



ANNUAL REPORT 2006

Economic Development Division
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ECONOMIC OVERVIEW



GSI Commerce opens in Sky Park

2006 was a good year for the Eau Claire economy. Eau Claire's population grew to 65,056 in 2006, making it the fifth-fastest growing city in Wisconsin since 2000. The city's schools continued to receive national attention for their high quality, and residents enjoyed the second lowest average cost of living index in the state – 93.3 which is below the national average of 100.

Other highlights from the year include: two of Eau Claire's manufacturers bringing foreign divisions and jobs to the city, GSI Commerce filling the vacant Pleasant Company call center and beginning to create 732 jobs, and Erv Smith Services purchasing the former Rockwell facility on Truax Boulevard, reducing the city's inventory of large vacant industrial and commercial buildings. The NanoRite Center broke ground, symbolizing partnerships for new nanotechnology development for the community, and all major hospitals in the city began extensive expansion projects. The new Highway 53 Bypass also opened in 2006.

Manufacturing

Nationwide, economic development officials continued to report evidence of an evolution from traditional manufacturing to a knowledge-based economy, incorporating Richard Florida's creative class studies of quality of place and retention of creative talent. On a local level, staff also found it increasingly difficult to recruit large manufacturers to the area and focused more economic efforts on supporting entrepreneurs, small niche manufacturers and service companies – a trend seen throughout Wisconsin and the Midwest.

However, Eau Claire's overall manufacturing employment numbers remained balanced in 2006 at 10,900 jobs, and two Eau Claire-based manufacturers brought jobs and new product lines to the city from foreign markets – Advanced Dynamics and AccuTech Plastics.



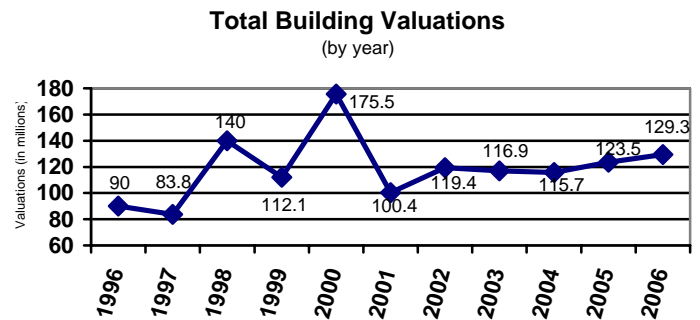
AccuTech Plastics purchases line from Malaysia

Advanced Dynamics, an appliance parts manufacturer, purchased a manufacturing line for motorized oven latches from a Stanley Works factory in Puebla, Mexico. The purchase is expected to create 20-50 jobs in the next three years. AccuTech Plastics will create 9-12 jobs because of a new carrier tape production line purchased from a Malaysia-based company. A consolidation of National Presto Industries' Georgia plant with its Eau Claire facility also brought 25 jobs to Eau Claire.

Construction

The total building valuation for all sectors of construction within the city increased to \$129,344,904 in 2006 from \$123,568,137 in 2005. This was the third highest valuation on record since 1996. However, the city saw a decrease in non-residential construction projects with valuations over \$100,000 – especially industrial projects which had a total valuation of \$7.4 million compared to \$31.6 million in 2005.

Commercial projects dominated the year with a total valuation of \$76.3 million compared to 2005's valuation of \$48.2 million.



Industrial & Commercial Property Statistics

		Industrial	Commercial	
			Retail/Service	Office
Construction Building Valuation	2006	\$7.4 mil	\$76.3 mil	
	2005	\$31.6 mil	\$48.2 mil	
Construction Projects \$100,000+ (#)	2006	7	19	31
	2005	13	17	27
Vacant/Available Square Feet	2006	836,058*	197,925	275,871
	2005	978,663	149,667	380,350
Total Square Feet	2006	4,731,339	6,067,412	3,599,986
	2005	4,705,109	5,986,665	3,588,204
Vacancy Rate (%)	2006	17.7	3.3	7.7
	2005	20.8	2.5	10.6
Average Lease (\$F/year)	2006	\$4.82	\$10.42	\$9.31
	2005	\$4.19	\$7.64	\$9.72

