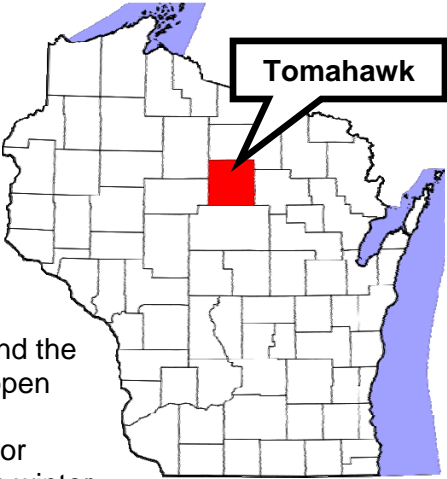


Local Economic Analysis

A few years ago, the Tomahawk Regional Chamber of Commerce, its Downtown Business Council, and the University of Wisconsin – Extension, Lincoln County¹ conducted several studies with the aim of analyzing portions of the Tomahawk, Wisconsin retail market. After being granted Main Street status by the Wisconsin Department of Commerce and Governor Jim Doyle, the Tomahawk Main Street Board decided that an update of the market analysis information previously compiled was warranted. This economic analysis is part of that update. Examined below are employment and income trends for the city and county. Also highlighted are tourism statistics, workerflow patterns, and impacts of the recent deep recession on Tomahawk and surrounding area.

Location of Tomahawk and Lincoln County

Located at the southern end of the Great Northwoods, Tomahawk, Wisconsin (Lincoln County) is scenic, vibrant and progressive. Tomahawk is also the home to numerous establishments that offer unique shopping and dining experiences. Its historic downtown buildings contribute to a sense of place atmosphere matched by few other Northwoods communities. Hard – working, dedicated residents readily volunteer their time to promote the city, to organize and carry out events, and to make travelers feel comfortable and welcome. Numerous lakes exist in and around the city, including Lake Mohawksin with just over 1,900 acres of open water. The Wisconsin River bisects Lincoln County and runs through Tomahawk. In summer, people travel to Tomahawk for camping, boating, hiking, and many other outdoor activities. In winter, folks come from as far away as the Chicago area to cross country ski and snowmobile. Many part-time summer residents live along lake and river shore land.



With a population of about 3,800, Tomahawk is one of two cities located in mostly rural Lincoln County (City of Merrill, population 10,153). Approximately 53% of the population is female and almost 23% of the population is age 62 or older. Like the rest of Lincoln County and most of Wisconsin, the population is continuing to age fairly rapidly. About 21% of the population consists of school age children (ages 5-19). Only about 3% of the city's residents consider themselves to be members of a minority class.

¹ This report was authored by Art Lersch, University of Wisconsin – Extension, Lincoln County.

Employment Trends - Local Firm Employment

Tomahawk possesses several large manufacturing operations including a Packaging Corporation of America containerboard mill with approximately 400 employees, two Harley Davidson motorcycle parts plants with approximately 300 employees, and a Louisiana Pacific operation with 130 employees. Other major employers include the Tomahawk School System, Sacred Heart Hospital, and Northland Stainless, manufacturer of high quality specialty equipment and container tanks. Two of the county's top five employers are located in Tomahawk.

Of the top 10 employers in the county in 2008, five were manufacturers, and four of those five created products that are lumber based. Church Mutual Insurance Company with 635 employees, the county's top employer, has its national headquarters in Lincoln County. Since mid 2007, Hurd Windows and Doors transferred most of its jobs based in Lincoln County to nearby Taylor County.

