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LEGACY PROJECT

Nearly 15 years after establishing the Pabst Farms mixed-use development in Oconomowoc, Peter Bell (left) and William Niemann continue to stay the course and break new ground at the 1,500-acre site.

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ON A GLOBAL ODYSSEY

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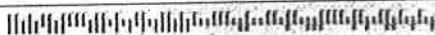
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BUSINESS JOURNAL
April 21, 2017
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COVER STORY

Patience pays off at Pabst Farms

After nearly 15 years, Oconomowoc project maintains its course

BY SEAN RYAN
seanryan@bizjournals.com



The businessmen behind the Pabst Farms development are still dreaming big and haven't given up on their lofty visions for the 1,500-acre project.

Pabst Farms was an ambitious undertaking from its inception nearly 15 years ago, when co-developers Peter Bell and William Niemann bought a stake in the former Pabst family farmstead in Oconomowoc and Summit. It is a 2.5-square-mile area centered between Milwaukee and Madison, where the two planned to attract nearly every type of building and maintain high standards for building quality.

Pabst Farms boomed in its early years, attracting major projects like the Aurora Medical Center, a more than 1 million-square-foot distribution center for Roundy's Inc., and Pick 'n Save-anchored Market Place at Pabst Farms. It generated hundreds of millions in property value and easily repaid the city of Oconomowoc's investment in infrastructure.

But the pace slowed during the recession. Two national developers both attempted, and canceled, large-scale regional mall developments that pursued national names such as Nordstrom and Target. Even though condos and homes were still being built, Pabst Farms was quiet.

Today, Pabst Farms is back with renewed activity and some changes to survive 2017's much different real estate market. Neumann Developments Inc. will build 300 home lots to complete Pabst Farms' subdivision. Smaller projects include a Summit Credit Union branch and Firestone facility. The town center long-envisioned next to Interstate 94 could finally see construction this summer, when ground is broken for a Mills Fleet Farm store that Bell and Niemann expect will attract more retailers.

Bell and Niemann sat down with the Milwaukee Business Journal for an exclusive interview to talk about where Pabst Farms has been, where it is going, and how they survived a recession that wiped out other developments.

TOWN CENTER REBORN

How did the Mills Fleet Farm project come together?

Bell: "They are now coming out with their new design store. The first store as I understand it will be at Pabst Farms. I believe Mills is headquartered out of



(Left) Peter Bell
with William Niemann

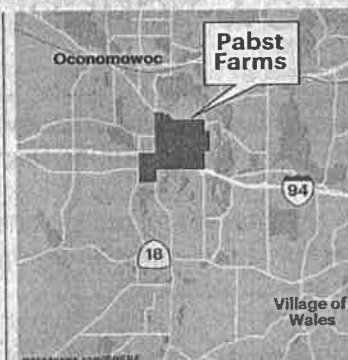
SCOTT PAULUS

Appleton. They are a very strong Wisconsin-based company and have a very strong following. They hope to be under construction sometime in late June or early July with an opening date of fall 2018 to meet the outdoor clientele they attract.

"With that anchor in place, it will create, and has already created, kind of a buzz in the retail community that is still around, so to speak. We are now talking to several other large to smaller big-box-format stores that see a major box coming in like Mills that will provide the anchor, the traffic, that is critical for a development of this size."

Was the town center being actively marketed?

Bell: "The preferred developer for Mills is Commercial Horizons out of Appleton. Paul Klistner is the president of that company and he has an affiliation with his son going to Marquette (University), through the real estate department, which we are very active with. So we've been aligned with Paul on certain educational projects. When Paul got the assignment from Mills, he gave us a call and wanted to know what our involvement was. Paul hopes to develop other Mills stores in the area going forward, but this will be their first new prototype going out."



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|----------------|------------------|------------|--------------------------|--------------------|
| 1. Town Centre | 2. Office campus | 3. Housing | 4. Aurora Medical Center | 5. Commerce Centre |
|----------------|------------------|------------|--------------------------|--------------------|

Niemann: "When the downturn happened in 2008, retailers changed their appetites for pioneering and moving out in advance of the population. But we didn't stop our efforts.

"We approached the city, worked with them because of the changing retail landscape and had worked with some other big-box retailers on improving our site through the city process by getting approvals for larger boxes and other amenities. We didn't stall our efforts, but retail had slowed down in terms of its expansion."

