



# MEMORANDUM

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TO: Community and Economic Development Committee (CEDC)

FROM: Matt Rehbein, Economic Development Specialist

DATE: March 8, 2023

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 is \$40,000.00/acre. The City has no remaining parcels for sale in the Northeast Business Park (NEBP).

There are currently 3 lots that are privately held and not developed in the Northeast Business 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 21 fully improved lots available, of which 5 are under contract with F Street Development. The total inventory not under contract is approximately 51 acres. In 2022, 3.25 acres were sold to Farrell Investments and 2.16 acres were sold to Romenesko Developments (details in attached Industrial Land Sales Comparison – Exhibit A). Construction of a 250,000 square foot distribution warehouse was started by F Street in 2022, and Farrell Investments is expanding their existing facility. The City has an additional approximately 100 acres in Southpoint that are undeveloped that will yield approximately 80 developable acres. All available lots in the Southpoint Commerce Park are served by regional stormwater detention, and a wetland delineation was completed 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, beyond land price alone, such as infrastructure, approval process, timing, TIF contributions, etc. Effective January 1, 2023, TIF #6 is no longer on the tax roll. Staff is in the process of finalizing documentation for the closure of TIF #6 with the State of Wisconsin. 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 over the past few years. In 2023, 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 and small 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. In 2020, Council approved an option fee of 2% of the purchase price per year for parcels in excess of 5 acres. The option fee for lots less than 5 acres remains 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.

Additionally, when a real estate broker has been involved in the sale of a parcel in Southpoint, the City has historically paid a commission of eight percent (8%) of the sale price to procuring broker. This is the market rate for commissions on land sales and helps attract/retain the assistance of real estate brokers.

Based on this analysis, staff would recommend the City increase its current selling price to \$43,000 for business/industrial park land and option fees as outlined below. This puts Appleton in the middle range with regard to land prices.

**Staff Recommendation:**

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

***Southpoint Commerce Park***

*All lots - \$43,000/Acre*

*The City of Appleton hold 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. The City continue to pay a commission of eight percent (8%) of the sale price when licensed broker is procuring cause for a transaction.*

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