

CITY OF BRILLION

**MARKET ANALYSIS AND
BUSINESS PARK FEASIBILITY**

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**Prepared for:
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TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Executive Summary..... | i |
| SECTION I. MARKET ANALYSIS | |
| Introduction..... | 1 |
| Summary and Conclusions | 1 |
| Business Park Survey | 2 |
| Development Trends | 3 |
| Industrial Vitality..... | 3 |
| SECTION II. FEASIBILITY ANALYSIS | |
| Introduction..... | 5 |
| General Site Information..... | 5 |
| Development Impact Analysis | 7 |
| Financial Feasibility Analysis | 11 |
| Implementation Plan..... | 15 |
| Conclusions | 16 |
| SECTION III. ENGINEER'S OPINION OF PROBABLE COST AND CONCEPTUAL LAYOUTS | |
| SECTION IV. FUNDING SOURCE SUMMARIES | |
| SECTION V. ATTACHMENTS | |
| Attachment #1: Build-out Projection Table - Ariens | |
| Attachment #2: Build-out Projection Table - Quarry | |
| Attachment #3: TIF Analysis - Ariens | |
| Attachment #4: TIF Analysis - Quarry | |
| Attachment #5: Map of Northwest Site | |
| Attachment #6: Ariens TIF Projection with Tax Rate Increase | |
| Attachment #7: Summary of Regional Publicly Owned Business Parks | |

EXECUTIVE SUMMARY

CITY OF BRILLION 10-9-02

The results and recommendations of this report are as follows:

Results

- A business park development will provide up to 99.4 acres of developable property.
- Approximately 261,440 square feet of buildings will be constructed.
- The value of the buildings is estimated to be approximately \$8,627,520.
- 392 jobs will be created in the business park.
- 1,500-2,000 vehicle trips will be generated by the development.
- Capital expenditures of approximately \$2,412,258 will be required to fully develop the property.
- The pay back period resulting from this analysis is approximately 20 years.

Conclusions and Recommendations

- If the City of Brillion wishes to proceed with this project they should proceed with negotiations to gain control of the property.
- Tax Incremental Financing should be used to make the park financially feasible.
- The business park should be developed in phases.
- Grants should be considered every time a prospect is considered for the park.
- Marketing of the park should begin as soon as possible.
- The business park should be planned to make the park an attractive addition to the community.
- The development of the park should minimize the potential negative impacts on adjacent property.

MARKET ANALYSIS

INTRODUCTION

The City of Brillion is considering future development of a business park to help broaden the City's property tax base and provide an appropriate site for industrial land uses. Prior to making any decisions to invest City funds, a study was commissioned to determine the degree of market demand for such a park, what the likely rate of development of a park would be, and to evaluate the physical and economic feasibility of developing a business park on two separate sites.

This report presents the market analysis, feasibility study, and action plan components of the project. The purpose of the market analysis is to establish market conditions for business park development in the region and identify trends that may impact demand for Brillion's proposed business park. This was accomplished by conducting a survey of publicly owned business parks in the region, analyzing regional trends in growth of manufacturing and commercial tax base, and identifying industrial location and expansion trends in the region.

SUMMARY AND CONCLUSIONS

There appears to be a strong market for business park property in the region. Within the region served by the I-43 corridor between Sheboygan and Green Bay, approximately 140 acres of public business park land is developed per year. Approximately 781 acres of public business park land is currently available, indicating only a 5.5 year supply. Appleton will be opening South Point Commerce Park in 2003. A recent article in *The Post-Crescent* indicated that only very little industrial park land is available in the Fox Valley. The post-September 11, 2001, economy has definitely slowed industrial growth across the country.

A public business park in Brillion that is selling land for \$2,000 - \$10,000 per acre and offering TIF incentives can expect to sell approximately 4-8 acres per year on average. A 100-acre business park should be approximately 80% built-out in 20 years. The Ariens site will achieve 50% build-out within 10 years while the Quarry site would be 100% built within 7 years.

Most of the newer public business parks in the region use protective covenants or design standards to help provide quality development, protect property values within the park, and ensure that the park continues to be an asset for the community over time. Additionally, newer business parks tend to have much higher levels of amenities than older parks including higher lighting standards, higher levels of landscaping and signage, on-site storm water management, park and green space, sidewalks or bike/walking trails. Mixed-use parks are also increasingly common with restaurants, lodging, business services, and office buildings closely associated with the business park. Although the general market and economic trends show a business park will succeed, site flexibility, phase management, and aggressive marketing will be needed to compete with other sites within the region and state.

