

## STAFF REPORT:

To: ECONOMIC DEVELOPMENT COMMITTEE  
From: DANIEL ERTL, DIRECTOR OF COMMUNITY DEVELOPMENT  
Date: AUGUST 31, 2023  
Topic: Roles and Responsibilities of the EDC and Market Conditions

**I. Background.** This memorandum is intended to identify the potential to expand the duties and responsibilities of the Economic Development Committee (EDC) and if the EDC agrees, forward its recommendation to the Common Council for the Council to amend the City Code accordingly. The action of the EDC would be in the form of a resolution.

Secondly, the report will reference components of the City's Strategic Plan Initiatives that relate to a potential expansion of the EDC's role and responsibilities. Lastly, the report will highlight real estate market conditions affecting Brookfield's main business districts- the Brookfield Square, Executive Drive, Deer Creek business areas - and the associated Bluemound Road Corridor.

**II. Public Policies.** *Council's 2022-24 Strategic Plan.* The Council, in 2022, adopted a 2022-24 Strategic Plan list of initiatives that guides City budgeting and capital improvements and directs City staff activities. Relative to the aforementioned sanitary sewer improvements, the 2023 City Budget book states:

*p. 29----- EDC: Monitor the City's other TIAs to determine what, if any, redevelopment initiatives within those TIAs may be warranted including collaboration with owners of CVS Plaza and other major shopping centers to instill new economic activities in these older centers. Review projects in TIAs where housing options could be approved if such meet City goals and objectives.*

*EDC: Staff will work on developing an approach/schedule to update existing Targeted Investment Area plans, prioritizing the Bluemound Road/I-94 Area, Northwest Gateway, and Brookfield Road and Capitol Drive TIA plans. Prepare a Bluemound Road Corridor Revitalization Plan and updates to the Civic Center Neighborhood Plan including a determination through facilities needs assessment if City surplus parcel located in Civic Center area should be sold for development consistent with the Civic Center plan or retained for future City needs.*

*EDC: Continue to work with Capitol Drive Airport and other area property owners on regional planning efforts to include development focused on objectives identified in the Northwest Gateway Neighborhood Plan. Ensure these planning efforts include coordination with the Capitol Drive Airport and explore measures to jump-start Northbrook Commerce Center (TID 4).*

*EDC: Assist in developing the strategies and outcomes to update Neighborhood Plans with planning staff as scheduled based on prioritization. Complete Market Analyses and other Economic Development related activities for each updated Neighborhood or Revitalization Plan to allow an understanding of how to achieve identified strategies and outcomes.*

p. 31----- EDC: Assist the Mayor in representation of Waukesha County in M7 economic development initiatives with WEDC, WCCG and other partners to promote job creation, investment, and business retention in the City of Brookfield. Coordinate with MEDC in the promotion of the Brookfield Development Loan Fund and other economic development tools. Continue to promote re-use and changes in use for retail buildings in the City where appropriate.

EDC: Continue to assist the Mayor's effort and advocacy for bus rapid transit through participation in Waukesha County Transit Advisory Committee and Conceptual Bus Rapid Transit Study along Bluemound Road to address workforce needs along with Waukesha County and other regional officials. Start planning efforts for a bus stop/transportation hub as redevelopment efforts continue at Brookfield Square.

EDC: Continue to monitor NCG and VISIT Brookfield operation and marketing of BCC while providing reports and recommendations to Common Council regarding potential steps for City to foster job and tax base creation from actions by Economic Development Committee.

p. 32.----- EDC: Continue to work with property owners and brokers along the Bluemound Rd Corridor to Implement Sanitary Sewer improvements in Deer Creek and Brookfield Square basins as needed to accommodate proposed development or redevelopment. Collaborate with Irgens and CBL to redevelop the former Boston Store site at Brookfield Square Mall.

**Staff comment: The current roles and responsibilities of the EDC, as codified, do not fully coincide with all of the above initiatives, as written.**

### III. Market Conditions

The office market has been in a steady decline before and since the impacts of COVID have affected office occupancies. This means that for older office buildings located within the Brookfield Square area, it would be advisable that the City take steps to broaden the available land uses- including water users- to give building owners options for adaptive reuse of their buildings or sites. (Upgrades to sanitary sewers are needed to accommodate water users in the Brookfield Square area). A recent office occupancy analysis study from NAIOP – the commercial real estate development association- states:

“...The COVID-19 public health emergency officially ended in the United States on May 11, 2023, but remote and hybrid work arrangements remain largely in place and continue to negatively affect demand for office space.....”

“.....A recent study by CBRE has found that 80 percent of the total increase in vacancy between the beginning of 2020 and the end of 2022 has been concentrated in only 10 percent of office buildings, suggesting that the functional obsolescence of a relatively small share of buildings is also contributing to higher vacancy rates. Until these buildings are retrofitted, repurposed or demolished, a surplus of obsolete space will likely pose a headwind for the broader office market. High interest rates have slowed office deal volumes and will likely limit the number of retrofit and conversion projects this year” .....

