

6

Economic Development

Background

Since the City was incorporated in 1969, Apple Valley has become a major hub of commercial activity in the south metropolitan area. The City is well served by large retailers and smaller niche businesses that bolster community identity and add to the residents' quality of life. Apple Valley was named by Money Magazine as one of the "Best Places to Live" in 2007 and 2008, partially due to the vibrant local economy and amenities. Maintaining a vital economy requires continued investment in economic development strategies. There are 5 areas that need particular attention.

1. Attract large employers and create places to work in areas adjacent to the downtown that counter the out of city commutes and income and jobs data referenced in this chapter. The Metropolitan Region is known as a location for National and Regional headquarters, hospitals and supporting medical offices, and office/manufacturing. Apple Valley is the best location that is ready, and yet to be developed for all of these uses. With places to live, shop, do business and learn, more can be done as a place to work.

2. Unify the downtown. Downtown Apple Valley is unique in its planned development patterns, Ring Route focus, the purposeful design elements, and the four quadrant development emphasis that has occurred at Apple Valley's most important intersection, Cedar Avenue and County Road 42. Responses to increasing traffic and congestion will need to be addressed that further unify, rather than divide this area and prevent unintended grade separation and a freeway like environment. This chapter introduces concepts for future discussion purposes.
3. Improve connections to the region and world. Part of that discussion has to do with connecting Apple Valley to the region and the world in new ways. The primary ways to connect in the future will be through fiber optic and wireless forms of data, voice and video transfer. The other will be the connections to a regional transit way system that begins for the City with the new BRT system connections approved in 2008. This chapter will discuss how these new connections will make the City more profitable and create new value that will retain our competitiveness in the region.
4. Reinvest in Downtown with value-added improvements. Some of the developments that pioneered the compact growth, investment and development of Downtown are now approaching 40 years of age. While a pattern of value decline is not evident, investment is more focused on maintenance and repair, rather than value added improvements. Over time, some of these locations will become obsolete without an economic development strategy. Further, if Apple Valley is to be known as a partner with business, the strategy must have multiple elements that are responsive to the wide variety of challenges and opportunities. This chapter addresses an economic development

strategy where "everything is economic development". This means the City is a partner and guides City vitality through new development, redevelopment and the support offered to existing commercial property.

5. Support new businesses in science, technology engineering and math. To develop an Economic Development vision and focus on the 21st century, the City will need to lead and attract new business investment that advances the themes of science, technology, engineering, and math. The home grown businesses and national retail chains will only be part of the answer to the business community profile of the future.

The following sections of the Chapter discuss the issues, opportunities, goals, policies and strategies in greater detail.

Economic Development Issues

Economic development and redevelopment are not required contents for the Comprehensive Plan. These aspects of community development are, however, critically important for the future of Apple Valley. Through this Comprehensive Plan, the City seeks to create jobs, expand the property tax base and enhance the image of the community. Redevelopment is not an immediate concern for Apple Valley. The public role in redevelopment is likely to become an important issue over the life of this Comprehensive Plan.

This chapter is based on the fact that guiding land use by itself will not address the economic development and redevelopment needs of Apple Valley.

The role of the City is to foster new development and retention of business activity and, through a healthy local

economy, provide employment opportunities and a strong tax base.

The critical economic development issues factors facing Apple Valley include:

- ◆ Property tax base.
- ◆ Jobs.
- ◆ Development potential.
- ◆ Redevelopment.
- ◆ Community image and identity.