Lincoln County Top 10 Employers²

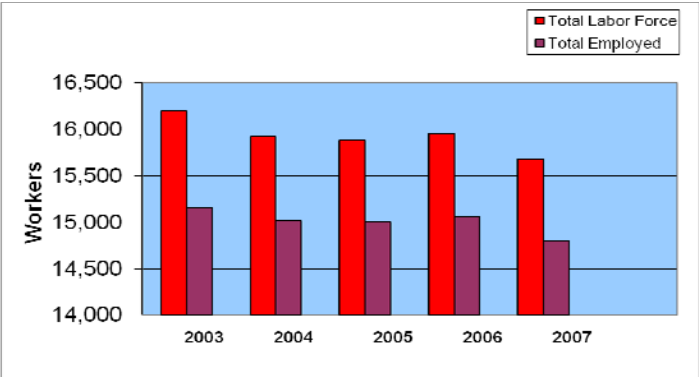
Establishment	Product or Service	# of Employees March 2007
Church Mutual Insurance, Inc.	Direct Property & Casualty Insurers	500-999
Merrill Public Schools	Elementary & Secondary Schools	500-999
County of Lincoln	Service, Administrative & Legislative Dept	250-499
Packaging Corporation of America	Containerboard mill	250-499
Harley – Davidson Motor, Inc.	Motorcycle parts manufacturing	250-499
Semling – Menke Company, Inc.	Wood, window and door manufacturing	250-499
Lincoln Wood Products, Inc.	Wood, window and door manufacturing	250-499
School District of Tomahawk	Elementary and Secondary Schools	250-499
Hurd Windows & Doors	Wood, window and door manufacturing	250-499
Good Samaritan Health Center	General, medical and surgical hospitals	100-249

² Wisconsin Department of Workforce Development, "Lincoln County Workforce Profile, 2008."

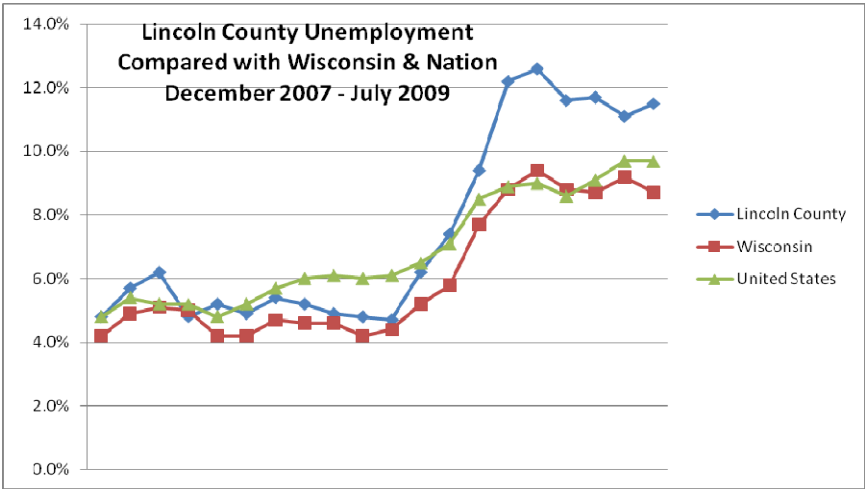
Employment Trends - Labor Force and Unemployment

Like the rest of Lincoln County, Tomahawk is heavily dependent on manufacturing sector jobs. About 30% of all jobs in the county are in manufacturing as compared to about 10% for the nation as a whole and 18% for Wisconsin. Most of the manufacturing jobs in Tomahawk and the county are in the wood and fabricated metal products industries.³

Tomahawk’s and Lincoln County’s labor force has slowly but steadily decreased over the past several years. Employment trends depicted in the chart below⁴ show a declining workforce. Part of this has to do with the heavy dependence on manufacturing and a lack of professional jobs. Contributing to the trend may also be the increasing number of seniors and baby boomers leaving their jobs and a reduction in the number of 20 to 49 year olds living in the county.



In the four years before the most recent recession (2003 – 2007) the county lost approximately 650 (net) jobs, roughly 6% of its total. Nearly half (370) were manufacturing positions. Since the latest recession began in December 2007 to July 2009, the county’s unemployment rate has risen steadily and remained consistently 2% to 3% higher than both the state’s and nation’s rates over the same period (see the chart at the top of the next page.) Lincoln County’s unemployment rate jumped 6.3% from July of 2008 to July of 2009.⁵ Many of the jobs lost during the recessionary period were also in manufacturing.



