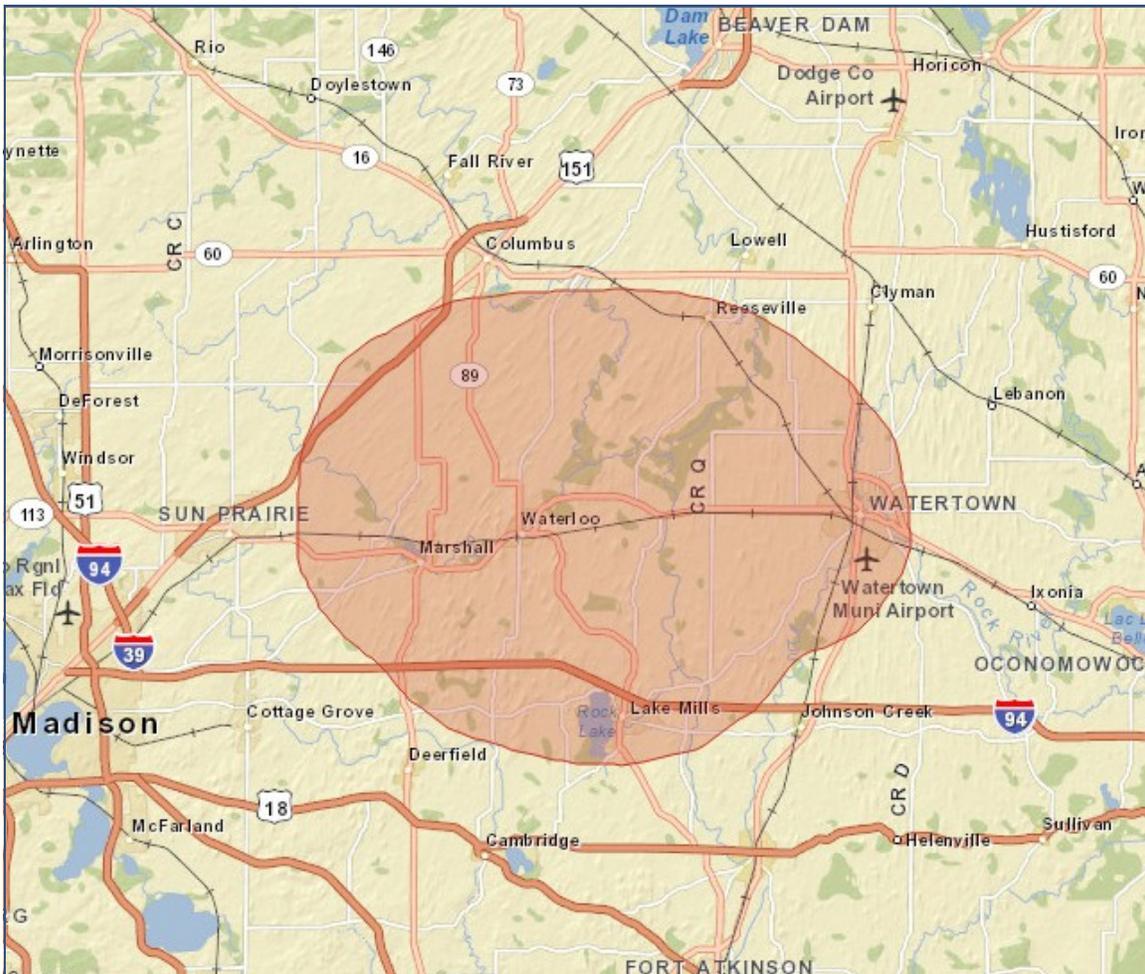
## Laborshed

A second relevant regional boundary referenced in this document is the distance from which Waterloo companies draw employees. Commonly referred to as the laborshed, the size, demographics, education and occupation of individuals within this area are important factors in company decisions to locate or expand in a region based on the perceived ability to recruit qualified workers at competitive wages. Information from the 2013 Economic Census, 2015 Esri estimates, 2015 Applied Geographic Solutions estimates, and the UW Extension Center for Community and Economic Development is

used to determine worker characteristics and flows within the region.

Employees working at jobs within the City come from a comparable, though slightly smaller, region than the consumer population of the community. The area and population of the Waterloo laborshed are larger than the trade area, likely due to the presence of several large employers, specifically Trek, that are able to draw a labor force from an extended distance. The map below illustrates the geographic reach of this laborshed.

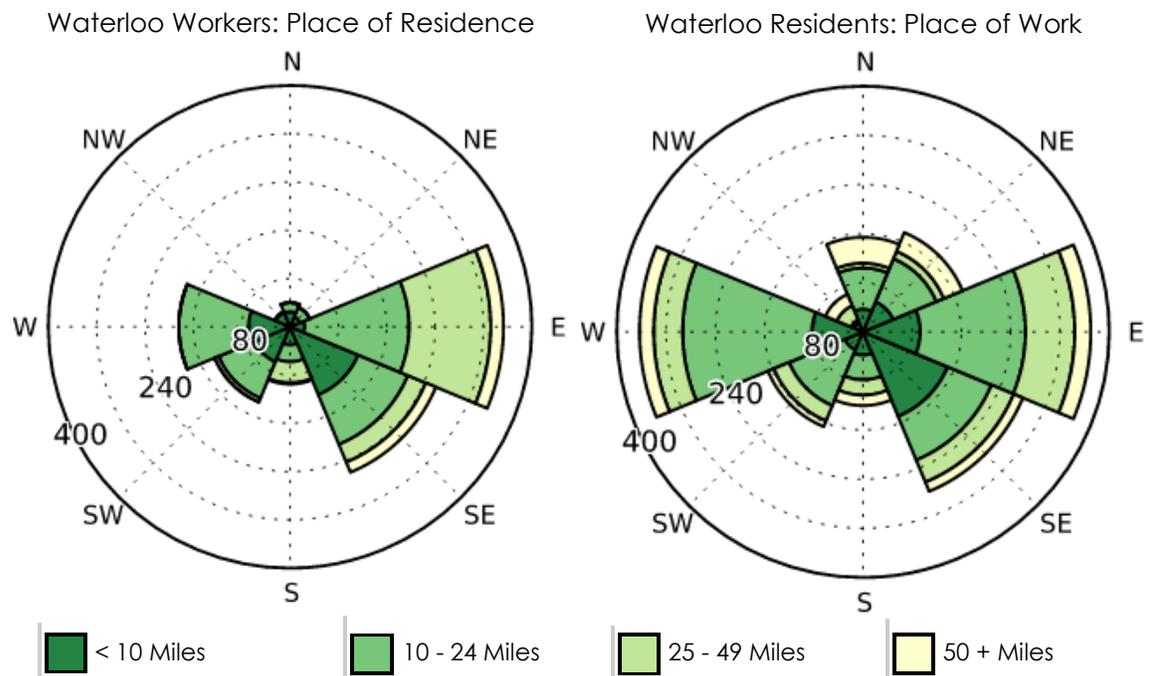
*Waterloo Laborshed*



The size and composition of an area's laborshed significantly influences the type of employers which may be attracted to Waterloo based on a need for skilled labor. However, these daily commuters also represent a significant pool of potential customers for local retailers. On average, workers in rural communities spend approximately \$100 per week on trips associated with the work day (excluding online purchases and gas), including commuting, lunch hour dining and shopping and errands run en route to their place of employment. Of course, the availability of retail significantly influences these habits, with employees in downtowns with nearby retail spending more than employees with less access to retail amenities. Especially impacted is spending on dining, which drops significantly if

restaurant options are not available as workers substitute lunch from home. Restaurants in areas with daytime populations typically depend on daytime spending for a large portion of total sales. The type of employment also changes the nature of spending, with shift workers less able to take advantage of lunch hour for spending, but with greater pre- or post-work timeframes to complete purchases.

