

An Analysis of the Strauss Economic Paper written by Alderman Shari Hanneman

How will the development of a 280,000+ sq ft slaughterhouse and cold storage facility (for perspective, 1/4 the size of Southridge Mall) positively or negatively impact both the residential neighborhood where it is to be built, as well as the overall community of Franklin. No proper, in-depth, 3rd party, overall economic study, was ever produced by the City of Franklin, or required to be produced and paid for by Strauss Brands, even though it was requested by the citizens of Franklin for the past 15 months. Ald. Shari Hanneman then created an eight page paper in an attempt to at least provide something to exist within this huge and obvious void.

Ald. Hanneman should be congratulated for not passing the buck, and rightly recognizing that there should be information on what economic effects an enormous and, on the surface, a very counter-intuitive slaughterhouse development would have on Franklin. After all, per the city's own records, this development will include large cattle pens, a kill floor, carcass coolers, cold storage, trucking docks, etc., all adjacent to neighborhoods and new home developments. But unfortunately, in stepping up to the plate, Ald. Hanneman has created a whole host of additional issues.

First, the paper is entirely inadequate, as it has one narrow focus, and requires the use of an economic model that would not logically be applicable here. An even bigger issue has to do with Strauss branding Ald. Hanneman's paper with their own cover page. This now suggests, she was either acting as an agent for Strauss, or acting as a 3rd party providing them an analysis to use. Either way, she would most certainly be conflicted out of voting on whether the Strauss

proposal moves forward or not. She could however be called on to participate in a subsequent hearing to testify to her methodology and results.

I make the above point, to show how upside down this whole ongoing issue has been, and how dysfunctional the operation of our City's government has become. The defendants in this case have produced a short, biased, wholly insufficient paper to suggest their request "must be approved", and that somehow this incredibly minimal, hearsay effort will satisfy Act 67. Ironically, it was then FCA that was forced, at great expense, to be the entity that hired a national team of experts to research and complete a true study on the economic impact of this giant slaughterhouse proposal. Again, our topsy-turvy Alice in Wonderland form of municipal government continues.

I refer to Ald. Hanneman's effort as a "paper" as it is 8 pages in length. Those of you that have had to read full blown economic studies, know they usually cover a myriad of details which often require hundreds of pages for proper analysis. FCA has no idea how long our "study" will end up being, as it has yet to be completed. However, when finished, we feel certain that it will not only be very detailed, but will also be very enlightening to all Franklin home owners and taxpayers. In the meantime, let's analyze what Strauss has provided (via Ald. Hanneman) to support the granting of their special use permit (SUP) which is required to put their development in motion.

Unfortunately we have issues with this paper right out of the gate. The 2nd sentence under the introduction states, "The most generally accepted and widely used analytical method is the Input-Output Model (I-O)." In fact there are 2 economic models:

- Input-Output
- Economic Simulation

While the Input-Output model may be used more frequently, it probably has more to do with the fact that it is easier to run and produce than an Economic Simulation model. The benefit to the more laborious 2nd model, is that it also incorporates future economic changes created by the subject development. Possibly of greater issue is, this study fails to mention or incorporate other models that could be run to provide more accurate overall results, and overcome some of the issues with the I-O Model in this specific case, including:

- Social Impact Assessment
- Environmental Impact Assessment
- Cost-Benefit Analysis

When you consider we're dealing with a slaughterhouse, which is uniquely different to almost all other businesses, in particular with regards to inputs and employment, the I-O model becomes a flawed choice as your only point for economic assessment. That leads us to the 2 major flaws with this paper:

1. As is true with virtually any analytical paper - garbage in/garbage out
2. The I-O model works best when utilized to justify large projects, with large required expenditures, that actually provide something desirable of benefit to the overall community (think Fiserv Forum, Drexel Town Square)

GARBAGE IN / GARBAGE OUT

If the citizens of Franklin are being asked to fund an \$8.5Million TIF/TID to create the infrastructure needed for this giant slaughterhouse, and are being required to stomach the noise, pollution, traffic and smells this will bring (among other things), and if we ignore the obvious degradation to our "quality of life," we still want to know what great financial benefit we will receive in exchange. The first issue in determining that has to do with inputting the appropriate

figures/information into the model. Ald. Hanneman starts with the construction value of the facility to be built, and places that at \$60Million, with an additional \$12Million in equipment.