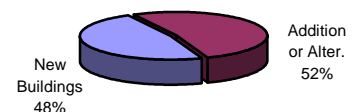
* Banbury Place = 532,000 SF

Commercial

Medical facility expansions, the Waterford development, retail strips and restaurants made up the bulk of large commercial projects for the year. The main areas of commercial construction included Clairemont Avenue, the London Square redevelopment area, Keystone Crossing and the Oakwood Mall area. There were 17 commercial projects with valuations greater than \$500,000:

Goldridge Group (Waterford)	Pinnacle Way	\$17,050,000
Luther/Mayo	Whipple/Bellinger St	\$12,732,048
Marshfield Clinic	Craig Rd	\$10,000,000

2006 Commercial Valuations



Sacred Heart Hospital	W. Clairemont Ave	\$5,100,000
Charter Bank	W. Clairemont Ave	\$3,500,000
Arrowhead Properties (office)	Golf Terrace	\$2,100,000
Midelfort Clinic	W. Clairemont Ave	\$1,200,000
Commonweal Development (retail)	Keystone Crossing	\$1,100,000
Michelle and Eric Face (office)	Bullis Farm Rd	\$1,100,000
Texas Roadhouse	Keystone Crossing	\$1,088,123
Acquisition Realty (retail)	Mall Dr	\$1,050,000
Manny's Cocina	Oakwood Hills Pkwy	\$1,000,000
Wal-Mart	Gateway Dr	\$931,800
Outback Steakhouse	Keystone Crossing	\$885,000
HPI Properties (former Randall's)	London Rd	\$875,000
Bank Mutual	N. Clairemont Ave	\$852,626
Acquisition Realty (retail)	Prill Rd	\$800,000

Industrial

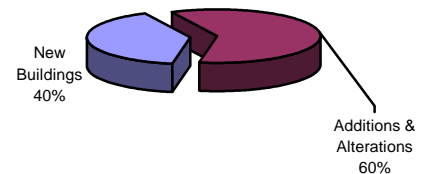
In the industrial construction arena, many businesses completed projects that began in 2005, including Documation's printing facility expansion, Hutchinson Technology's expansion, L&M Mail Service's new building in Gateway West Industrial Park, Lorman Education Services's new printing facility, and American Ice Company's addition.

In addition, thirteen new projects began – three of which had valuations greater than \$500,000:

CVTC – NanoRite	Alpine Rd	\$3,868,895
PDM Bridge	Melby St	\$1,400,000
Max Phillips & Son	White Ave	\$598,840

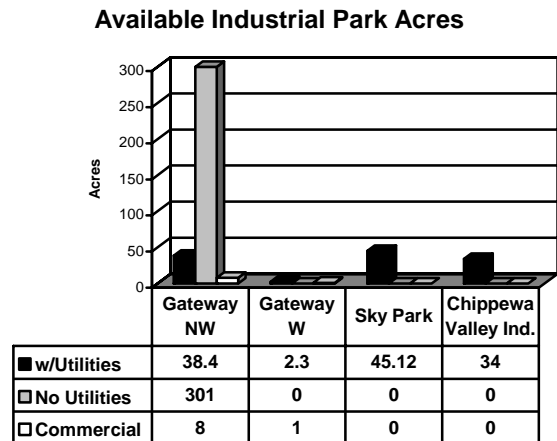
PDM Bridge expanded its facility to accommodate new contracts, Max Phillips & Son built an expansion to house new equipment, and Chippewa Valley Technical College (CVTC) broke ground on its new NanoRite Center. Other small industrial additions and alterations occurred throughout the year bringing the total number of industrial projects to thirteen. The Chippewa Valley Regional Airport also began discussions regarding a major expansion project.