³ Wisconsin Department of Workforce Development, “Lincoln County Workforce Profile, 2008.”

⁴ Wisconsin Department of Workforce Development, “Lincoln County Workforce Profile, 2008.”

⁵ Wisconsin Department of Workforce Development Local Unemployment Data Press Releases.

Business Characteristics

According to the most recent U.S. Census data (2007) there were 337 total business establishments in Tomahawk. Slightly under half of the businesses in the city were classified within three categories: accommodation and food services, retail trade, and construction. Annual payroll of businesses in the city in 2007 was about \$111 million. Just over 3,100 people worked in these establishments during the same year.

Census information also reveals that from 2005 to 2006 (latest reliable data) just as many businesses were created in Lincoln County as were closed (74.) More businesses expanded rather than contracted their operations (210 versus 182.) Retail trade and health care/social assistance were the two sectors with the most businesses created, 15 and 14 respectively.⁶



⁶ U.S. Census Bureau Statistics of U.S. Businesses and 1989-2006 Business Information Tracking Series. Also http://www.sba.gov/advo/research/dyn_county.txt

Personal Income and Wages

In 2007, Lincoln County's per capita income was \$29,563, slightly less than 77% of the average per capita national income (\$38,615). The county's per capita income in that year was also \$6,700 less than the Wisconsin average per capita income.⁷ The county's median household income that same year was about \$46,500, just over \$4,000 less than the state average median household income. Tomahawk's per capita income in 2007 was about \$20,701. Median household income was approximately \$38,500, roughly \$8,000 less than the county figure.⁸

When county personal income trends are compared to state and national trends as is done in the table below it provides insight on how well the local economy is doing. The table tracks income for the county, the state of Wisconsin, and the United States using the most recent data for a 10 year period from 1998 to 2007. Index percentages were added to show how the different areas have grown throughout the period. The index percentages show that Lincoln County consistently lagged behind both the state and national growth rates over the period.

Personal Income Trends Lincoln County, Wisconsin, 1998-2007⁹

	2004	2005	2006	1998	1999	2000	2001	2002	2003	2007
Lincoln (million)	779	800	831	630	645	683	714	724	750	876
Index	124%	127%	132%	100%	102%	108%	113%	115%	119%	139%
Wisc. (million)	174,655	181,153	191,895	138,667	144,702	153,548	158,888	163,304	168,120	203,084
Index	126%	131%	138%	100%	104%	111%	115%	118%	121%	146%
U.S. (billions)	9,711	10,253	10,978	7,416	7,796	8,422	8,717	8,873	9,150	11,634
Index	131%	138%	148%	100%	105%	114%	118%	120%	123%	157%

Wages are also low in the county as compared to national and state averages. The gross average annual wage in Lincoln County in 2007 was \$31,774, only about 79% of the United States average annual wage (\$40,405) and 83.5% of the state average wage.¹⁰ Of 11 primary industry categories (see the table at the top of the next page), Lincoln County had higher annual average wages than the state average in only one category, "natural resources" (101.2% of state figure.)¹¹

⁷ Bureau of Economic Analysis, Regional Economic Accounts; U.S. Department of Commerce <http://www.bea.gov/regional/reis/drill.cfm> and <http://www.bea.gov/regional/reis/drill.cfm>.