The problem with using these figures, is that Strauss is only contractually guaranteed to make a total investment of \$20Million. So right off the bat, she is running an economic model, with an initial investment figure inflated to more than triple the actual guaranteed amount. And if Strauss really does want to make that level of investment, they've had 15 months to sign a new contract guaranteeing that higher dollar amount. Spoiler alert- they have not. I'll save you the pain of having to go through all the other figures. As Strauss always was a private company, and now is owned by a private equity fund (through majority share control), none of their financials are required to be, or have ever been made public. Any information used for a study like this, therefore must rely on what the key interested (and biased) party chooses to provide. We have no possible way to verify whether the figures are factual or not, or even if they are in the ballpark of reality.

ODD USE OF THE I-O MODEL

This brings me to the second even bigger problem. Alderman Hanneman concludes the overall net positive effect to *just Franklin alone*, will be an increase of **\$162.1Million**. But if we attempt to unpack this total, the problem quickly becomes apparent. So when we look at the first category- direct effect spending- we're considering things like raw inputs and salaries paid. In the unique case of a slaughterhouse, the greatest input is cattle. As there are no cattle farms in Franklin, the city gains nothing from the largest input. But lets jump to salaries then. Strauss has admitted, the highest number of Franklin residents ever working there at one time was 3. So we have 3 taxpayers using their salaries to support their homes here, and other businesses like restaurants and grocery stores. So

far, we're at about \$180k in direct effect benefit then. OK, granted, that's a slow start, but we have more to cover.

We want to also look at all wage earners, not just local citizens. Granted those not living here will not be supporting a house, so will add less to the coffers, but they will still eat at restaurants, shop at stores, etc.(or so this model predicts.) Although Strauss does have a small contingent of white collar employees, the majority of their workers are associated with the slaughtering, packing, and required cleaning to keep the facility up and running. The average salary of these workers, per Strauss, is \$17 per hour. As these jobs are just as vile and disgusting as one might imagine, the only people willing to take them, are the most disadvantaged in our society.

In many cases, this group consists of poorly documented immigrants, who need to keep a roof over their head and food on their tables, and can find no better options. In fact, Strauss was forced to create a shuttle, as public transportation does not come this far out, and many of their employees would be unable to get to the slaughterhouse from their homes. This is in no way meant to disparage these hard working individuals. They are people struggling to get by, until they can improve their lot in life. My point here is, this group is not likely going to restaurants or shops, and since they are shuttled in and out of our community, they may very well spend no money in Franklin at all- yes, that's \$0 additional dollars toward our direct effect benefit. While there are additional inputs we can go through, I think this already serves to highlight the problems a unique development, like a slaughterhouse, creates for the I-O Model.

There are still, however, other categories to consider. What about the indirect and induced effects? This essentially refers to a snowball of money rolling downhill, gaining both size and momentum at an increasingly rapid pace. This expanding economic activity is what the I-O model hopes to account for through the use of a multiplier. As other local businesses gain new money from this

development, they begin to spend and grow as well. Rising water (spending), lifts all boats (businesses). Unfortunately, again, with our unique slaughterhouse development, the story would translate to something truly odd:

After several years of growth, when busloads of school children come to Franklin for the various slaughterhouse tours offered, and other tourists and visitors are drawn by this development to our fair community, they will need somewhere to eat and stay. We'll need more restaurants, more hotels, and the growth continues. In addition, when people admire the beauty and unique benefit this new slaughterhouse development brings, these same visitors may decide to move here, building more homes and starting additional new businesses of their own.

Wait...what?! You can see how an I-O model works really well with a desired development, like Fiserv Forum. The expense is high, there is a level of nuisance, but the payoff is enormous in terms of the catalyst for growth. Unfortunately, a slaughterhouse near nothing but homes and farms, where the only businesses within a mile radius are two small taverns, becomes a very implausible candidate for this type of study.

The study we need, is one that actually looks at what happens to our tax base, and the value of our homes, since single family houses represent the greatest concentration of structures for miles around the slaughterhouse. If everything goes well (far from a guarantee), for 20+ years, Strauss' tax dollars will go to pay off the TIF, adding nothing to the city coffers. If we had simply let a developer build homes there, we would be making tax revenue already. But even more importantly, slaughterhouses are so universally reviled, what if it drags down the value of surrounding property? That could make this whole development a net loss to Franklin for years to come.

And we have no idea how much damage may be done to Franklin's reputation within our metro area, as we have no way to quantify and accurately assess the cost when the perception of an area changes in the mind of the public, from one that is appealing, to one that is *undesirable*. These are the things we need to know, want to know, and deserve to know. Strauss should have been required to provide this information, and it is unclear how the Planning Commission or Common Council could grant their approvals without it. But, sadly, once again, it is the overburdened residents of Franklin, and their supporters, who have had to foot yet another bill (\$25k) to get a truthful, reasonable answer, to these most pertinent questions.

Dave Sorensen

Executive Director
Franklin Community Advocates