



MEMORANDUM:

From: COMMUNITY DEVELOPMENT DEPARTMENT

Date: FOR JANUARY 17, 2023 PUBLIC HEARING

Topic: Revised Project – WHEEL & SPROCKET INFORMATIONAL SHEET FOR BACKGROUND

ALL INFORMATION LISTED BELOW IS SUBJECT TO CHANGE AS NEW INFORMATION BECOMES AVAILABLE

1. Existing Building SF vs Proposed New Building SF

Existing Buildings

- Wheel & Sprocket: 18,428 SF
- AAMCO Transmission: 2,233 SF

TOTAL: 20,661 SF

Proposed Building

- Retail: 21,826 SF
- Apartments: 96,314 SF
- Underground Parking: 41,859 SF

TOTAL: 159,999 SF

2. Current Zoning vs Proposed Zoning

Current Zoning: B-1 Local Business District with Modified Suburban Overlay (MSO)

- Permits approx. 18,670 SF commercial/retail with 5 apartment units above 5 commercial tenant spaces
- Building Height: 35-45ft max. (3.5 story building)
- Building & Parking Setback: 25ft
- Building & Parking Offset: 10ft east, 25ft south
- Lot Coverage: 70% (legal non-conforming existing lot coverage is 94.6%)

Proposed Zoning: Planned Development District

- Permit 18,674 SF commercial/retail (above grade) with 75 multifamily residences in a mixed-use building; (previously proposed townhomes replaced with apartments)
- Building Height (principal building): Sixty (60) ft. maximum mixed use building, except for the first one hundred twenty feet (120) feet adjacent to single family residential zoning district where fifty (50) feet is the maximum for mixed-use building

- Building Setback: eighteen (18) feet minimum. (up from 15' Capitol Drive, 10' Lilly Road)
 - Building Offset: thirty-five (35) feet minimum for buildings from East property line, twenty-five (25) feet minimum for buildings from South property line. (up from 25' on East, down from 35' on South)
 - Lot Coverage: Lot coverage: seventy-five (75) percent maximum. (down from 85%) (B-1 allows 70%, 94.6% existing)
 - Landscape Surface Ratio: twenty-five (25) percent. (up from 15%) (B-1 req. 30%, 5.4% existing)
 - Parking Ratios: Two (2) spaces per 1,000 sq. ft. retail/office area; One (1) space per one-bedroom dwelling, Two (2) spaces per two-bedroom dwelling and per three-bedroom dwelling in mixed-use building plus twelve (12) underground visitor parking spaces, with access to available surface parking of forty (40) spaces. (Visitor parking down from 17 underground and 43 surface)
3. Current Tax Value of Property vs Projected Tax Value of Proposed Development
- Existing Property Value (Including Land) for taxation purposes
- Wheel & Sprocket: \$1,936,000
 - AAMCO Transmission: \$582,200
- TOTAL: \$2,518,200**
- Projected Property Value for taxation purposes (subject to change)
- Four-story based project- **\$18,800,000 TOTAL**
4. Wheel & Sprocket's History in Brookfield (*source: Wheel and Sprocket*)

Wheel & Sprocket was founded in 1973, and opened their first Brookfield location in 1985 (37 years in Brookfield). Wheel & Sprocket moved to current location on Capitol Drive in 1994. Connections to the City of Brookfield:

- Host weekly group rides out of the Brookfield store
- Partner with Brookfield elementary and middle schools to run bike rodeos, safety days, etc.
- 5,506 customers live in Brookfield
- 80% of all customers that shop at the Brookfield store live within 11 miles, including Wauwatosa, Milwaukee, Sussex, Pewaukee, Elm Grove, and Menomonee Falls. Wheel & Sprocket believes this makes their Brookfield location a destination.

5. Environmental Remediation
- a. Is the Wheel & Sprocket property considered a "brownfield"?

The U.S. Environmental Protection Agency defines a "brownfield" as a property where the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. In the case

of the Wheel & Sprocket and former gas station properties, the Wisconsin DNR classifies it as “*Closed with Continuing Obligations*”, meaning any redevelopment of the parking lot, sanitary sewer, grading, or footings would re-open the site. Any reasonable continued use of the existing parking lot, even under a no-build scenario, would require construction due to storm water management needs and dilapidated site conditions per the owner/developer.

b. Does the entire site – Aamoco and W&S – have continuing obligations?