The radial graphs below show the geographic commuting patterns for people commuting into and out of Waterloo for work. The first graph shows the directions and distances for which workers in Waterloo commute to the city for work. The second graph shows the directions and distances residents of Waterloo who work outside the city travel for work.



## Market Analysis

The remainder of this document will go into a more in-depth analysis of the sections covered in the executive summary. It will first discuss trends in the City and trade area's demographic and income data. It will then analyze the market profile of the households residing within the City and the trade area, using this information to extrapolate the potential market spending in the area over a number of business sectors.

After identifying the market potential and current sales, we are able to identify those sectors in which Waterloo area businesses are not meeting the needs of the market

trade area: areas in which the City can work to establish, attract, or grow firms taking advantage of those market supply gaps. The market analysis will then continue on to investigate the trends of the area housing market and the resultant needs of the future, as well as the trends and space needs for commercial office, retail, and industrial real estate.

An analysis of the characteristics of the area workforce has also been undertaken. Finally, the document analyzes Waterloo's competitive position amongst nearby communities in the context of taxes and utilities.

## Socioeconomic Market Segmentation

Demographics firm Esri's Tapestry Segmentation system divides geographic areas into 67 distinctive segments based on their socioeconomic and demographic composition, detailing the diversity of the American population and provide an accurate, detailed description of America's communities and neighborhoods. The populations within

segments exhibit certain socioeconomic traits and similar demographic, education, and housing choice characteristics. By grouping and segmenting populations based on these characteristics, these segments can provide guidance for marketing, planning, and economic development by summarizing markets that share similar traits.

### Primary Tapestry Segments

#### Waterloo Trade Area

Middleburg	40.7% of households
Parks and Rec	38.3% of households
Green Acres	15.4% of households
Soccer Moms	5.6% of households

### Middleburg

*Middleburg* neighborhoods transformed from the easy pace of country living to semirural subdivisions in the last decade, when the housing boom reached out. Residents are conservative, family-oriented consumers. Still more country than rock and roll, they are thrifty but willing to carry some debt and are already investing in their futures. They rely on their mobile devices to stay in touch and pride themselves on their expertise. They prefer to buy American and travel in the US.

- Semirural locales within metropolitan areas.
- Neighborhoods have changed with the addition of new single-family homes. Also include a number of mobile homes.
- Affordable housing, median value of \$158,000 with a low vacancy rate.
- Young couples, many with children;

average household size is 2.73.

- 66% have a high school diploma or some college education.
- Unemployment rate lower at 7.4%. Labor force participation typical of a younger population at 66.7%.
- Prefer to buy American and for a good price.
- Comfortable with the latest in technology, for convenience and entertainment.
- Residents are partial to trucks, SUVs, and occasionally, convertibles, or motorcycles.
- Entertainment is primarily family-oriented, TV and movie rentals or theme parks and family restaurants.
- Spending priorities also focus on family (children's toys and apparel) or home DIY projects.
- Sports include hunting, target shooting,

bowling, and baseball.

- TV and magazines provide entertainment and information.

### **Parks and Rec**

These practical suburbanites have achieved the dream of home ownership by purchasing homes that are within their means. Homes are older, and duplexes are common. Many families are two-income married couples nearing retirement age; they are comfortable in their jobs and homes, budget wisely, but don't plan to retire or move anytime soon.

Neighborhoods are well established, with amenities and programs that supported their now grown children. The appeal of these neighborhoods is now attracting a new generation of young couples.

- Homes are primarily owner occupied, single-family residences built prior to 1970; town homes and duplexes are scattered through the neighborhoods.
- Both median home value and average rent are close to the national level.
- More than half of the population is college educated.
- Older residents draw Social Security and retirement income.
- The work force is diverse: professionals in health care, retail trade, and education, or skilled workers in manufacturing and construction.
- This is a financially shrewd market; consumers carefully research their big-ticket purchases. When planning trips, they search discount airlines and hotels and vacation within the US.
- These practical residents tend to use their

cell phones for calls and texting only

- Cost and practicality come first when purchasing a vehicle; more likely to buy domestic SUVs or trucks over compact or subcompact vehicles.
- Budget-conscious consumers stock up on staples at warehouse clubs.
- For an outing, they choose to dine out at family-style restaurants and attend movies.
- Residents here take advantage of local parks and recreational activities.

### **Green Acres**

The *Green Acres* lifestyle features country living and self-reliance. They are avid do-it-yourselfers, maintaining and remodeling their homes, with all the necessary tools. Gardening is also a priority, again with the right tools. Outdoor living also features a variety of sports: hunting and fishing, motorcycling, hiking and camping, and even golf.

- Occupy rural enclaves in metropolitan areas, primarily older homes with acreage
- Single-family, owner-occupied housing, with a median value of \$197,000.
- An older market, primarily married couples, most with no children.
- 60% are college educated.
- Unemployment is low at 6%; labor force participation rate is high at 67.4%.
- Income is derived not only from wages and salaries but also from self-employment, investments, and increasingly, from retirement.

- They are cautious consumers with a focus on quality and durability.
- Comfortable with technology, but more as a tool than a trend.
- Economic outlook is professed as pessimistic, but consumers are comfortable with debt, primarily as home and auto loans, and investments.
- Purchasing choices reflect residents country life, including a variety of vehicles from trucks and SUVs to ATVs and motorcycles
- Homeowners favor DIY home improvement projects and gardening.
- Media of choice are provided by satellite service, radio, and television, also with an emphasis on country and home and garden.
- Green Acres residents pursue physical fitness vigorously, from working out on home exercise equipment to playing a variety of sports.
- Residents are active in their communities and a variety of social organizations.
- areas.
- Predominantly single family, homes are in newer neighborhoods, 67% built since 1990.
- Median home value is \$226,000.
- Most households are married couples with children; average household size is 2.96.
- Most households have 2 or 3 vehicles; the most popular types are minivans and SUVs; long travel time to work including a disproportionate number commuting from a different county.
- Education: 37.7% college graduates; more than 70% with some college education.
- Low unemployment at 5.9%; high labor force participation rate at 72%; 2 out of 3 households include 2+ workers.
- Connected, with a host of wireless devices—anything that enables convenience, like banking, paying bills, or shopping online.
- Well insured and invested in savings accounts, bonds, and stocks.
- Carry a higher level of debt, including mortgages and auto loans.

### **Soccer Moms**

Soccer Moms is an affluent, family-oriented market with a country flavor. Residents are partial to new housing away from the bustle of the city but close enough to commute to professional job centers. Life in this setting offsets the hectic pace of two working parents with growing children. They favor time-saving devices, like online banking or housekeeping services, and family-oriented pursuits.

- Soccer Moms residents prefer the suburban periphery of metropolitan

- Family-oriented purchases and activities dominate, like televisions, movies, children's apparel and toys, and visits to theme parks or zoos.
- Outdoor activities and sports are characteristic of life in the suburban periphery.

## Residential Growth and Housing Analysis

As noted earlier, residential population growth is the simplest and often a main factor in contributing to economic development. An increase in population, either from migration into a community or natural increase from births creates the need for additional housing and expanded retail trade. New jobs are created to provide these needs for the growing community. In Waterloo, the current year population is 3,311, down from the 2010 Census count of 3,333. The rate of change since 2010 has been -0.04% annually. The five-year projection for the population in Waterloo is 3,326, representing an annual change between 2015 and 2020 of 0.09%. The median age in Waterloo is 38.6, compared to U.S. median age of 37.7.