2006 Industrial Valuations



Industrial Park Absorption

Since all industrial projects for 2006 occurred on existing company sites, the city's industrial parks had only minor land purchases, including AccuTech's purchase of .18 acres south of its building for expansion purposes and Peters Real Estate finalized a purchase agreement for parcel #5 in Gateway West Business Park (13.4 acres). Hutchinson Technology also leased parcel #42 in Gateway Northwest Business Park for additional parking.



Industrial Park Absorption Rates (acres)

	2000	2001	2002	2003	2004	2005	2006
Gateway Northwest	14.61	15.83	0	0	4	15.23	3
Gateway West	11.84	3.14	0	16.9	2.98	2.96	2.9
Sky Park	0	0	0	0	3.34	1	.18
Chippewa Valley Ind. Park	12.84	19.95	29.9	0	0	1.57	0
Total	39.29	38.92	29.9	16.9	10.32	20.76	6.08

Downtown Revitalization

In the downtown area, the Farmers Market pavilion was completed in Phoenix Park and private developers began to take an interest in the redevelopment area adjacent to the park. John Mogensen began the process of building a new corner anchor at North Barstow Street and Wisconsin Street, while renovating the Livery building and Craig Chemical building; Cigan Properties began renovation of the former Huebsch building to include a restaurant and office space; and Phoenix Parkside LLC (Lander Group) presented a proposal to the City's Redevelopment Authority to redevelop the remainder of the North Barstow Redevelopment Area. Negotiations on an exclusive rights agreement will continue into 2007.



Farmers Market Pavilion completed

The vacancy rate of downtown dropped from 11.1% in 2002 to 6.6% in 2006, and the number of businesses grew from 392 (2002) to 463 (2006). Property values continued to increase, totaling a 28.1% increase from 2002 to 2006. Downtown continued to gain momentum as an entertainment center, boasting record crowds at events like International Fall Festival and the Farmers Market, and luring crowds to new events like the Idea Lounge Series of creative community forums and Volume One's Thursday evening concerts at Phoenix Park.

Vacancy Inventory & Rates

The city's inventory of available large industrial and commercial buildings (> 20,000 sq. ft.) decreased from nine to five. GSI Commerce purchased the former Pleasant Company office building at 1435 International Dr. and opened a customer care center. Erv Smith Services purchased and expanded into the former Rockwell building at 1935 Truax Blvd. The former food service warehouse at 575 Cameron St. was purchased and demolished by Luther Midelfort to make way for more employee parking. The former Menards warehouse at 3230 Hamilton Ave. was leased to a neighboring business. Cigan Properties purchased the former Sara Lee Bakery at 320 Putnam St. And the owners of 1814 Oxford Ave. moved their distribution operation to Park Ridge Ct. and placed the Oxford property on the market.



Erv Smith moves into Rockwell facility

Vacancy rates for industrial property in Eau Claire ended the year at 17.7%, while retail and office rates sat artificially low at 3.3% and 7.7% respectively. The low rates are misleading because they do not include new commercial projects in progress. As the Waterford development takes shape and lifestyle centers in the London Road area are finished in the coming year, the 2007 vacancy rates will reflect the increase in available retail space.

Current inventory of available large industrial and commercial buildings (> 20,000 sq. ft.):



52,232 SF Industrial Building
2515 Prospect Drive
Sale: \$2.49 million
Lease: \$3.75/SF



42,300 SF Corporate Office Building
1529 Continental Drive
Sale: \$2.895 million
Lease: negotiable



46,000 SF Industrial/Warehouse
2110 Western Avenue
Lease: \$2.75/SF



25,178 SF Showroom/Warehouse
1814 Oxford Avenue
Sale: \$350,000



532,000 SF Industrial/Warehouse
800 Wisconsin Avenue (Banbury Place)
Lease: \$1.35/SF

Workforce

Overall employment for the city increased 2.2% in 2006. The largest growth was seen in the service providing, retail trade, and trade, transportation & utilities sectors. Menards continued to be the largest employer in the Eau Claire metro statistical area (MSA). The area's unemployment rate of 4.4% remained relatively level with last year's rate of 4.5% and ended the year lower than the unemployment rates for West Central Wisconsin, the state, and the nation.