“.....It remains to be seen how an actual recession might reshape the dynamic around hybrid and remote work. In the short term, however, a recession would weaken demand for office space. Weakness in the tech sector, for example, has led to layoffs, further suppressing demand for office space in several metro areas and contributing to an increase in the availability of subleased space, with technology firms now accounting for 23 percent of all sublease availability” .....

“Given these trends, net office space absorption in the remaining three quarters of 2023 is expected to be negative 24.4 million square feet. Moving forward, the forecast projects that net absorption will turn positive in 2024 and will total approximately 30.6 million square feet for the year “.

So, while there is some optimism projected in the longer-term regarding office occupancies once poor buildings are flooded out of the market, there are no certainties in individual submarkets like Brookfield. Depending on the age and composition of office buildings (e.g., possible obsolete floor plates) in submarkets like Brookfield, some submarkets may never fully recover. It may be fool hardy to become only reliant upon low water land uses like office or retail to refill buildings. Buildings in the Brookfield Square and Deer Creek sanitary sewer basins are rather dated and not all are easily adapted to be marketable under new contemporary tenant needs, or at least in a cost effective manner. City staff have heard this from reliable real estate industry sources. Staff suggest Brookfield create land use options for our marketplace to choose from so that Brookfield’s real estate values can be sustained through strong and active occupancy and rental rates from a variety of sources-office, retail, housing, or hotel uses.

Other recent sources: June 2023 Heartland Real Estate Business- page 1:

“Currently the inventory of U.S office space is 5.56 billion square feet....today’s flexible workforce will only require 4.61 billion square feet to accommodate its needs, according to a Cushman & Wakefield report..... The U.S. will end the decade with 1.1 billion square feet of vacant office space.....”

**Staff comment: With regards to the microeconomics associated with Brookfield’s office market, the EDC should be empowered to make recommendations to the Common Council regarding strategies and concepts to sustain and improve microeconomic conditions of this office submarket.**

**IV. A drop in Brookfield Square and Boston Store real estate values.** Per City Assessor Allan Land, there has been a dramatic decrease in the property tax value of Brookfield Square- the mall shops- from a high of \$158m in 2017 to \$26.5m in 2023- an 83% decrease in value that once was the most valuable property in Brookfield and Waukesha County. In addition, the former Boston Store property now has a value of \$5.6m when it once was valued at \$24m. Combined, these properties have had a very significant decrease in value.

The properties located within the Brookfield Square area are not “greenfields” or open lands where it is less costly to build. All sites have existing buildings, parking areas and private infrastructure that may need to be removed, partly altered, or otherwise retrofitted to achieve a new redeveloped future. Those redevelopment costs are true costs just like the cost of steel and building materials and need to be considered before new construction costs can be financed.

The future prospect of these properties returning to earlier, higher values will rely upon the ability for owners to infuse new life into the properties including the flexibility on the part of the City of Brookfield to consider funding infrastructure improvements (e.g. sanitary sewer improvements, streets, etc.) or enter into public-private partnerships or be open to introducing housing or hospitality land uses so as to broaden reuse potential.

**Staff comment: With regards to the microeconomics associated with Brookfield’s retail market, the EDC should be empowered to make recommendations to the Common Council regarding strategies and concepts to sustain and improve microeconomic conditions of this retail submarket.**

**Recommendation from the Director of Community Development.** The EDC needs to assist the Common Council in leading the initiative to sustain and improve market conditions in the retail and office submarkets in Brookfield, including advocating for appropriate development and redevelopment strategies, funding infrastructure improvements and broadening the permissibility of adding housing and hospitality land uses into areas previously devoted to retail or office uses. The intent of EDC

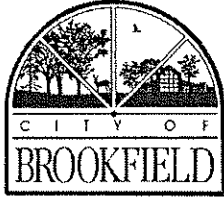
advocacy would be to stimulate positive economic viability of the City's main business districts. Therefore, this is the justification for the EDC to endorse a resolution broadening the EDC's role, as codified, to permit such activities and advocacy.

**Past Actions of the EDC:** Attached are copies of Resolutions adopted by the EDC relative to public policy recommendations.

Advocating for The Flats at Bishops Woods housing development

Advocating for the Wheel and Sprocket project

Opposing a road design alternative proposed by Waukesha County that would adversely impact the Brookfield Conference Center and businesses.



## MINUTES OF AN OFFICIAL MEETING:

**Regular Meeting:** *Economic Development Committee*

**Date and Time:** *Monday, September 11, 2023 at 5:00 pm*

**Location:** *Hilton Garden Inn, 265 S. Moorland Road., Brookfield, WI 53005*

**Members Present:** *Alderman Bob Reddin, Mushir Hassan, Brian Melter*

**Members participating remotely:** *Brian Shecterle, Michelle Bougie*

**Others Present:** *Dan Ertl-Community Development Director, Nancy Justman-President Visit Brookfield, Maek Ostendorf, Visit Brookfield Board member and Carl Allen, Visit Brookfield Board member*

### 1. Roll Call

Alderman Reddin noted a quorum present and called the Economic Development Committee to order at 5:02 pm.

### 2. Announcements

- a. Next regularly scheduled meeting is December 4, 2023 at 5:00 pm.