The household count in Waterloo has changed from 1,331 in 2010 to 1,339 in the current year, a change of 0.12% annually. The five-year projection of households is 1,352, a change of 0.19% annually from the current year total. Average household size is currently 2.46, compared to 2.49 in the year 2010. There are 868 families in Waterloo.

The number of housing units in Waterloo has increased by 9 units from 2010 to 2015. A minimum of 10 net new additional units will be projected to be needed by 2020. Currently, 65.4% of the 1,418 housing units in Waterloo are owner occupied; 29.0% are renter occupied; and 5.6% are vacant. Currently, in the U.S., 56.0% of the housing units are owner occupied; 32.4% are

### Historical Populations

	City		County	
	Population	Change	Population	Change
1990	2,712	13.3%	67,783	2.5%
2000	3,261	20.2%	74,021	9.2%
2010	3,333	2.3%	83,686	13.1%
2015	3,311	-2.2%	83,871	0.22%

Source: Wisconsin DOA, US Census, Esri

renter occupied; and 11.6% are vacant. Median home value in Waterloo is \$174,333, compared to a median home value of \$190,791 for the U.S. In five years, median value is projected to change by 0.99% annually to \$183,117.

Current median household income is \$51,556 in Waterloo, compared to \$52,076 for all U.S. households. Median household income is projected to be \$61,768 in five years, compared to \$59,599 for all U.S. households. Current per capita income is \$26,189 in Waterloo, compared to the U.S. per capita income of \$27,871. The per capita income is projected to be \$31,021 in five years, compared to the \$32,168 U.S. average.

A housing market analysis provides an overview of local demographic, income and social factors which contribute to the

### Demographics Summary & Projections

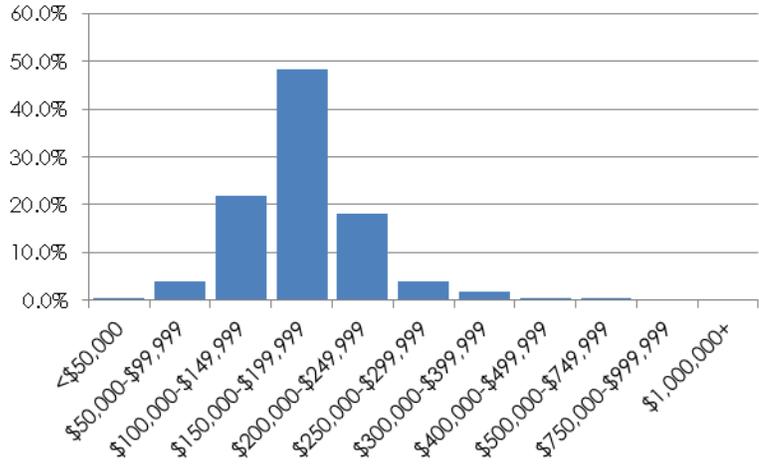
	Census 2000	Census 2010	2015 Estimate	2020 Estimate
Population	3,261	3,333	3,311	3,326
Households	1,243	1,331	1,339	1,352
Median Age	34.5	37.4	38.6	38.5
Average Household Size	2.56	2.49	2.46	2.46

Source: Esri

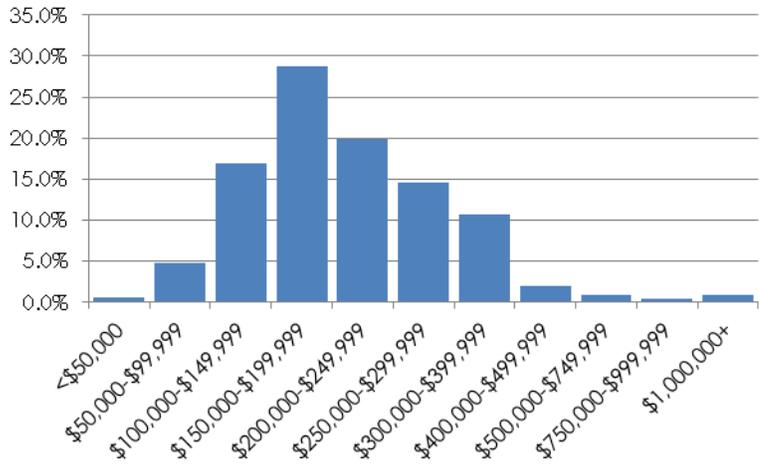
demand for housing in the City of Waterloo. The analysis examines the impact of household size, income, age and ownership status of Waterloo's population. By studying the relationship and changes in these factors over time, we can identify current and future gaps in supply based on household need. Categories which are projected to have potential needs are divided based upon the type of housing which is most commonly demanded by these groups. For instance, the need for rental housing and affordable housing, as well as active senior and retirement communities are frequently areas of future need in our aging society. As with the retail trade area, housing demand comes from a broader geographic area than just the City. This larger pool includes employees who currently work in or near the City and would prefer to live closer to their place of employment, newly forming households as a result of children exiting their parents' household, and senior migration from rural areas to be closer to accessible services and medical care.

The charts on this page show that Waterloo has a larger concentration of housing units around its median value relative to the county distribution of housing values. This also translates into a relatively low number of affordable housing units and

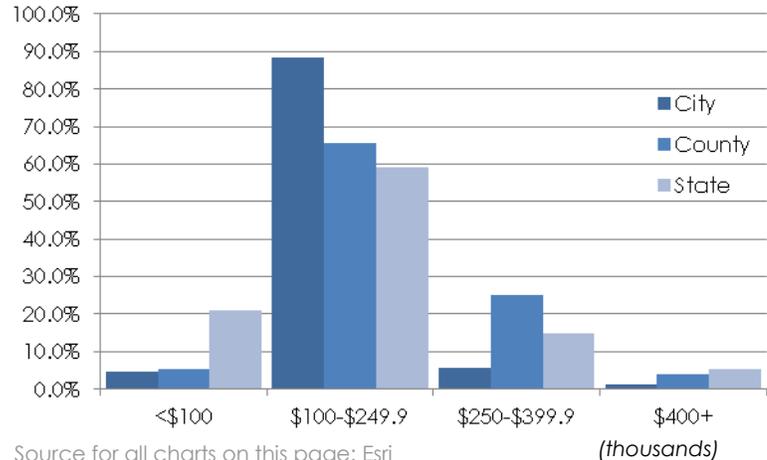
**Waterloo Housing Values**



**Jefferson County Housing Values**



**Housing Cost Distribution**



Source for all charts on this page: Esri

(thousands)

housing units at the higher end of the value range. Adding more housing options on the more expensive end would attract more high-income households to the community, along with their considerable spending power. Adding more housing units on the less-expensive end of the spectrum would help to drive employment growth in the city.

Household income is a critical factor impacting housing demand. The ability of local households to afford existing housing stock influences the decision to purchase or rent, and indicates the price point at which future units will be absorbed. Housing is generally deemed to be affordable when households spend less than 30 percent of their income on housing.

While more than 15% of Waterloo households spend at least 30% of their income on housing, Waterloo's lower-income residents do appear to have more lower-cost housing options than residents in peer communities.

Age and family status are the most influential factors for households considering renting versus owning. More than three-quarters of all households headed by individuals under 30 now opt to rent, and nearly half of households headed by individuals 30-44 now rent. Adults aged 75 and over have seen steady increases in the percentage of households renting. In contrast to home owners, renters have greater choice in housing types. Within the renter pool, there are differences in the type of units preferred. A majority of younger renters (under 30) live in larger apartment buildings of five or more units, while middle-aged renters prefer single-

family homes or buildings with less than 4 units. Older renters are split between smaller buildings and larger senior housing apartment buildings. Larger properties typically offer a combination of amenities, limited upkeep and social opportunities which are attractive to both younger and older age groups.