The Aamoco site was previously investigated and closed with residual soil and groundwater impacts and, at time is the only property with continuing obligations. The soil and groundwater at the W&S property had not been previously investigated, however, as a result of the recent environmental site investigation activities completed in 2022, impacts to both soil and groundwater were reported on the W&S property. The WDNR has been notified and the owner is responsible for cleaning/restoring the property for the protection of human health and the environment. (Source: Sigma Environmental)

c. Reviewing documents on the DNR website it appears that a portion of the Aamoco property is contaminated and any soil removed must be disposed of as solid waste. Is that correct? The neighboring W&S property or the public right of way of Lilly Road or Capitol Drive are not listed as contaminated. Theoretically, that portion of the site could be redeveloped without additional expense for clean up or the street right-of way could be excavated without additional expense; is that correct?

No. As a result of the recent investigation –contained in an exhaustive November 23, 2022 report by SIGMA filed with the WDNR - the W&S and Aamoco property, all soil within the project site boundary will need to be appropriately managed as they will be disturbed as part of development. In addition, it is likely the street rights-of-way of Lilly Road and Capitol Drive are contaminated. Based on the actual extant of the presence of contamination, some level of additional soil remediation will be needed with regard to excavation for street improvements in the project. (Source: Sigma Environmental, NR 716 Site Investigation/NR 722 Remedial Action Options Report, November 23, 2022)

6. Traffic Impact Analysis (source: *Traffic Analysis and Design Incorporated -TADI*)

The developer hired TADI (a consulting firm) to prepare a traffic impact analysis report of the proposed new development which was requested by WisDOT and the City of Brookfield. TADI investigated the existing traffic conditions and operations of the Lilly Road and Capitol Drive intersection, and the level of traffic and operations that would be generated by the development if completed. The analysis in the report found:

- There are current issues with the level of service of the intersection based on existing traffic conditions
- Current issues would continue under the proposed development scenario with some small additional impacts to the intersection’s level of service
- If the recommended modifications identified in the traffic impact analysis are implemented as part of the proposed development, the intersection would essentially operate with the same level of service as the existing condition

See Exhibit 6-1 (last page) in the Traffic Impact Analysis report for a conceptual drawing of TADI’s recommended intersection modifications for the proposed development. The report has been updated to be concurrent with the revised proposal. Link to traffic study: <https://www.ci.brookfield.wi.us/DocumentCenter/View/19629/Wheel-Sprocket-MXD-Brookfield-Tech-Memo-101722-pg-1-26?bidId=>

WisDOT has accepted the revised Traffic Impact Analysis report and approved the development to proceed with WisDOT’s Permit Process. WisDOT has final authority over the design and implementation of any of the recommended improvements/modifications associated with the proposed development. The City would coordinate with WisDOT in establishing the necessary modifications to be constructed by the developer (City or Waukesha County responsible for right-of-way acquisition) if the proposal advances further. (Source: WisDOT Letter, Nov 9, 2022, by Art Baumann, P.E. Traffic Operations Engineer)

7. Age of the buildings on the proposed development’s properties
 Wheel & Sprocket – Built in 1963 (60years old)
 AAMCO Transmission – Built in 1964 (59 years old)

8. Building Heights

BUILDING/SITE NAME	ADDRESS	HEIGHT (FEET)
Proposed Wheel and Sprocket PDD	13925 W Capitol Dr	58 (Capitol Dr) 48 (along Residential)
Milwaukee Tool HQ	13135 W Lisbon Rd	60
Milwaukee Tool R&D	12930 W Lisbon Rd	46
REI Store	13100 W Capitol Dr	45
Ascension & Children's Westbrook	13950 W Capitol Dr	35
Glenwood Executive Center	15200-15600 W Capitol Dr	32
Lilly Preserve	3115 Lilly Rd	49
Hidden Lake Apartments	3030 Hidden Lake Dr	52
Plaza at Towne Square Condos	19045-19185 Thomson Dr	40
Foxbrook Senior Apartments	18915 Thomson Dr	48
Brookfield Reserve Apartments	405 Bishops Way	55
Ruby Apartments (Former TRU Site)	355 S Moorland Rd	70

