



# MEMORANDUM

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TO: Community and Economic Development Committee

FROM: Matt Rehbein, Economic Development Specialist

DATE: February 5, 2020

RE: Business/Industrial Park Land Sale and Option Prices

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Staff completes an annual review of the selling price of land in the City's business/industrial parks to see how competitive Appleton is with surrounding communities. Currently, the selling price of land in the City of Appleton's Southpoint Commerce Park and the Northeast Business Park is \$40,000.00/acre.

The City of Appleton repurchased one lot in the Northeast Business Park in 2019. There are currently 7 lots that are privately held and not developed in the Northeast Business Park and 1 lot in the Southpoint Commerce Park subject to the City's right to repurchase. Privately owned, undeveloped lots are flagged in the City's AS400 system, and notification is given on the real estate inquiry form to ensure the City's right to repurchase is triggered as appropriate.

In the Southpoint Commerce Park, there are 28 fully improved lots available, of which 5 are under contract (Hayden Properties LLC). The total inventory not under contract is approximately 100 acres. Lots 17, 9 and 11 were sold in 2019 to New Morning Coffee Roasters, Custom Offsets, and Messenger Property Management respectively (details in attached Industrial Land Sales Comparison – Exhibit A) and completion of buildings on all sold lots is anticipated in 2020. The City has an additional 175 acres in Southpoint that are undeveloped. All available lots in the Southpoint Commerce Park are served by regional stormwater detention, and a wetland delineation was completed in 2016. We have funds budgeted to update the delineations in 2020. See attached map for the available lots in Southpoint.

In order to ascertain how competitive Appleton is with neighboring communities, staff prepared an Industrial Land Asking Price Comparison (Exhibit B). Data was gathered from: direct contact with sellers, CoStar (which is a commercial real estate listing and comparable data service), and the Wisconsin Department of Revenue. There are additional lots marketed as available for industrial in the Fox Cities, but many of those could also be commercial which commands a much higher price and are not good comparables. All referenced industrial lots are broken down into one of three categories:

- 1) Municipally owned lots available for sale.
- 2) Privately owned lots available for sale.
- 3) Recent sales comparison.

In determining the sale price of lots, staff considers several factors, including the City's investment in creating the business park, cost to develop at these locations, competitive lot pricing, and uses of the property. It should also be noted that land pricing is but one component of actual "cost" when a business is considering a purchase in a business/industrial park. Infrastructure, access, availability of TIF financing and other incentives are all factored in.

Site selectors and businesses seeking new locations have shared with staff that the ability to respond quickly and creatively is crucial to landing deals. This has proved true for all recent transactions. Each company is going to have different priorities, such as land price, infrastructure, TIF contributions, etc. Having entered the final 5 years of the life of TIF #6, we are no longer able to make new investments from TIF #6. This further increases the importance for the City to be in a position to act quickly and decisively when transactions come forward to ensure we secure sales in the business/industrial parks. We have been successful in doing this with all sale transactions in 2019. In 2020, we still need to be responsive; but with a tightening market, we may not need to be as generous on financial incentives.

The industrial market for lease and purchase space has been tightening up over the past few years, creating a scarcity of large industrial space. As a result, we have seen increased activity in the Southpoint Commerce Park (both contracts and inquiries). This has generated greater interest in "speculative" building and, in turn, more inquiries about optioning land. Historically, the City has charged an option fee of 1% of the purchase price per year. Since some of these projects can utilize large parcels and prevent the City from actively marketing these parcels during the option period, staff recommends increasing the option fee to 2% of the purchase price per year for parcels in excess of 5 acres. The option fee for lots less than 5 acres would remain at 1% of the purchase price per year. This helps protect the City's inventory of marketable parcels while preserving the smaller users' ability to ensure they have control of their expansion space.

Based on this analysis, staff would recommend the City maintain its current selling price of \$40,000 for business/industrial park land. This puts Appleton in the middle range with regard to land prices.

**Staff Recommendation:**

*The City of Appleton maintain its current selling prices for business/industrial park land as follows:*

**Southpoint Commerce Park**

*All lots - \$40,000/Acre*

**Northeast Business Park**

*All lots - \$40,000/Acre*

*The City of Appleton adjust option fees to reflect 1% of the purchase price annually for lots of 5 or less acres and 2% of the purchase price annually for lots greater than 5 acres.*

*Note: Land prices are for fully improved lots and include the cost of concrete pavement.*