However, there is significant potential for Waterloo to attract additional older households moving to apartments and senior housing facilities. These households are most likely to rent and to make changes in living arrangements based on life changes (i.e., death of spouse, injury, physical ability). However, it is necessary that Waterloo ensure that a suitable supply of dwelling units for these households, as larger nearby communities will likely be able to outcompete Waterloo in terms of the number of units offered. The current trend in senior housing is to create continuum of care projects located near existing commercial environments to provide access to amenities. This is consistent with the Hawthorne & Stone assisted living and apartment development that is currently underway with Phase 1 on the old RR Donnelley printing site.

Desirable nearby amenities include pharmacy, medical, restaurants and park space. These elements are frequently present in downtown, making senior housing a redevelopment strategy in downtown or the surrounding established neighborhoods and built-up areas. Facilities providing a continuum of care, including independent living arrangements, also provide a larger consumer base for downtown businesses, including residents and their visitors.

Market Analysis-Residential Growth & Housing

Monthly Owner Costs as a Percentage of Household Income (Owner-Occupied)

Percent of Household Income	Percent of Housing Units
Less than 20%	54.3%
20% to 24.9%	21.6%
25% to 29.9%	8.5%
30% to 34.9%	4.6%
35% or more	11.0%

Gross Rent as a Percentage of Household Income (Renter-Occupied)

Percent of Household Income	Percent of Housing Units
Less than 20%	23.4%
20% to 24.9%	17.1%
25% to 29.9%	12.7%
30% to 34.9%	5.5%
35% or more	41.3%

Monthly Housing Costs as a percentage of Household Income

Household Income	Total Households	Spend Less than 20%	Spend 20% to 29%	Spend 30% or more
Less than \$20,000	13.3%	15.0%	9.0%	75.9%
\$20,000 to \$34,999	18.3%	8.2%	27.9%	63.9%
\$35,000 to \$49,999	12.9%	58.1%	26.4%	15.5%
\$50,000 to \$74,999	19.7%	41.1%	46.7%	12.2%
\$75,000 or more	35.7%	81.2%	18.8%	0.0%

Percentage of Households Spending More Than 30% of Household Income on Housing

Household Income	Waterloo	Columbus	Cottage Grove	Lake Mills	Marshall	Sun Prairie	Watertown
Less than \$20,000	75.9%	100.0%	100.0%	88.8%	77.3%	93.1%	93.6%
\$20,000 to \$34,999	63.9%	37.1%	85.7%	60.3%	65.5%	73.4%	56.6%
\$35,000 to \$49,999	15.5%	28.1%	26.6%	18.5%	22.2%	57.7%	42.2%
\$50,000 to \$74,999	12.2%	17.9%	55.1%	6.1%	28.1%	25.2%	19.4%
\$75,000 or more	0.0%	1.9%	11.3%	5.4%	0.0%	5.3%	15.9%

Jefferson County Low Income Limits for Fair Market Rents

2015 Income Limit Category	% of Median	Persons in Family							
		1	2	3	4	5	6	7	8+
Extremely Low Income	30%	\$15,300	\$17,450	\$20,090	\$24,250	\$28,410	\$32,570	\$36,730	\$40,890
Very Low Income	50%	\$25,450	\$29,100	\$32,750	\$36,350	\$39,300	\$42,200	\$45,100	\$48,000
Low Income	80%	\$40,750	\$46,550	\$52,350	\$58,150	\$62,850	\$67,500	\$72,150	\$76,800

Source for all tables on this page: U.S. Census 2014 ACS; U.S. Dept. of Housing & Urban Development

## Retail Market Analysis

No business will be able to capture 100 percent of the dollars being spent on a particular category of goods within any population group. Primary convenience retailers with little competition (i.e., local grocer) may be able to retain as much as 75 percent of local spending, although smaller retailers, especially those in more competitive market sectors, should base projections on capturing 20 percent or less of local demand. Customers within each of these areas have numerous choices when it comes to retail offerings, and they make decisions based on proximity, price and quality of goods, customer experience and convenience. Retailers in a downtown, with a limited immediate residential trade area, must especially rely on their ability to provide a unique product, service or experience which will allow them to recruit some customers from a broader trade area, as well as daytime employee populations. Finding ways to assist local retailers in identifying and collectively marketing to these broader groups who are already traveling to the City for other purposes will help boost spending throughout the community.

The demand for, and supply of, retail and service amenities has a significant role in shaping consumer patterns in a community. In contrast to residential and business location decisions, retail and service businesses rely on the availability of customers in the surrounding area, and typically only move into a community once a sufficient level of local demand has been reached. This local area from which a business can expect to recruit customers is the trade area. Businesses in Waterloo must provide a unique good or service to attract customers to drive further to Waterloo versus traveling to more convenient options in larger communities. As described earlier, Waterloo's retail and service trade area is determined based on the size, distance, and economic activities of Waterloo and the surrounding trade centers, specifically Marshall, Lake Mills, Columbus, Sun Prairie, Cottage Grove and Watertown, all of which have larger populations and undertake more retail trade. Due to the effects of the Madison metro area and because Waterloo is smaller in both population and retail trade activity than these nearby communities, its

*Comparison of Local Trade Centers*

	Retail Sales	Population	Retail Sales per Capita
Waterloo	\$5,110,269	3,330	\$1,535
Marshall	\$10,896,000	3,864	\$2,820
Cottage Grove	\$18,552,000	6,512	\$2,849
Lake Mills	\$53,797,000	5,840	\$9,212
Sun Prairie	\$293,264,000	31,810	\$9,219
Watertown	\$303,860,000	23,864	\$12,733
Columbus	\$123,582,000	5,042	\$24,510
<b>Wisconsin</b>	<b>\$72,283,321,000</b>	<b>5,672,297</b>	<b>\$12,743</b>

Source: U.S. Census; Differences from Esri data due to differences in methodologies and classification of businesses

trade area is slightly smaller than the typical 15-minute drive time which represents the primary trade area for smaller communities throughout Wisconsin, as it may if there was less nearby competition. Waterloo's retail sales per capita is \$1,535, which is notably lower than all of its

comparative trade centers. Per capita retail trade in Marshall, at \$2,820, is the next lowest trade area. Yet both are significantly lower than Columbus, which, at \$24,510, has the highest per capita retail trade of the seven trade areas we compared. All local trade centers compared to Waterloo for this study have larger populations, and more importantly, larger trade area populations. Further, all comparison communities are on or closer to main commuter routes, meaning they pick up more commuter spending, including spending by commuters going to or from Waterloo. Even Marshall, which is only slightly larger than Waterloo, is on the fastest routes to/from Sun Prairie and Madison. Likewise, Watertown and Lake Mills are on the fastest routes to/from Milwaukee.

The table on page 23 highlights the City's ability to support retail establishments based on local demand alone. The presence of a supply gap is a potential indicator that additional retailers could be supported in the area. These calculations were based on information from the demographic firm Esri. The columns in the *Comparison of Household Incomes 2015*

table indicate the existing retail demand, supply (current sales), and the surplus demand available within each category .

Based on current spending patterns, it appears that retail business recruitment or expansion opportunities exist for health & personal care stores, building material and supply dealers, clothing stores, sporting goods and hobby stores, electronics & appliance stores, general merchandise stores, department stores, electronic shopping & mail order houses, and full-service and limited-service eating places. Realistically, many of these categories are going to be served by the larger nearby trade centers.