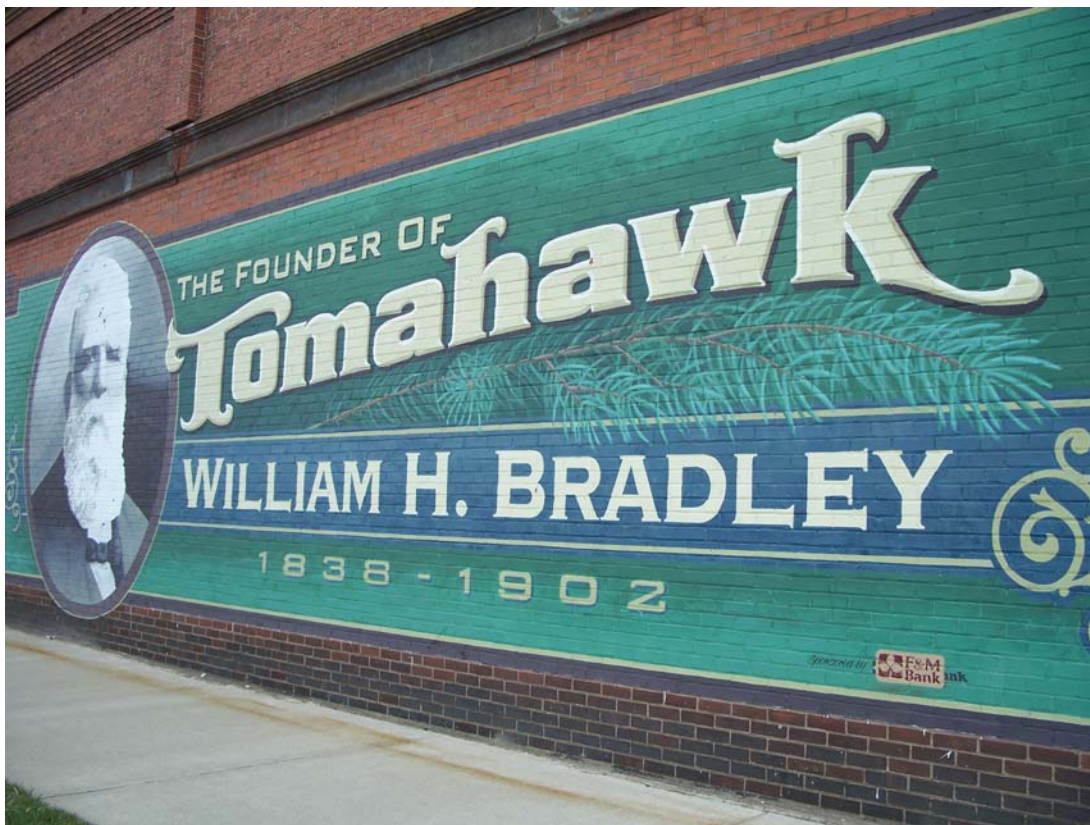
⁸ City-Data.com.

⁹ U.S. Department of Commerce, Bureau of Economic Analysis. Regional Accounts Data, Local Area Personal Income

¹⁰ The county and state figures come from the Wisconsin Department of Workforce Development, Workforce Training, QCEW, June 2008 report. The national figure comes from the National Average Wage Indexing Series provided by the Social Security Administration.

¹¹ Lincoln County Workforce Profile 2008. Wisconsin Department of Workforce Development.

Industry Type	Lincoln County	Wisconsin	County as a Share of Wisconsin
All industries	\$31,774	\$38,070	83.5%
Natural Resources	\$29,583	\$29,235	101.2%
Construction	\$38,247	\$47,489	80.5%
Manufacturing	\$40,580	\$47,106	86.1%
Trade, Transportation, & Utilities	\$24,413	\$32,762	74.5%
Financial Activities	\$39,214	\$50,749	77.3%
Professional & Business Services	\$28,563	\$44,328	64.4%
Education & Health	\$32,475	\$39,606	82%
Leisure & Hospitality	\$8,687	\$13,589	63.9%
Other Services	\$14,921	\$22,073	67.6%
Public Administration	\$36,421	\$39,879	91.3%



Tourism in Tomahawk and Lincoln County

Tomahawk is home to many events that attract thousands of tourists year around. The most popular event is the Tomahawk Fall Ride. Usually held the third week of September, the Fall Ride attracts motorcycle enthusiasts from around the country. About 40,000 motorcyclists each year over the last several years have come to enjoy the festivities. The event also raises money for the Muscular Dystrophy Association. Other Tomahawk events that attract tourists include Memories on Wheels featuring an antique car show, Music on the River held several times during the summer and featuring an eclectic mix of live music, and an Antique Boat and Motor show.