Describe the other retailers that are attracted to Pabst Farms because Mills will be here.

Bell: "You'll be looking at some of the obvious ones. It would be your high-end food providers, your electronics providers, sports equipment providers, different from what Mills does, office supply, pet supply, women's and men's apparel. Then it would be a series of hospitality users, restaurants, coffee shops. You have a whole mix where you go from big, to medium to small. Each category has three or four retailers you want to bring

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► PABST FARMS

Owner: Pabst Farms Development Inc., led by Peter Bell and William Niemann
Acres: 1,500
Current projects: Mills Fleet Farm store, 300-lot subdivision, ongoing Village Crossing Condominiums construction, Summit Credit Union, Firestone Complete Auto Care

in. We want to get the strongest, most financially qualified of each class.”

That sounds like the kinds of retail developments that are moving forward in the Milwaukee area now.

Bell: “Yes, if you look at other ones that are successful, you have 84South, The Corners of Brookfield, they all have good anchors and then they build other pieces around that. Sometimes they use a residential component. Sometimes they use an office or medical component. Right now at Pabst Farms we have a lot of those components at or near us already.”

Niemann: “The landscape for retail has changed. There are no malls being constructed any more. With the proliferation of internet sales and the fact that people are changing their shopping habits, you have to be very selective of who you bring in because you want them to be successful. One of the issues for us has been the perceived lack of rooftops in western Waukesha County. The residential we’ve got in progress now is going to be speaking to some of that.”

What do you expect for the timing of building other stores around the Mills Fleet Farm?

Bell: “I think there will be a lot of activity over the next six to 12 months and sitting here a year from now, I think we’ll have a lot of those pieces filled in.”

What was the thought process for the town center in the years after plans for a regional mall fell through?

Bell: “Retail is an evolving design. Municipalities, developers and so forth don’t make that design. The general public does. As we move from the enclosed malls, to lifestyle (centers), to large big boxes, to the evolution where we are today, and I think we’re now statically where we need to be, that’s been determined by the retail public.

“Internet sales has affected that greatly. Stores are reducing in size. Yet there is a large population that wants to go to a store and touch and feel. You have a specialty type store like a Mills that is more outdoor, agricultural oriented. Those folks are probably more touch and feel.”

Going back to 2009 and 2010, what circumstances arose when you worked with national-scale developers on more regional projects? Why did they not move forward, and how did you recover?

Bell: “Initially we hooked up with

The Pabst Farms location is a new store design style for Mills Fleet Farm, complete with an element similar to a silo.



Ongoing residential construction at Pabst Farms

(General Growth Properties), and GGP went through a series of internal financial difficulties.”

Niemann: “They actually filed for reorganization.”

Bell: “Enclosed malls began to go out of favor mainly because of the cost to construct and the cost to maintain. You have all of this open space with grand floors, escalators and all of this stuff, your discount stores are saying we don’t need that kind of overhead to our margins. Then they rolled into this lifestyle center that everybody was hot to go with. That was overly built and not cost-effective. The successful retailers were saying you have to have a quality product, at a quality price to get to the margins you need to be successful, and not with a lot of overhead.

“So the lifestyle centers we’ve been talking about went away. That was when we had (Developers Diversified Realty). Then we had to kind of step back and see how things were shaking out. Then we rolled into this quiet recession.”

What response have you heard from the public regarding the change from a large-scale mall to the concept now?

Bell: “Our overall image at Pabst Farms has not changed at all. What has changed in 15 years is now retail and life-

styles have changed. If you are not going to be aware of that, accept it and embrace it, you’ll build the wrong thing. That’s good for nobody. If you went 15 years ago and listed all of the companies that went out of business, you would probably say that most of those you would never have dreamt it would happen. But they did.

“I go back to retail is driven by the public. You either accept it and embrace it, or it passes you by. Had we built an enclosed mall, it might be like Northridge or Southridge. Had we built a lifestyle center, it might be like Greenway Station in Madison.

“What value is that for this community? We maybe caught a break by not building those types of centers, so now we’ll end up with something that will take the test of time more and be an asset to this community individually, and also have a more regional nature, which is what the interstate provides for us.”

PURSuing BIG OFFICE BUILDINGS

What activity have you had on the land along I-94 where you’ve planned a corporate center office development?