Additional opportunities, albeit with smaller leakage factors (a measure of the portion of potential sales being met outside the community), include furniture and home furnishings stores, lawn and garden equipment stores, shoe and jewelry stores, book and music stores, vending machine operators, and other specialty food services. Retailers in several of these sectors are often locally owned and operated in small and medium-sized communities,

Households by Income	Waterloo	Trade Area	Jefferson County	Wisconsin
<\$15,000	10.3%	9.0%	9.2%	11.8%
\$15,000 - \$24,999	12.7%	11.1%	10.9%	11.1%
\$25,000 - \$34,999	10.5%	10.0%	10.9%	10.4%
\$35,000 - \$49,999	14.6%	15.0%	14.2%	14.1%
\$50,000 - \$74,999	19.9%	20.6%	21.3%	19.9%
\$75,000 - \$99,999	14.6%	15.5%	14.0%	13.8%
\$100,000 - \$149,999	11.9%	13.6%	13.4%	12.6%
\$150,000 - \$199,999	2.8%	2.9%	3.3%	3.4%
\$200,000+	2.5%	2.3%	2.7%	2.9%
Average Household Income	\$64,630	\$67,204	\$68,032	\$67,137

## Market Analysis-Retail

although in some cases, regional or national brands will locate in such communities, depending on traffic counts and population base.

Opportunities may exist for other sectors if these establishments are able to target a specific underserved niche market or strategic location. This could be especially important

given Waterloo's outdoor activity and lifestyle advantages, particularly within the bicycling industry.

Waterloo will be challenged to attract new retail businesses in many of the aforementioned specialties due to the slow decline in population. Although the data suggests that there is a retail gap in several areas, it must be a priority of the City to attract additional residents to Waterloo before new retail business owners are likely to be comfortable with taking a risk to locate in Waterloo.

Other smaller surplus categories present opportunities for existing retailers to expand their product line to accommodate specific needs. For instance, existing sporting goods stores may be able to provide a more diversified product mix to attract customers seeking bicycles or canoes, or existing building supply retailers may be able to add gardening products to capture currently unmet demand in the home and garden sector. Other sectors are less likely to be competitive locally – for instance, electronics purchases will primarily still be made in big box stores in larger communities where greater opportunities

**Preference for a craft brew pub and restaurant has been mentioned repeatedly by local residents. The retail analysis data supports this, with a large gap identified in the full-service restaurants category.**

for comparison shopping are available.

Drawing on existing community strengths and its position as a regional government

hub, there is an opportunity to capture additional sales by providing goods and services that address currently unmet retail demand within the trade area. The table on the preceding page

highlights sectors in the retail trade area that exhibit either substantial unmet retail demand or a high portion of local demand is being met elsewhere, indicating an ability to support retail establishments based on local demand alone. The first column indicates the sectors with unmet demand. The second column is the demonstrated retail demand gap, the difference between the demand of the area and the sales in those sectors. The gap column shows the value of potential sales being met outside the community. It should be noted that the establishment or attraction of entirely new businesses is not the only way to meet unmet demand; existing businesses in those segments exhibiting surplus demand may be encouraged to expand to meet that demand.

One business expansion and recruitment strategy is to focus on complementary products or services in sectors where Waterloo is already drawing an amount of secondary spending, although a significant gap may not exist locally. Based on spending patterns, Waterloo attracts the largest external spending in the categories of grocery stores, gas stations, used merchandise stores, and drinking places.

## Waterloo Trade Area Retail Market Gap

Industry Group	NAICS	Potential	Sales	Gap
Automobile Dealers	4411	\$7,396,804	\$0	\$7,396,804
Other Motor Vehicle Dealers	4412	\$550,039	\$0	\$550,039
Auto Parts, Accessories & Tire Stores	4413	\$524,820	\$2,632,910	(\$2,108,090)
<b>Motor Vehicle &amp; Parts Dealers</b>	<b>441</b>	<b>\$8,471,663</b>	<b>\$0</b>	<b>\$5,838,753</b>
Furniture Stores	4421	\$536,586	\$193,353	\$343,233
Home Furnishings Stores	4422	\$330,045	\$0	\$330,045
<b>Furniture &amp; Home Furnishings Stores</b>	<b>442</b>	<b>\$866,631</b>	<b>\$193,353</b>	<b>\$673,278</b>
<b>Electronics &amp; Appliance Stores</b>	<b>443</b>	<b>\$1,374,279</b>	<b>\$221,148</b>	<b>\$1,153,131</b>
Bldg Material & Supplies Dealers	4441	\$1,180,836	\$264,260	\$916,576
Lawn & Garden Equip & Supply Stores	4442	\$246,470	\$0	\$246,470
<b>Bldg Materials, Garden Equip. &amp; Supply Stores</b>	<b>444</b>	<b>\$1,427,306</b>	<b>\$264,260</b>	<b>\$1,163,046</b>
Grocery Stores	4451	\$5,891,363	\$10,012,432	(\$4,121,069)
Specialty Food Stores	4452	\$159,036	\$92,109	\$66,927
Beer, Wine & Liquor Stores	4453	\$321,500	\$0	\$321,500
<b>Food &amp; Beverage Stores</b>	<b>445</b>	<b>\$6,371,900</b>	<b>\$10,104,541</b>	<b>(\$3,732,641)</b>
<b>Health &amp; Personal Care Stores</b>	<b>446,4461</b>	<b>\$3,530,271</b>	<b>\$547,562</b>	<b>\$2,982,709</b>
<b>Gasoline Stations</b>	<b>447,4471</b>	<b>\$4,783,906</b>	<b>\$6,815,087</b>	<b>(\$2,031,181)</b>
Clothing Stores	4481	\$1,474,324	\$289,102	\$1,185,222
Shoe Stores	4482	\$379,647	\$0	\$379,647
Jewelry, Luggage & Leather Goods Stores	4483	\$371,392	\$0	\$371,392
<b>Clothing &amp; Clothing Accessories Stores</b>	<b>448</b>	<b>\$2,225,363</b>	<b>\$289,102</b>	<b>\$1,936,261</b>
Sporting Goods/Hobby/Musical Instr Stores	4511	\$696,495	\$186,245	\$510,250
Book, Periodical & Music Stores	4512	\$208,303	\$0	\$208,303
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>	<b>451</b>	<b>\$904,798</b>	<b>\$186,245</b>	<b>\$718,553</b>
Department Stores Excluding Leased Depts.	4521	\$3,020,119	\$0	\$3,020,119
Other General Merchandise Stores	4529	\$3,229,851	\$0	\$3,229,851
<b>General Merchandise Stores</b>	<b>452</b>	<b>\$6,249,969</b>	<b>\$0</b>	<b>\$6,249,969</b>
Florists	4531	\$43,677	\$0	\$43,677
Office Supplies, Stationery & Gift Stores	4532	\$275,902	\$63,949	\$211,953
Used Merchandise Stores	4533	\$174,375	\$243,501	(\$69,126)
Other Miscellaneous Store Retailers	4539	\$374,299	\$170,291	\$204,008
<b>Miscellaneous Store Retailers</b>	<b>453</b>	<b>\$868,253</b>	<b>\$477,741</b>	<b>\$390,512</b>
Electronic Shopping & Mail-Order Houses	4541	\$2,949,387	\$0	\$2,949,387
Vending Machine Operators	4542	\$144,410	\$0	\$144,410
Direct Selling Establishments	4543	\$363,645	\$42,218	\$321,427
<b>Nonstore Retailers</b>	<b>454</b>	<b>\$3,457,442</b>	<b>\$42,218</b>	<b>\$3,415,224</b>
Full-Service Restaurants	7221	\$1,670,452	\$164,228	\$1,506,224
Limited-Service Eating Places	7222	\$2,413,694	\$1,193,109	\$1,220,585
Special Food Services	7223	\$212,448	\$0	\$212,448
Drinking Places - Alcoholic Beverages	7224	\$306,851	\$598,996	(\$292,145)
<b>Food Services &amp; Drinking Places</b>	<b>722</b>	<b>\$4,603,446</b>	<b>\$1,956,333</b>	<b>\$2,647,113</b>
<b>Total Retail Trade and Food &amp; Drink</b>	<b>44-45,722</b>	<b>\$14,467,453</b>	<b>\$11,677,092</b>	<b>\$2,790,361</b>

## Market Analysis-Retail

Some degree of clustering in these and complementary sectors may be pursued in Waterloo, with a specific focus on better drinking and restaurant options being of particular appeal to the community, based on citizen input and feedback.