As the southern gateway to Wisconsin's Northwoods region, the northern half of Lincoln County has a fairly robust tourist industry. According to 2008 county, Wisconsin Northwoods region, and statewide statistics (see next page), however, there seems to be opportunity for the entire county to attract more tourist dollars.¹²

- Lincoln County ranked 52nd out of the state's 72 counties for traveler spending.
- Travelers spent an estimated \$58.5 million in Lincoln County in 2008.
- Just over \$211 million was spent by travelers in Oneida County in 2008, the county just north of Lincoln. \$258.5 million was spent by travelers in Marathon County, just south of Lincoln County.
- In Lincoln County, about 18% of all traveler dollars were spent during the winter months
- December through February. Roughly 19% of traveler dollars were spent in the spring (March through May.) 40% of traveler dollars were spent during the summer months of June through August.
- Traveler spending in 2008 supported both directly and indirectly 1,340 full – time equivalent jobs.
- Traveler spending in Lincoln County decreased nearly 1% from 2007 to 2008. Lincoln County was one of 24 counties in the state that experienced a decrease in traveler spending from 2007 to 2008. Traveler spending in the state as a whole increased 2.7% over the period.

Lincoln County is considered part of the state's "North Northwestern Region." Other counties in the region are Bayfield, Ashland, Iron, Vilas, Oneida, Forest, Florence, Langlade, Clark, Taylor, Price, Sawyer, Rusk, Washburn, Burnett, Polk, Barron, St. Croix, and Pierce. Within the region, travelers spent approximately \$1.65 billion. In 2008, about 86% of all visitors were on a leisure trip, 12% traveled to the area for business, and another 2% attended meetings or conventions. The table at the top of the next page breaks down traveler spending for the region by accommodation used in 2008.

¹² Statistics are from "The Economic Impact of Expenditures by Travelers on Wisconsin Calendar Year 2008, County by County Report, April 2009" published by the Wisconsin Department of Tourism.

North Northwestern Region Travel Expenditures (in millions) by Category¹³

Lodging Type	Food	Shopping	Recreation	Lodging	Transportation	Total
Hotels, Motels, Resorts, B&Bs	\$122.5	\$129.6	\$112.3	\$100.9	\$37.2	\$502.2
Cabins, Cottages, Condos	\$77.2	\$94	\$59.8	\$85.4	\$26	\$342.4
Campgrounds	\$24	\$36.9	\$30.3	\$15.7	\$16	\$122.9
Family & Friends	\$184.2	\$229.1	\$122.2	Not applicable	\$56.8	\$592.3
Other	\$30	\$33.5	\$25.3	Not applicable	\$7.2	\$96

¹³ Columns may not add to totals due to rounding. "Traveler Expenditures in Wisconsin, North-Northwest Rural Region, Calendar Year 2008, April 2009" published by the Wisconsin Department of Tourism.

Retail Sales Surplus/Leakage in Lincoln County

Using Dr. Steven Deller's "An Updated Trade Area Analysis of Wisconsin Counties for 2006" (updated August 2007) helps demonstrate the strengths and weaknesses of the Lincoln County retail market. Surplus/leakage analyses indicate whether the county is capturing its fair share of retail dollars based on population averages and in turn sales tax receipts. "Leakage" means that the county is not receiving its fair share of total retail and sales tax dollars. The analysis may also help indicate whether a particular segment of the retail sector in the local area is meeting the demand of consumers that live in that area. If it is not, those residents in theory are essentially forced to travel outside of the area to obtain certain goods.

The analysis is based on averages. For purposes of this study, the 13 counties that do not have a sales tax are omitted from the analysis. It is worth noting that a pull factor greater than one means the given area is drawing in customers from surrounding areas. A pull factor below one indicates weaker performance than is expected.