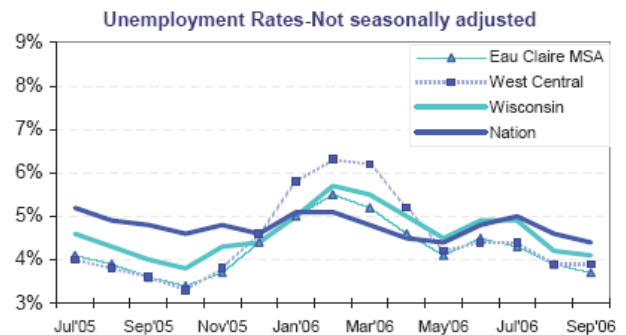
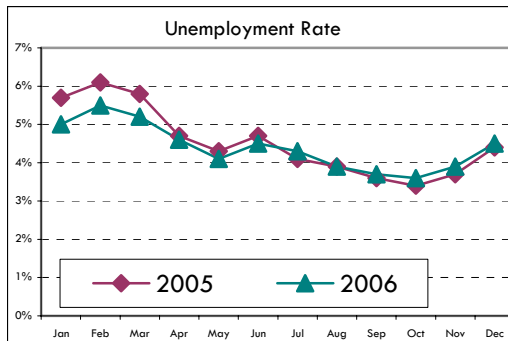
(All workforce data in this section was tabulated by the Wisconsin Department of Workforce Development – Office of Economic Advisors unless cited otherwise.)

Labor Force (2006)

	Civilian Labor Force	2006 Average	2005 Average
City	Labor force	37,665	36,887
City	Employed	36,029	35,262
City	Unemployed	1,637	1,625
City	Unempl. Rate (%)	4.3	4.4
MSA	Labor force	88,473	85,624
MSA	Employed	84,574	81,735
MSA	Unemployed	3,898	3,890
MSA	Unempl. Rate (%)	4.4	4.5

Largest Employers (2006)

1. Menards Inc.
2. Eau Claire Area School District
3. Hutchinson Technology Inc.
4. Luther Hospital-Mayo Health System
5. UW - Eau Claire
6. Sacred Heart Hospital
7. Midelfort Clinic
8. Chippewa Valley Technical College
9. United Health Group
10. Marshfield Clinic
11. City of Eau Claire
12. National Presto Industries
13. Eau Claire County
14. Xcel Energy
15. Nestle Food Company
16. Wal-Mart
17. Royal Credit Union
18. YMCA of Eau Claire
19. U.S. Postal Service/Eau Claire
20. Cascades Tissue Group
21. Grace Lutheran Foundation Inc.
22. L.E. Phillips Career Dev. Center
23. PDM Bridge
24. Clinicare Corp.
25. Market & Johnson
26. Target
27. Phillips Plastics Corp.



Average Annual Employment (Eau Claire MSA)

Series Description	Dec 2006	Dec 2005
Goods Producing	13,900	14,000
Construction, Mining & Natural Resources	3,000	3,100
Manufacturing	10,900	10,900
Service Providing	68,400	66,600
Trade, Transportation & Utilities	17,900	17,100
Wholesale Trade	2,700	2,700
Retail Trade	12,000	11,300
Transportation, Warehousing & Utilities	3,200	3,100
Information	1,300	1,200
Financial Activities	4,000	3,800
Professional & Business Services	7,600	7,500
Education & Health Services	13,600	13,200
Leisure & Hospitality	7,800	7,400
Other Services, except Public	3,700	3,700
Total Government	12,500	12,700