Businesses like automotive dealers and electronics retailers will remain concentrated in areas closer to Madison or Milwaukee which can offer comparison shopping for large ticket purchases. Opportunities may exist for other sectors if these establishments are able to target a specific underserved niche market or strategic location. (eg. a restaurant with a patio on the river or a bicycle store near the bicycle path). Another smaller surplus category, used merchandise stores, presents an opportunity for existing retailers to expand their product line to accommodate specific needs. Additionally, many retail store types will incorporate various line items in the store, which minimizes the amount of capture needed for a specific item (i.e., book stores which also have a coffee bar, etc).

In many communities, the local workforce plays a significant role in supporting local business through daytime or business spending. Because of the limited ability for workers to travel during lunch, this primary workforce market is generally limited to employees working outside the home within 2 miles. Commuters also represent a potential source of revenue pre- and post-work. This population includes an estimated 1,611 individuals. Studies have found that, on average, rural professional workers spend about \$145 week including almost \$45 on commuting (gas and maintenance), and about \$100 on lunch, personal errands (pharmacy, shopping),

and convenience purchases (grocery, coffee). Manufacturing and retail/hospitality workers spend 10-15 percent less as a result of non-traditional work hours and more limited workplace flexibility. Combined, these markets represent approximately \$7,200,000 in consumer demand. While this market is beneficial to local businesses, especially gas stations, and to a lesser extent restaurants, the added customer volume is not sufficient to offset the limited market potential indicated because many of the categories of worker demand do not correspond either to existing businesses in Waterloo, or to retail opportunities from the existing residents.

There are several factors Waterloo could consider in order to capture the maximum amount of commuter expenditures. The agglomeration of comparison shopping stores can create a critical mass of retail activity. Location on key commuting routes and clear visibility of the businesses create top of mind awareness for commuters. As noted before, many commuters are routed through Marshall and Lake Mills. Awareness of the opportunities in Waterloo is important to keep sales from leaking to these other communities. Business hours during primary commuting hours and conveniences like drive-through windows and well-placed parking make patronizing businesses very easy for commuters. And again, the critical mass of other businesses will make a stop more convenient for the commuter. Because of competition from communities in or near Waterloo's trade area is considerable, finding ways to pool resources and share the cost of marketing among multiple retailers may make Waterloo businesses more competitive.

Examples might include a joint ad buy, shared radio purchase with wraparound tagline, or joint billboard purchase.

There is potential for increased consumer spending capture in the City as a result of extra-regional traffic. This may require adjusting operating or event hours to

coordinate with seasonal patterns. For example, with its perceived connection to Trek Bicycle Corporation, the City could work with retailers and business owners to promote the lifestyle and recreational advantages that can be found in Waterloo.

## Commercial, Office, Industrial Market Analysis

This section of the market analysis includes an assessment of the local commercial and professional office sectors for Waterloo. The availability of suitable land and real estate has a significant impact on the ability of businesses to grow and expand in a community.

The Eastside Business Park is a light industrial park development along Hwy 19 heading northeast from the City. Phase 1 was completed in the mid-1990s and is now fully absorbed. Phase 2 of the development will extend the business park to the north of Phase 1. This property is in TID#3 and will be developed once there is sufficient interest to warrant the investment in infrastructure. The City is willing to work with businesses to provide an incentive to locate in this industrial park.

In 2013, TID#4 was created as a mixed use commercial and residential district to the north of the high school at the intersection of N. Monroe Street and W. Clarkson Road. It comprises roughly 40 acres of

developable land on the west side of N. Monroe Street. To date, there has not been any development of this property.

Commercial development is unlikely to begin without the addition of several residential units within the TID. On the east side of N. Monroe Street a Dollar General store was recently developed, which did not require TIF assistance. It has added a direct increment to the district.

In Waterloo, much of the existing industrial space is located along STH 19 on the west and east entrances of the City and along the rail corridor, while retail is clustered downtown or along the major thoroughways. Several vacant commercial and industrial buildings and parcels (listed in the exhibit on this page) can be redeveloped.

It had been previously noted that there is a significant amount of excess unused retail space in downtown Waterloo. Because of larger trends toward superstores and online shopping, the amount of space required

### Potential Development & Redevelopment Areas\*

Various downtown buildings/parcels (with existing fiber optics capacity)

Phase 2 of Eastside Business Park (TID#3—Waldo property)

Mixed Use TID#4 north of the downtown (Dempsey parcel and Martha Gay parcels)

Vacant Burger King building/parcel on W. Madison St.

Vacant gas station building/parcel on W. Madison St.

Parcels adjoining Hawthorn & Stone development on W. Madison (could include the Post Office and adjacent buildings)

Gauthier property in TID#3 (off STH 19—333 Portland Road)

Potential development of 40 acres along STH 19 with McKay Nursery (possible TID needed as incentive)

Former Veridian Homes location (north of Chestnut St.)

*\*Note: The potential development and redevelopment areas have been identified by the consultant to guide the City in its future economic development efforts. Inclusion on this list does not necessarily mean any specific site will be developed.*

by retail businesses has been steadily declining. More sales per square foot are now expected and required for a business to thrive, so retail businesses have been trending toward smaller footprints with more intense use.

In contrast to the industrial and retail sectors, there are no specific industry classifications which correspond to the need for professional office space, but rather a number of classifications which may hint at potential needs for office space. Commercial office uses have historically been associated with upper floor commercial spaces and/or non-storefront first floor space, and continue to occupy such spaces. However, as consumer needs have shifted from a downtown-centered model to a more regional trade area, downtown storefront use has shifted. Notably, professional service tenants have found that first floor storefront spaces provide greater visibility, marketing and customer convenience. The availability of former retail space in downtown Waterloo makes this new trend a possibility for the City. It should be noted also that office spaces are following the same trend toward smaller footprints that are occurring in the retail sector.

The Waterloo Tech Center (the former headquarters of Perry Printing) on W. Madison Street, currently has 30,000 SF of office and R&D space available for lease.

The charts shown on this page enumerate the number of businesses and employees in 2015 in the City of

Waterloo in those business sectors typically requiring commercial office space. Data is provided using two separate industry classification systems to best capture the total commercial office space needs, as the ways businesses are counted and reported vary from system to system. However, using both classification systems allows us to determine with some certainty that there are approximately 70 businesses employing between 390 and 480 employees in Waterloo that require commercial office space.

*Commercial Sectors Requiring Office Space*

Sector (SIC)	Businesses	Employees
Banks, Savings & Lending Institutions	13	14
Securities Brokers	1	40
Insurance Carriers & Agents	4	8
Real Estate, Holding, Other Investment Offices	7	17
Health Services	9	52
Legal Services	2	5
Other Services	23	163
Government	6	87
<b>Total</b>	<b>65</b>	<b>386</b>
Sector (NAICS)	Businesses	Employees
Information	1	5
Central Bank/Credit Intermediation & Related Activities	13	14
Securities, Commodity Contracts & Other Financial Investments	1	40
Insurance Carriers & Related Activities; Funds, Trusts	4	8
Real Estate, Rental & Leasing	6	13
Professional, Scientific & Tech Services	7	27
Management of Companies & Enterprises	2	2
Administrative & Support	5	90
Health Care & Social Assistance	13	110
Other Services (except Public Administration)	17	27
Public Administration	7	152
<b>Total</b>	<b>76</b>	<b>488</b>

### Shift-Share Analysis

Shift share is a standard regional analysis method that attempts to determine how much of regional job growth can be attributed to national trends and how much is due to unique regional factors.