Bell: “There’s been a lot of talk for Wisconsin-based companies or even regional centers to come in here. We’re looking for somebody that we can build

a truly comprehensive corporate campus for, as opposed to small, one-off buildings. We’re still hopeful for a regional center, perhaps a statewide center that can come in here and pick up 100 acres and build a nice office campus, recreational center, health center, hospitality, the whole nine yards.”

Niemann: “Being midway between really world-class universities like Wisconsin, Marquette and UWM, we have access to all of that brainpower. We’re thinking this would make a wonderful spot for a tech center or a research park for the future. We’re hopeful that some of those developments will seek us out down the road.”

Why go after a larger-scale and harder-to-get corporate development instead of smaller-scale, multi-tenant buildings?

Bell: “If you try to land a true, regional office, that’s going to come in with several 100,000 square feet of office space, related ancillary space. That’s going to be a joint effort from the state, county and Pabst Farms. These are highly competitive, sought-after deals. We have a lot of pluses we can offer in this part of Wisconsin: lifestyle, family settings to live in, universities, expressways. We have to accentuate our strengths, provide incentives for people to come in and at the end

COVER STORY

of the day provide good jobs that become good taxpayers for Wisconsin. But that whole plan is what all states go for."

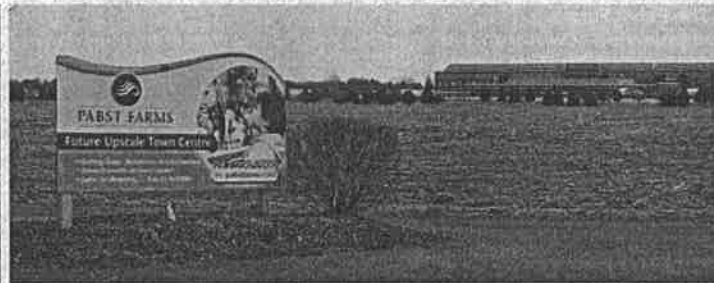
Have you coordinated in the past with the state or Milwaukee 7 on pitches?

Bell: "When there is a need to have a joint proposal put together, we have had an open door to all of those folks. It's just getting in early on the opportunity to push that. Some county governments are more aggressive on that than others and the state has limited resources, too. They have to try to balance that potential expenditure against the other needs of the state, which is fair."

SURVIVING THE DOWNTURN

A lot of developments did not survive the recession because of land holding costs. What has the wait meant financially to the Pabst Farms development group?

Niemann: "We are more than a developer. One of our main goals was to create a portfolio of assets for our respective families going forward. We own much of the vertical construction here, such as the Roundy's distribution center, the hotels, the Market Place. We have a vested interest in making sure whoever else joins in the project of Pabst Farms, that they do so knowing our vision is to keep it aesthetically pleasing, and vibrant and



successful for future generations to protect the value we have that is in the hundreds of millions of dollars."

Bell: "When you go into a development of this size you have to be well-capitalized - 1,500 acres is a lot of acreage to take down. Our family company goes back to 1856. We're committed to the long haul. As Bill said earlier, we are interested in owning the portfolio-quality buildings here. We look at this as not

just a development but really our legacy in building something that is good for the community and good for our own families.

"Is there a carry cost that is substantial? Sure. But we think in the long term Pabst Farms will be paid out. You just have to be patient. Our patience is going to pay off. Now we're looking for people who appreciate a master-planned community who are looking to put a little bit

more into their buildings to get something of quality for themselves. We're looking for prideful owners."

Niemann: "We were very successful early in building a number of very good projects, which also helped sustain us. We had very good partnerships with financial institutions, and we were careful.

"We didn't get out over our skis too far. That, coupled with good management, has put us in a position to continue our vision. We're very fortunate, because there are an awful lot of people who didn't make it through the recession, especially in our business."

Do you feel like the success of Pabst Farms up to this point has been recognized? Or have other things gathered more attention?

Niemann: "In general, if you ask people who will reflect back on where we started and what we built here, you are going to get a very positive response. I think the one issue has been, what happened with the town center. It's the people who drive retail and it's been very difficult.

"We're very fortunate to not have built something that wouldn't stand the test of time. We're in a position now to look back and say we maybe dodged a bullet there and we'll do things the right way going forward."

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