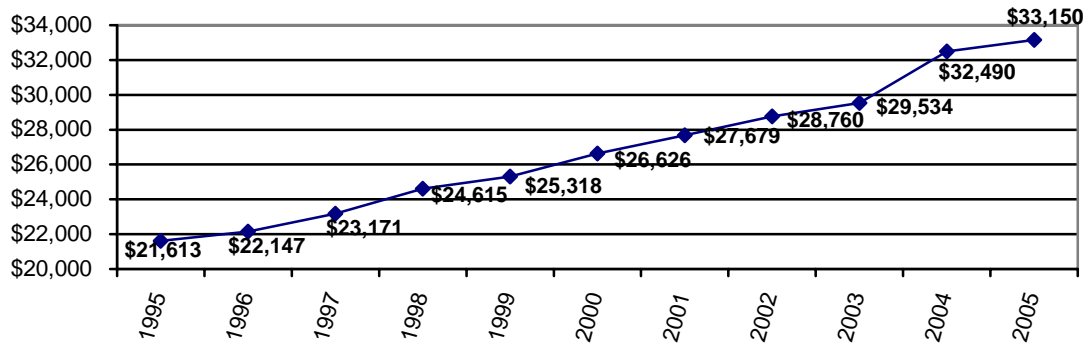
Mean Family Income

CITY	INCOME
Madison, WI	\$70,630
Appleton, WI	\$68,347
Janesville, WI	\$62,751
Wausau, WI	\$58,828
Eau Claire, WI	\$57,608
Green Bay, WI	\$55,713
LaCrosse, WI	\$53,561
Sheboygan, WI	\$53,107
Racine, WI	\$51,549
Milwaukee, WI	\$46,000

2000 U.S. Census, 1999 data.

Mean Family Income is the mean income of all households of two or more related people.

Average Annual Wage Eau Claire MSA



Average Annual Wage (by MSA)

MSA	2005	2004	2003	2002	2001
Madison, WI	\$38,340	\$38,860	\$36,875	\$35,410	\$34,097
Milwaukee, WI	\$39,070	\$38,530	\$37,941	\$36,523	\$35,617
Green Bay, WI	\$35,650	\$35,760	\$33,698	\$33,698	\$32,631
Sheboygan, WI	\$35,250	\$34,960	\$33,188	\$32,148	\$30,840
Appleton, WI	\$34,670	\$35,100	\$33,022	\$33,020	\$32,652
Racine, WI	\$34,670	\$34,290	\$34,368	\$34,368	\$33,319
Janesville/Beloit, WI	\$34,250	\$34,200	\$34,012	\$32,837	\$31,482
Wausau, WI	\$34,100	\$33,810	\$31,302	\$30,292	\$29,402
La Crosse, WI	\$33,310	\$31,690	\$29,954	\$28,719	\$27,774
Eau Claire, WI	\$33,150	\$32,490	\$29,534	\$28,760	\$27,680

Ave. Annual Wage is the total wages paid in the Eau Claire area in 2005 divided by the annual average employees.

*Data tabulated by the Wis. Dept. of Workforce Development-Office of Economic Advisors unless cited otherwise.



Luther Midelfort expansion

ECONOMIC DEVELOPMENT DIVISION ACTIVITIES

Expansion Projects

The Division continued to meet with and assist area businesses with land purchases and expansion plans, including nine large on-going projects.

Business Retention Visits

The Division met with local companies key to the economic health of the area (technology, health care, education, food distribution, food processing, plastics, metal manufacturing, and printing). Staff recorded the issues and opportunities facing them and provided information and assistance when possible.

Business Recruitment Activities

The Division worked with the Eau Claire Area Economic Development Corporation (ECAEDC), the Wisconsin Department of Commerce, and Forward Wisconsin to attract industries that would strengthen Eau Claire's economy by providing good wages and benefits. Staff developed proposals and responded to information requests from site selectors, prospect companies and entrepreneurs. Staff opened an office in Eagan, Minnesota, to conduct recruitment activities in the Twin Cities. Staff also represented Eau Claire on two Forward Wisconsin marketing trips to Minneapolis to strengthen relationships with site selectors and meet with companies interested in relocating to or expanding in Wisconsin.