Making inferences or conclusions about the health of the retail market in question based solely on this kind of data is not recommended. Several mitigating circumstances such as the area's proximity to a metropolitan area, to interstate highways, and to regional big box and mall shopping centers can tend to skew some of the data.

The surplus/leakage analysis for Lincoln County is based on the following parameters.

- *State Per Capita Expenditures* = State Retail Sales/Population = \$10,522
- *Index of Income* = County Per Capita Income/State Per Capita Income = 0.842
- *Trade Area Captured* = Actual Sales/(State Per Capita Sales * Index on Income) = \$69,670
- *Pull Factor* = Trade Area Captured/County Population = 0.876
- *Potential Sales* = State Per Capita Sales * County Population * Index of Income = \$212,617,300
- *Surplus (Leakage)* = Actual Sales – Potential Sales = (\$26,287,100)

Because "potential sales" is greater than "actual sales," Lincoln County is said to have a \$26,287,100 leakage in the retail market.

Perceptions are reality. A few years ago, many Tomahawk residents perceived that retail establishments in the city they lived in did not offer the goods they most wanted. To a degree, recent efforts such as a shop local campaign and Main Street designation have helped to reverse these perceptions, although to what extent has not been determined. As is indicated by market analysis studies done over the past several years, Tomahawk has relatively high demand for but is still lacking some basic goods such as home furnishings, clothing and clothing accessories, and general merchandise.¹⁴

¹⁴ See "Tomahawk Focus Group Project: Retail Shops (May 2006)," and "Tomahawk Retail Sector Report (June 2006)." Reports produced by Art Lersch, UW-Extension, Lincoln County.

Traffic Patterns

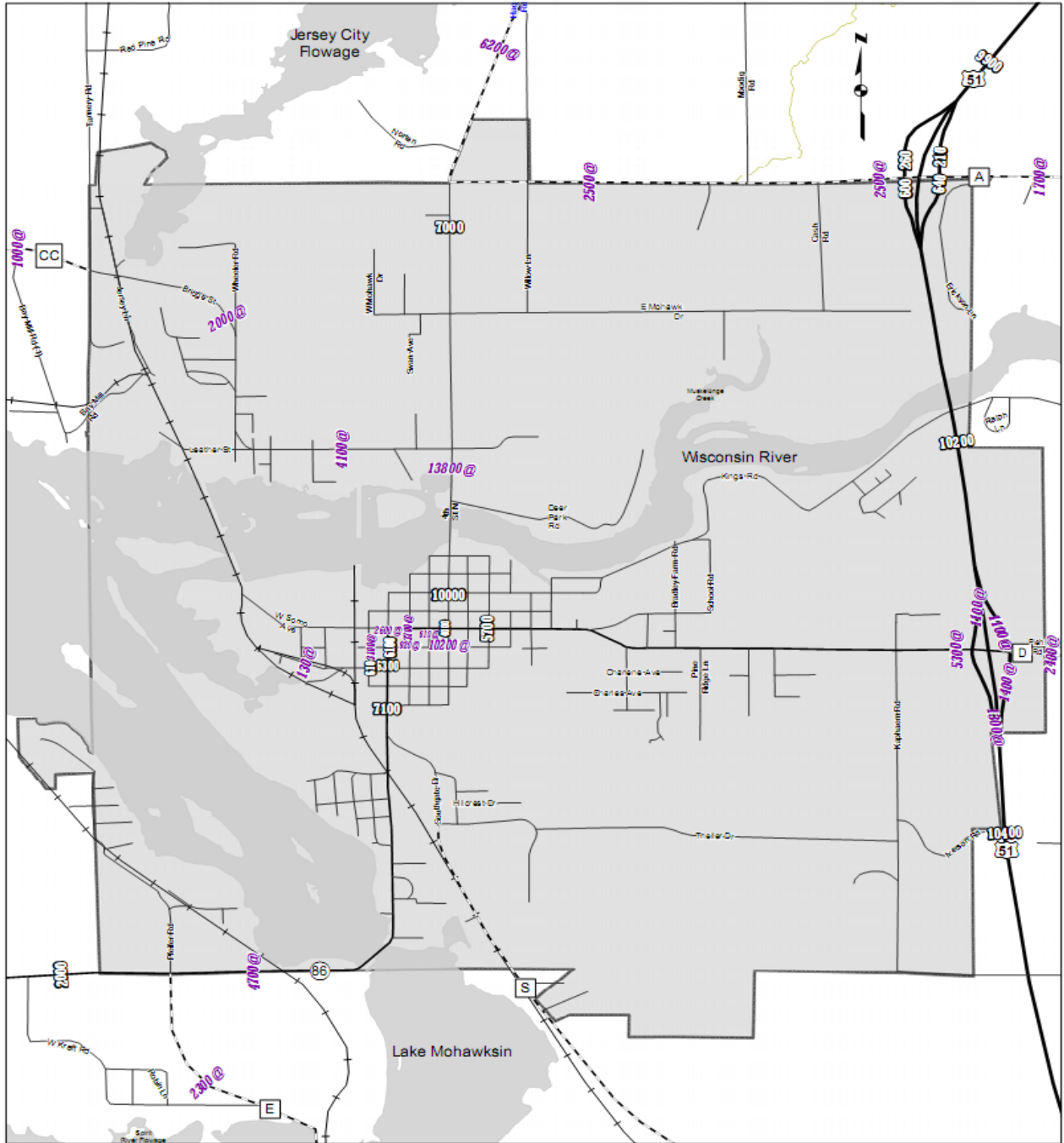
The map on page 12 shows 2007 daily traffic counts for the city of Tomahawk. Existing businesses and entrepreneurs wanting to open establishments in the city find traffic count information useful. Traffic counts often, but not always, directly correlate with how many customers do or potentially could visit a particular business location.