North Shore Bank	15700 W Bluemound Rd	73.8
Embassy Suites	1200 S Moorland Road	54
Midway Hotel	1005 S Moorland Rd	76.1
J.C. Penney	95 N Moorland Rd	73.8

9. Development Plans on file at: <https://www.ci.brookfield.wi.us/709/Development-Projects> or hard copy for inspection at Community Development Office, City Hall

10. Environmental Remediation Tax Increment District-ERTID (*source: Gruen Gruen + Associates- Consultant for City of Brookfield*)
 - a. A Gruen Gruen(GG) TID analysis was completed that analyzed if the environmental remediation costs of \$3,524,164 could justifiably be covered through the City creating an Environmental Remediation Tax Increment District (ERTID) and that the project was only feasible with such financial assistance. GG reviewed the real estate development proforma of the Wheel & Sprocket team (W&S) in confidence as the City agent and compared such to what normal commercial development project returns, called Internal Rate of Return (IRR). In all of the City's past similar TIF requests, a normal expected IRR is 15%. Without achieving 15% IRR developers most likely cannot find investment capital to build the project and lenders will balk and project may not proceed.
 - b. W&S has offered to pursue a "Pay As You Go" based TIF where the developer (Heimet) secures the initial financing and are paid back by the new taxes created including their cost of borrowing called interest. This flips the risk from the City incurring debt to W&S. All other City TIFs to date were normal City incurred debt. A development agreement would dictate terms. This proforma is very tight for this project, which, in the opinion of consultants shows the extraordinary costs associated with the redevelopment including environmental remediation. (City costs of \$240,000 for 50% of street improvement costs with an additional contingency cost of \$250,000 for unknown environmental costs, if any, would be financed separately and is not part of the Pay –As _You –Go.)
 - c. GG was asked to analyze for the revised four-story project and the associated proforma for the financing of the construction of the project based upon information provided to GG by W&S.
 - d. Conclusions by GG are that the revised four -story project, with an ERTID support of \$3.5.m, reached a range of 6 % Internal Rate of Return (IRR) over a holding period of 10 years. The IRR increases to 8.4% with a twenty year hold. Environmental remediation costs including land acquisition of the contaminated Aamoco site equals a projected \$3.5m principal before interest.
 - e. Conclusions by GG are that the revised project most likely would not secure private financing without the ERTID support and could not proceed. Even then, the IRR falls below the 15% IRR threshold. W&S nevertheless wishes to proceed based upon their business needs.
 - f. The January 170 public hearing is for zoning only **and not** the ERTID. The ERTID will require a separate process (CDA et al- scheduled for January 24) and a separate public hearing but City staff concluded the elements of ERTID request and justifications should be known at this time. Hence, the City secured the GG report.
 - g. The theory behind an ERTID is that absent some financial assistance, the "brownfield" would not be cleaned up for redevelopment, i.e. a developer/owner would not create the projected new \$18 m in tax value. If there is financial assistance, and the project proceeded, the new real estate taxes generated by the value of the new development- \$18m - would pay for the environmental remediation costs. Current tax payers would not directly pay for the costs as

these taxes do not exist today and would only be created by the project if the project moves forward. At the end of the term of the ERTID the new taxes would accrue to all taxpayers. The only direct City costs at this time would be the \$240,000 to \$490,000 for the City share of street improvements. City staff is suggesting that the City should share in these costs because traffic management concerns currently exist regardless of the project.

11. Remaining Process

- a. Public Hearing, January 17, 2022 in front of the Common Council – No action taken & no discussion on ERTID request (ERTID public hearing scheduled and held separately). Speaking forms will be available at the hearing.
- b. General Plan PDD Recommendation (zoning, development pattern, and lot reconfiguration) by Plan Commission, date TBD – Applicant needs to complete General Plan application and provide all necessary information and documentation to be scheduled for a Plan Commission agenda. Should be scheduled to coordinate with TID public hearing in front of Plan Commission.
- c. General Plan PDD Determination by Common Council after the Plan Commission completes step b. above- typically a week after the Plan Commission.
- d. Dates and agendas of City meetings are available on the City website: <http://www.ci.brookfield.wi.us/>

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