BUSINESS PARK SURVEY

A survey of publicly owned business parks in the Brillion region was conducted in early 2001 and updated in the summer of 2002. The region surveyed focused on a region including Appleton, Sheboygan, Manitowoc, Brown, Calumet, Outagamie, and Kewaunee counties. A total of 15 business parks were identified. The following chart summarizes the survey findings:

| Regional Business Park Survey Results | |
|---------------------------------------|--|
| Average Sales Price | \$15,322 per acre |
| Protective Covenants | 9 |
| Used TIF | 11 |
| Average Size | 199 acres |
| Total Acreage in Surveyed Parks | 2,444 acres |
| Available for Development | 781 acres |
| Average Age | 11 years |
| Average Annual Absorption Rate | 12 acres per year (16.6 for I-43 Corridor) |
| Total Regional Rate of Development | 141 acres per year |
| Average Development Site Size | 11 acres (8 in I-43 Corridor) |
| Average Building Size per Acre | 3,268 s.f. – 7.5% site coverage 5,254 s.f. – 12% site coverage in I-43 Corridor |
| Average Tax Base | \$118,000 per acre \$159,000 per acre in I-43 Corridor |
| Average Building Value | \$33 per s.f. \$40 per s.f. in I-43 Corridor |
| Average Employment | 678 employees per park 2,018 in I-43 Corridor |
| Employment per 1,000 s.f. of Building | 1.1 (3.5/acre) 1.8 in I-43 Corridor (9.4/acre) |

Many of the business parks offer financial incentives to prospective tenants. Typical incentives include:

- Land cost write down. The City can sell land at a price that is less than the price the City paid for the land.
- No assessments for utility/streets, etc.
- Site grading allowance. The City can pay for fill, excavation, and site grading.
- Building leases via investor groups. Investor groups can construct a building and lease it to business prospects.
- Direct Business Assistance – A Redevelopment Authority can provide cash grants to businesses.
- Labor Training Assistance.

These incentives are offered via tax increment financing, development corporations, and Community/Redevelopment Authorities.

DEVELOPMENT TRENDS

County Statistical Reports of Property Value were examined to understand growth in manufacturing tax base from 1998 through 2001. This four-year period had an average industrial value annual growth rate of $\pm 2\%$. This indicator is also consistent with the findings of the business park survey.

Manufacturing is concentrated in Green Bay. However, because it is running out of available land for manufacturing and there is a general trend for development to decentralize, it is losing its importance as a location of manufacturing activity. In 1997, Green Bay accounted for over 50% of all manufacturing valuation in Brown County. Four years later, Green Bay accounted for only 45% of all manufacturing value in Brown County.

The distribution of the tax base among the manufacturing, commercial and residential classes has been relatively steady over the past four years for the region and the City of Brillion.

INDUSTRIAL VITALITY

An analysis of Brown County's economy was prepared by The Brandow Company to identify industry trends in business start-up, growth, new branch development, and retention. This information is an indicator of which economic sectors are the most vital for the region and therefore may be potential tenants for a new business park. The information also indicates the general health of the regional economy relative to the nation.

Brown County statistics were utilized because the Brandow study appears to be the most current effort that identifies industry trends.

The most vital economic sectors for start-up survival include:

| Sector | Index (national rate = 1.0) |
|------------------------------------|------------------------------------|
| Wholesale Trade | 1.35 |
| Construction | 1.30 |
| Finance, Insurance and Real Estate | 1.21 |
| Agriculture | 1.19 |
| Manufacturing | 1.13 |

The economic sectors in Brown County with the highest sales growth between 1998 and 2000 include:

| Sector | Index (national rate = 1.0) |
|---------------------------------|------------------------------------|
| Agriculture | 1.72 |
| Finance, Insurance, Real Estate | 1.28 |
| Construction | 1.24 |
| Manufacturing | 1.10 |

The economic sectors in Brown County with the highest employment growth between 1998 and 2000 include:

| Sector | Index (national rate = 1.0) |
|---------------------------------|------------------------------------|
| Services | 1.35 |
| Agriculture | 1.28 |
| Finance, Insurance, Real Estate | 1.18 |
| Manufacturing | 0.99 |

The economic sectors in Brown County with the highest growth in new branch facilities between 1998 and 2000 include:

| Sector | Index (national rate = 1.0) |
|---------------------------------|------------------------------------|
| Services | 1.49 |
| Manufacturing | 1.18 |
| Finance, Insurance, Real Estate | 1.14 |
| Wholesale Trade | 1.13 |

The economic sectors in Brown County with the highest rates of retaining existing businesses between 1998 and 2000 include:

| Sector | Index (national rate = 1.0) |
|---------------------------------|------------------------------------|
| Construction | 1.11 |
| Wholesale Trade | 1.10 |
| Manufacturing | 1.07 |
| Finance, Insurance, Real Estate | 1.06 |

This information further supports the fact that the region has a very healthy economy and that a combination of manufacturing, services and distribution facilities are likely tenants for a business park.

Brillion should capitalize on business linkages with existing major employers in the City. Major employers such as Brillion Iron Works, Ariens, and Endries International. Suppliers and purchasers of goods generated by these businesses can be the catalyst of new business development.