**National Growth**—During the time period 2005 to 2014, the nation's employment grew by 4 percent, which equates to 152 jobs in the Natural Resources and Mining sector in Jefferson County.

**Industrial Mix**—Measures how well an industry has grown, net of effects from the business cycle. During this same period, the Natural Resources and Mining industry has grown 16 percent nationally.

**Competitive Share**—Is the remaining employment change that is left over after accounting for the national and industrial mix components. If a sector's competitive share is positive, then the sector has a local advantage in promoting employment growth. Jefferson County had a relative advantage in Natural Resources and Mining jobs from 2005-2014.

Using national and county data we can make some assumptions and projections for sector opportunities in Waterloo.

The table on the following page summarizes the change in jobs for Jefferson County between 2005-2014. It then decomposes the change in

employment in Jefferson County into three components that caused the change, US growth, growth or decline in the industry at a national level and then the comparative advantage the county has in that industry. Projections for job growth in Wisconsin can then be used to identify which industries hold the greatest potential as a whole.

Jefferson County's historical advantage in manufacturing suggests that the local economy has bucked the national trend of significant decline. Waterloo has likely experienced similar success to the County in manufacturing and, although the projected growth is limited in Wisconsin, the local advantage could continue to work in Waterloo's favor. Similarly, agriculture (found in the natural resources and mining category) has been a key contributor in the local region. Even though Wisconsin's job growth is projected to decline in the next few years, the national and industry trends have shown strong growth. The third category that could offer opportunity for Waterloo is professional and business services. The strong projected job growth coupled with the flexibility to serve clients of this industry from a variety of locations, such as Waterloo, could offer a niche marketing option for the City. Particularly when combined with the readily available retail/office space with fiber optic capacity and the desirable lifestyle found in Waterloo.

Sector	Jefferson County Job Growth (2005-2014)	Shift-Share Component						Wisconsin Projected 10-Year Job Growth (%)
		U.S. Growth (%)	U.S. Growth (Jobs)	U.S. Industrial Mix (%)	U.S. Industrial Mix (Jobs)	County Competitive Share (%)	County Competitive Share (Jobs)	
Natural Resources and Mining	152	4.0	21	16.0	85	8.6	46	-1.59
Manufacturing	-1131	4.0	420	-18.3	-1,908	3.4	357	2.02
Professional and Business Services	322	4.0	105	8.8	229	-0.5	-12	14.54
Financial Activities	-90	4.0	38	-8.6	-80	-5.1	-48	9.79
Information	-99	4.0	25	-14.2	-89	-5.6	-35	1.22
Other Services	-84	4.0	32	-6.4	-51	-8.3	-65	5.01
Trade, Transportation, and Utilities	-731	4.0	306	-3.1	-231	-10.6	-805	4.34
Construction	-449	4.0	66	-19.7	-323	-11.7	-192	18.36
Education and Health Services	123	4.0	213	11.4	602	-13.1	-691	11.1
Public Administration	-197	4.0	59	-3.0	-44	-14.5	-212	1.49
Leisure and Hospitality	-307	4.0	136	10.5	354	-23.6	-797	9.24

## Workforce Profile

Waterloo's industry mix includes a significant concentration of construction, manufacturing, retail trade. The pie charts on this and the following page show the proportion of jobs in ten top-level NAICS sectors in the City and the laborshed. Some industries are not likely to locate in the community because of a need for proximity to other businesses or customer populations. However, other clusters, or specific industries within those clusters represented by the local workforce may represent recruitment targets. In all cases, suitable real estate would need to be

available locally to accommodate these industries, and recruitment of other target sectors may require additional amenities or infrastructure (i.e. high speed internet, shared work space to accommodate satellite offices, etc). Unemployment within Waterloo, 5.5%, is higher than 3.9% in Jefferson County and 4.4% in Wisconsin.

Waterloo is over-represented, when compared to the state of Wisconsin, in the sectors of agriculture/mining, wholesale trade, transportation/utilities and finance/insurance/real estate. In all of these sectors, Waterloo hosts at least 25% more jobs than would be expected according

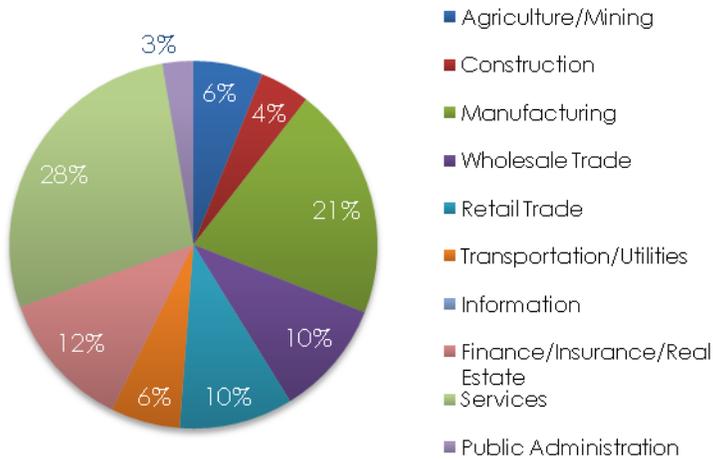
to the average distribution of jobs across these sectors for the State as a whole.

Many communities strive to match local commercial opportunities to the skills of the available workforce. Residents benefit from more convenient employment opportunities and as a result spend more time and money in the community.

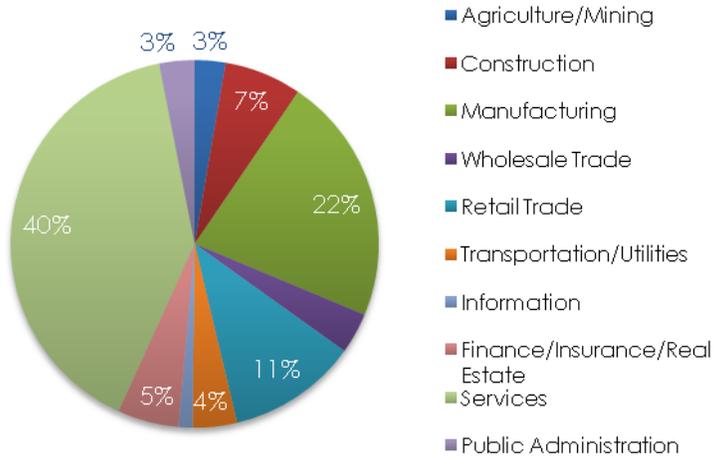
Simultaneously, employers benefit from locating in proximity to an existing trained workforce. Employers in Waterloo will need to be competitive not just with the Marshall, Lake Mills, and Watertown markets for wages, but also with the Madison and Milwaukee metro areas.

However, the time and cost savings from reduced commuting may entice some workers even at a slight reduction in pay. For example, the cost of commuting daily to

### Employment by Industry—City



### Employment by Industry—Laborshed



downtown Madison equates to a minimum of \$900 annually for commuters at today's lower gas prices, with the time savings from reduced commuting providing a roughly equivalent additional benefit.

Waterloo itself is a net importer of labor, with a difference between the number of workers commuting into the City and the number commuting out being almost 400.