Based on the map, Tomahawk area traffic pattern highlights are:

- About 9,900 vehicles per day travel U.S. Highway 51 north of the city. Another 10,400 travel the same road south of the city.
- North 4th Street draws roughly 7,000 vehicles per day north of downtown; 10,000 vehicles downtown.
- County Road D, Route 86 draws 5,700 vehicles daily toward town from the east off of Route 51; 4,000 vehicles downtown.
- Route 86 south of downtown draws 7,100 vehicles per day; 6,300 vehicles downtown.
- County Road A draws approximately 860 vehicles from the Route 51 interchange heading west toward the northern portion of the city.

U.S. Route 51 used to run through the heart of downtown Tomahawk. The route was redirected over two decades ago, bypassing the downtown area. Since that time, it has been far more difficult to attract out-of-towners to either the downtown or North 4th Street business districts.¹⁵

¹⁵ Wisconsin Department of Transportation website.



2007
 City of TOMAHAWK
 LINCOLN County
 Annual Average Daily Traffic

9999 - AADT - 2007
 9999# - AADT - 2006 9999^ - AADT - 2003
 9999* - AADT - 2005 9999~ - AADT - 2002
 9999@ - AADT - 2004 9999x - AADT - 2001 or older
 - Character following AADT on map designates year
 - AADT for RAMPs lie parallel to road
 - AADT for Roads lie perpendicular to road

Legend
 — IH
 — USH
 — STH
 - - - CTH
 — Local Roads
 — Railroads

Commuting Patterns

Worker commuting patterns help indicate how strong the economic base is in a particular geographical area. Those areas with a net positive (i.e. more workers commuting in than commuting out) are successfully attracting workers. Workers are usually attracted to geographical areas for various reasons including but not limited to the kinds and variety of jobs available, salary levels, and multiple lifestyle and entertainment options. The most recent reliable county specific data comes from U.S. Census 2000. The data below shows that Lincoln County is a net exporter of workers, indicating that the City of Merrill in the southern part of the county may be considered a “bedroom” community for the City of Wausau just 20 miles to its south. The relatively large total deficit of nearly 2,500 workers is one indication that the county’s economic base could stand a great deal of improvement. The data summarized below does not necessarily reflect commuting patterns in the Tomahawk area, although it does indicate in general that more people are commuting elsewhere to work than are employed with businesses located in the city.