Loan Programs

In 2006, the Division issued three economic development loans, totaling \$520,000, for expanding businesses in Eau Claire. Staff also worked closely with three other applicants who in the end decided not to forward their applications to the appropriate governing authority for approval. Since 1983, fifty-five economic development loans have been issued for a total of approximately \$9.96 million.

LOAN SUMMARY

<i>Loan Program</i>	<i># of Loans</i>	<i>\$ Loaned</i>	<i>Job Creation</i>
EDF	2	\$465,000	744
RLF	1	\$55,000	6

Staff also worked with the RLF Administration Board to review the loan program's guidelines and amend them to foster more effective use of the Revolving Loan Fund as a strategic financing tool in 2007 and beyond. The amendments were approved by City Council and are awaiting approval by the U.S. Economic Development Administration.

Creative Class Efforts

Staff participated in the Rebecca Ryan Creative Handprint economic analysis of the Chippewa Valley and Eau Claire area. Staff partnered with Volume One to hold two community forums called Idea Lounges to support and encourage the creative class. Staff also coordinated and hosted an Extreme Entrepreneur Tour stop at the Chippewa Valley Technical College – Gateway Campus where successful young entrepreneurs from around the nation shared their amazing business stories and gave advice to Eau Claire entrepreneurs who attended. The event was recorded and broadcast on Community Television afterwards.



Idea Lounge Community Forum

Vacancy Inventory

Staff maintained an online vacancy inventory, which includes pictures and specifications of available industrial and commercial property within city limits. This inventory allows business prospects to access available building information via the Internet. It can be accessed through the Division's website or the State's Forward Wisconsin website. The Division also began a subscription to LoopNet, one of the leading commercial and industrial real estate search websites. Staff updates listings quarterly.

Downtown Revitalization

The Division continued to work with the Redevelopment Authority to create a development agreement with private developers interested in the North Barstow Redevelopment Area.

The Division worked with Downtown Eau Claire, Inc. (DECI), downtown business improvement districts (BIDs), and other downtown organizations to support revitalization efforts, encourage property owners to construct loft apartments, promote downtown entertainment, and encourage businesses to locate downtown.

Student Talent Retention

Staff led a bus tour of the city's industrial parks and downtown redevelopment area for students enrolled in the UWEC Entrepreneurial Program to create awareness of local opportunities.

In order to retain student talent, the Division created a resource book of employment and internship opportunities at local businesses to connect college students with Eau Claire companies. The book lists 75+ businesses offering internships and employment opportunities. It was distributed to university and technical college department heads and career services offices, handed out to juniors and seniors at UW-Eau Claire's Internship Mania expo, and posted on the City of Eau Claire's website under the Community tab.

Economic Development Collaboration

The Division provided leadership and coordination for economic development activities within city limits and worked with the following **economic development partners:**

Eau Claire Area Economic Development Corporation

Forward Wisconsin

Wisconsin Department of Commerce

Chippewa Valley Convention and Visitors Bureau
Eau Claire Area Chamber of Commerce
Eau Claire Redevelopment Authority
Gateway Industrial Park Corporation
Clearwater Development Corporation
Economic Policy Advisory Committee
Momentum Chippewa Valley
Xcel Energy
Chippewa Valley Technical College
University of Wisconsin – Eau Claire
Downtown Eau Claire, Inc.

Reports / Data Collection

Staff collected cost of living data each quarter for Eau Claire and submitted the data to ACCRA, a national economic development research organization. The data was compared to that of other communities across the nation to create a cost of living index.

Staff also wrote and filed six economic development reports, including: two major project reports, a budget brochure insert, the Comprehensive Economic Development Strategy report, a Revolving Loan Fund annual report, and the Division's annual report.

Community Contact

The Division communicated regularly with the media to inform the general public of economic development news. Staff also had a number of speaking engagements at the Wisconsin Assessors Association annual conference, local community clubs, neighborhood associations, UW classes and student organizations.