### 3. Minutes of the June 5, 2023 Economic Development Committee Meeting.

***Motion by Member Brian Melter, second by Member Mushir Hassan to approve the minutes of the June 5, 2023 Economic Development Committee meeting. Motion approved 5-0.***

### 4. New Business

- a. Staff report on the potential need to broaden the purposes of the Economic Development Committee (EDC) and three previous EDC resolutions.

Mr. Ertl summarized his report regarding public policies assigned to the EDC by the Common Council and his conclusion that the EDC's roles and responsibilities as identified in the City Code do not empower the EDC to act upon all of those directives. Secondly, Mr. Ertl identified macro and micro economic conditions of the office and retail markets in Brookfield that need attention and the current codified roles and responsibilities for the EDC do not empower the EDC to make effective and impactful recommendations to the Common Council to address these deteriorating conditions. The precipitous drop in real estate values at Brookfield Square and the former Boston Store were highlighted by the EDC in a lengthy discussion. Members Shecterle and Bougie asked Mr. Ertl what influence the City or EDC can have on those conditions. Mr. Ertl and Chairman Reddin responded that the EDC could help support the Common Council in formulating strategies to address those concerns, but in the end the mal managing partner- CBL- must take steps. Mr. Ertl suggested that the discussion should focus on more than just

Brookfield Square. Chairman Reddin pointed out the three resolutions that the EDC has taken positions on in the past and that some may have been outside the boundaries of the EDC's codified role, but nevertheless were advanced to the Council. Maybe it is better to have the codified EDC roles aligned with the EDC's current needs. No action taken on this item.

- b. Input from members of the Executive Committee of Visit Brookfield Board of Directors regarding the need for redevelopment of properties located in the City of Brookfield, including hospitality and retail-based properties and collaboration with the EDC.

Nancy Justman, Mmark Ostendorf and Carl Allen gave their comments relative to market conditions. Mr. Allen stated that while not directly impacted by the mall's decline, it does limit the amenities that his hotel guests can enjoy. Ms. Justman stated that the City needs to refill the Economic Development full-time position as the community needs full-time support in attracting new businesses. Brookfield is not keeping pace with its peers. No action taken on this item.

- c. Existing and proposed Economic Development Committee duties and responsibilities per the City Code.

Chairman Reddin summarized the existing codified roles of the EDC and the proposed revisions and recommended the new changes. No action taken on this item.

- d. RESOLUTION - PROPOSED Economic Development Committee duties and responsibilities.

A motion was made by member Members Shecterle and seconded by Member Bougie to approve the resolution recommending revisions to the codified role and responsibilities of the EDC. Motion carried 5 Ayes 0 Noes.

## 5. Adjournment

***Motion by Member Hassan, seconded by Member Melter to adjourn the meeting at 5:50pm. Motion carried 5-0 unanimously.***

Respectfully Submitted: September 15, 2023

Daniel Ertl -Director

Municipal Code Section 2.08.020 Committees appointed by mayor. Proposed revisions in italics.

B.6. Economic Development Committee.

a. The economic development committee ("EDC") shall consist of five persons to be appointed by the mayor and confirmed by the common council. The EDC shall be comprised of the following: a member of the common council; a representative of education; a citizen representative; and two business representatives.

b. All members of the EDC shall serve for a term of three years; however, the term on the EDC for the member of the common council shall coincide with his/her term in office so that if he or she ceases to hold his/her office on the common council during his/her term on the EDC, his/her term on the EDC shall thereupon end and a new representative for the balance of the term shall be appointed to the EDC by the mayor and approved by the common council. The mayor shall serve on the EDC in an ex officio capacity. The city director of community development or designee shall attend the EDC meetings, unless excused, to ensure the coordination of the programs of the EDC with that of the physical planning programs.

c. The committee will review and discuss items related to economic development in the city of Brookfield, including, but not limited to, development or redevelopment projects and their progress, the city's tourism entity, the Waukesha County economic development office or agency local-area-clubs-and associations, the regional economic development office or agency, the sections of the Comprehensive Plan and neighborhood plans related to economic development, expansion and retention of businesses in the city of Brookfield, and bringing new business opportunities to the city of Brookfield. The committee may choose to advance recommendations regarding these items to the Common Council for the Council's consideration prior to Council actions on matters related to these items.

d. The committee will conduct initial application or reviews for loans, grants and contracts as available for economic development in the city, unless already authorized by another committee, and will make a recommendation to the appropriate committee(s) based on its review, following the procedures for securing grants as listed in the financial policies of the City.

e. The committee will process requests for industrial revenue bonds pursuant to the Wisconsin Statutes. The committee will assess the general economic and ecological impact of the proposed new industry, the type of manufacturing contemplated, the anticipated number of initial employees, utility needs, waste output, the estimated cost of the new plant, dollar needs, the fiscal soundness of the applicant, the marketability of the bonds, and other pertinent matters. The committee shall make a recommendation to the council with respect thereto.

f. The EDC will review any annual or other reporting upon the performance of the city's tourism entity and forward its reviews to the common council or finance committee.