There are about 2,037 jobs available in the City, while only about 1,660 workers reside in the City. This difference is not surprising as workers are commuting in to Waterloo to work at several well-established employers such as Trek, McKay Nursery, and Van Holten Pickles. As seen at right, the largest spatial mismatch is in the Retail Trade sector. This is specifically due to the fact that McKay Nursery and Trek Bicycles are classified as "retail establishments" because of their main activities (selling plants and bicycles, respectively, to the general population) according to the U.S. Department of Commerce. Over 100 more workers commute in to Waterloo for Services and Public Administration jobs. Conversely, many residents of Waterloo are having to commute out of the City each day to their place of employment. Most notably, 61% of Waterloo residents employed in the finance, insurance, and real estate sector, 69% of manufacturing workers, and 80% of transportation workers are traveling out of the City each day

to their place of work.

Within the entire Waterloo laborshed, a considerable imbalance exists between the total number of employable persons and job positions by sector.

In some sectors, workers must commute in for jobs while in others, residents must commute out of the area to find jobs. Only

*Waterloo Employment Mismatch*

Sector	Jobs In Waterloo	Employed Residents
Agriculture/Mining	96	101
Construction	5	73
Finance/Insurance/Real Estate	79	203
Information	0	0
Manufacturing	106	340
Public Administration	87	43
Retail Trade	1018	166
Services	556	462
Transportation/Utilities	20	101
Wholesale Trade	70	169
<b>Total</b>	<b>2,037</b>	<b>1,660</b>

*Laborshed Employment Mismatch*

Sector	Jobs In Labor-shed	Employed Residents
Agriculture/Mining	452	691
Construction	983	1,741
Finance/Insurance/Real Estate	1,011	1,382
Information	162	307
Manufacturing	2,148	5,580
Public Administration	593	793
Retail Trade	4,709	2,918
Services	8,336	10,264
Transportation/Utilities	506	998
Wholesale Trade	1,143	921
<b>Total</b>	<b>20,043</b>	<b>25,596</b>

*Market Analysis-Workforce Profile*

the retail trade (primarily due to Trek) and wholesale trade sectors require workers living outside the laborshed to commute into the area to fill positions. The Waterloo laborshed provides a surplus of workers in all of the other sectors that are represented in the data. Workers with these skills are required to travel to Madison, Milwaukee, or other employment centers for employment. By targeting businesses employing these workers, Waterloo could take advantage of an established local skilled workforce. While some occupations cannot be accommodated locally and some commuters will choose to commute for higher wages or greater occupational choice in larger cities, many workers may be willing to work for lower wages if they save sufficient time and money on their commute.

Of these sectors, some represent more likely recruitment targets than others. For instance, Public Administration employment opportunities are limited by the size of local government. Similarly, wholesale trade related businesses are most likely to locate adjacent to major transportation corridors, which are limited in the Waterloo area. However, other sectors represent viable short or long term targets for relocation or satellite office

locations in the community. Some specific occupations within these sectors are less driven by a need for proximity to specific customer or client bases and are recommended as short term targets. These target recruitment sectors include information, insurance or other back office uses, and health care. Many of these sectors would be appropriate tenants for downtown, but may also be located in new development sites if suitable space is made available. Recruitment success requires the presence of suitably sized spaces with modern build-out. Facilitating upgrades to older and vacant spaces can help create an affordable and efficient environment to cater to potential new businesses. The Waterloo Tech Center and several downtown buildings hold substantial potential for office, technology, and back-of-house activities, especially considering access to powerful telecommunications networks in the downtown area. Incentives or programs to connect those buildings to the nearby high-speed internet connections will provide high-value amenities to potential downtown businesses.

An additional long-term opportunity for Waterloo is the ability to increase its market share of younger workers. Because older workers may be over-represented in

*Educational Attainment Comparison (Age 25+)*

<b>Educational Attainment</b>	<b>City</b>	<b>Laborshed</b>	<b>County</b>	<b>State</b>
Less than High School	11.2%	8.8%	8.1%	9.8%
High School or Equivalent	42.2%	34.9%	35.9%	33.1%
Some College, No Degree	22.3%	21.5%	21.5%	21.3%
Associate Degree	9.7%	10.8%	10.2%	9.4%
Bachelor's Degree	10.2%	16.6%	16.6%	17.5%
Graduate/Professional Degree	4.5%	7.4%	7.8%	9.0%

certain sectors, issues of retirements, closings, and business succession planning should be factored into any retention and expansion strategy. Facilitating the transition of ownership in these businesses to the next generation of entrepreneurs will help retain these local services and create additional employment opportunities which appeal to entrepreneurial-minded

individuals. The ability to work with businesses to facilitate this transition and retain these locally owned and operated establishments can help foster a local culture of entrepreneurialism and create opportunities for local partnerships.

## Tax & Utility Rates

Waterloo's effective tax rate for taxes collected in 2015 was 0.02515. This rate is above the surrounding communities, including the larger trade center of Sun Prairie.

A higher tax rate can discourage new business and real estate investment in the City when compared with alternative communities.

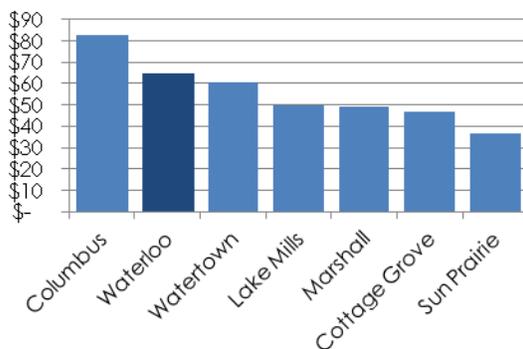
City	2014 DOA Population Estimate	2014 Property Value	2014 Effective Tax Rate
<b>Waterloo</b>	<b>3,323</b>	<b>\$190,225,300</b>	<b>\$0.0252</b>
Columbus	5,021	\$348,173,500	\$0.0242
Marshall	3,859	\$187,792,600	\$0.0240
Sun Prairie	31,213	\$2,413,488,900	\$0.0236
Watertown	15,472	\$868,643,300	\$0.0231
Lake Mills	5,758	\$488,728,900	\$0.0222
Cottage Grove	6,322	\$603,733,600	\$0.0218

Waterloo's utility rates are mixed when compared with nearby communities. Waterloo Water & Light Commission provides power and water to Waterloo.

Waterloo's water rates are more expensive than 5 of the 6 communities we compared with only Columbus having higher rates for water.

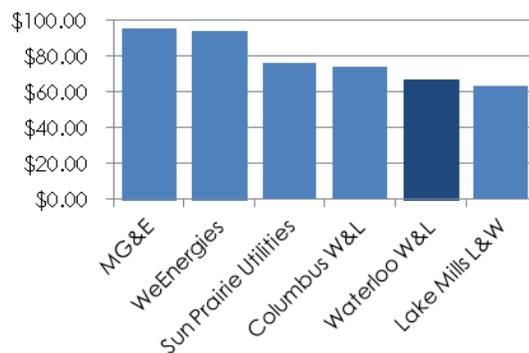
When compared with a residential electric bill for the month of December 2015 in each of the neighboring communities, Waterloo's electric rates are relatively low. Only Lake Mills has lower monthly bill comparison. MG&E and WeEnergies are notably higher than the municipal utility providers that were compared.

**2015 Water Rates (2000 CF/15,000 gal)**



Source: UNC Environmental Finance Center

**Total Energy Bill Comparison (Dec 2015)**



Total bill includes monthly customer charge, energy charge for 600kWh, and PCAC/FAC charges)

Source: Public Service Commission of Wisconsin