- 3,974, or about 28% of working Lincoln County residents, commute to other counties for work. About 2,494 workers from other counties commuted to Lincoln County. The total net loss of workers for Lincoln County is 1,480.
- Approximately 71% of these workers commute to Marathon County (2,826 people).
- The net loss from Lincoln to Marathon counties is 1,862.
- Roughly 17% commute to Oneida County (672 people.) It is likely that a good portion of these people are commuting from Tomahawk.
- About 2% commute to Portage County, Stevens Point (83 people).
- 2% commute to Taylor County (82 people).
- Remaining 8% commutes to Langlade (71 people), Wood (42 people), Vilas (23 people), Winnebago (21 people), Columbia (16 people), or Clark (15 people) counties or elsewhere (123 people).

Economic Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

In spring 2008, the North Central Wisconsin Regional Planning Commission developed a “City of Tomahawk Downtown & North 4th Street Redevelopment Plan.” Plan facilitators conducted a SWOT analysis of those two primary business districts in the city. The analysis was done before Tomahawk was designated a Main Street City. The stakeholders who participated in the analysis focused on the following items.

Strengths:

- Good building stock in general with relatively few buildings showing blighted conditions
- Diverse retail and service business mix
- No opportunities in the community for competition from ‘big box’ development, and limited opportunities for commercial business development outside of the planning area.
- Diverse property and business ownership
- Strong interest from business owners to be involved in the community
- Coordinated effort by the Downtown Business Association to establish a downtown Business Improvement District and involvement with the state Main St. program
- Active Chamber of Commerce and active tourism promotions efforts
- Lack of ‘big box’ retailers

Weaknesses:

- Limited public and private financial resources for financing redevelopment activities
- Perceived lack of common community vision, and perceived lack of city support of and investment in redevelopment activities
- Lack of redevelopment financing tools such as revolving loan funds, TIF, etc.
- Public sector financial constraints due to state imposed levy restrictions
- Pool of local volunteers is limited

Opportunities:

- Main St. designation in the downtown area
- Business Improvement District as a redevelopment financing tool
- N. 4th St. reconstruction and Veterans Memorial Bridge replacement provide a window for other improvements to occur

Threats:

- Changing tourism and recreational market in the region and its impact on the retail environment
- Limited public sector involvement in redevelopment and other community efforts
- N. 4th St. reconstruction and bridge replacement will impact access to businesses

Conclusions

The information above can and should be used by Tomahawk businesses to better define the markets they seek to serve. It may also serve as an example to other Wisconsin Main Street programs as they look to more clearly describe the characteristics of the business districts they represent and the counties where they are located. Although all the information in this report is important, a few key points are summarized below.

- Like the rest of Lincoln County, Tomahawk is heavily dependent on manufacturing sector jobs. About 30% of all jobs in the county are in manufacturing as compared to about 10% for the nation as a whole and 18% for Wisconsin. Most of the manufacturing jobs in Tomahawk and the county are in the wood and fabricated metal products industries.
- Slightly under half of the businesses in the City of Tomahawk are classified within three categories: accommodation and food services, retail trade, and construction. Annual payroll of businesses in the city in 2007 was about \$111 million. Just over 3,100 people worked in these establishments during the same year.
- Surplus/leakage analyses indicate the county is not capturing its fair share of retail dollars based on population averages and in turn sales tax receipts.
- Tomahawk area traffic pattern highlights include about 9,900 vehicles per day that use U.S. Highway 51 north of the city. Another 10,400 travel the same road south of the city. North 4th Street draws roughly 7,000 vehicles per day north of downtown; 10,000 vehicles downtown. Route 86 south of downtown draws 7,100 vehicles per day; 6,300 vehicles downtown.
- Tomahawk stakeholders who participated in a SWOT analysis in the spring of 2008 identified several more strengths and opportunities related to improving the city's business districts than challenges or threats.