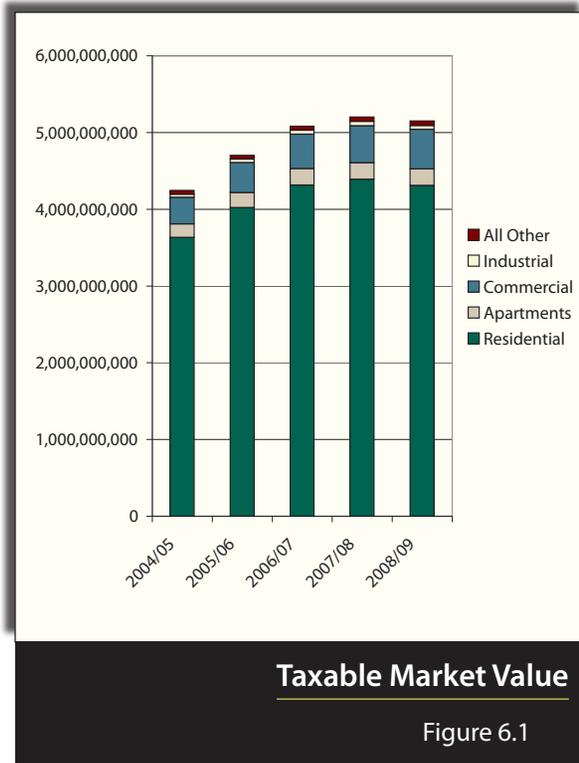
The following section explores each of these issues as they relate to the Comprehensive Plan.

Property Tax Base

Under the current system of local government finance, property taxes are the largest source of revenue. For this reason, the creation of new tax base is an important focus of community development policies.

Components of Property Valuation

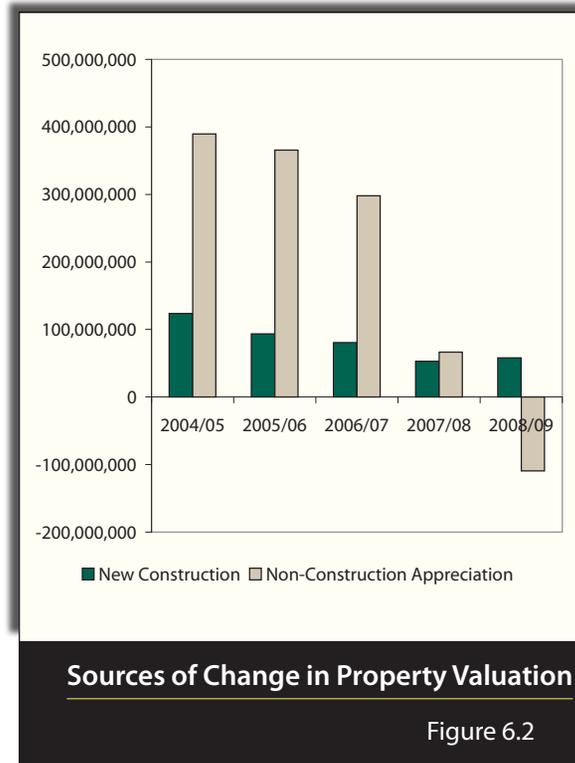
Effective strategies to promote the growth of the tax base require a clear understanding of the property tax system. There are three components of the property tax valuation that influence the amount of property taxes paid. The foundation of the property tax system is Estimated Market Value. This amount is the value of a parcel of property as set by the County Assessor. In some circumstances, the State Legislature limits the amount of Estimated Market Value that can be used for taxation. These adjustments result in the Taxable Market Value. The value used to calculate property taxes is Tax Capacity. Tax Capacity Value is a percentage of Taxable Market Value. The percentage



factors are set by the State Legislature and vary by class of property.

Valuation Trends

Understanding how Apple Valley's tax base has changed in recent years provides useful guidance in planning for the future. The chart in Figure 6.1 shows the components and growth of taxable market value of property in Apple Valley over the past five years. [The years in Figure 6.1 refer to the timing of the property tax system. 2004/05 means the value of property on January 2, 2004 for taxes payable in 2005; reflecting changes that occurred in 2003. Values for 2008/09 are preliminary as of 2/21/08.] This chart illustrates several important points about Apple Valley's property tax base:



- ◆ Housing creates the greatest amount of tax base. For 2008/09, residential property made up 84% of the total taxable value of Apple Valley. Apartments added 4% of total value.
- ◆ The residential share has increased slightly over the past five years. In 2004/05, residential property accounted for 86% of total value. The percent of apartment value was 4%.
- ◆ Industrial property represents less than 1% of all 2008/09 taxable value.
- ◆ Total value grew by 23% over the four years from 2004/05 to 2007/08. Less than one-quarter of this growth came from value added by new construction.

The appreciation of existing properties contributed the bulk of new value.

- ◆ Total value fell by 1% in 2008/09, despite adding \$58 million in value from new construction.

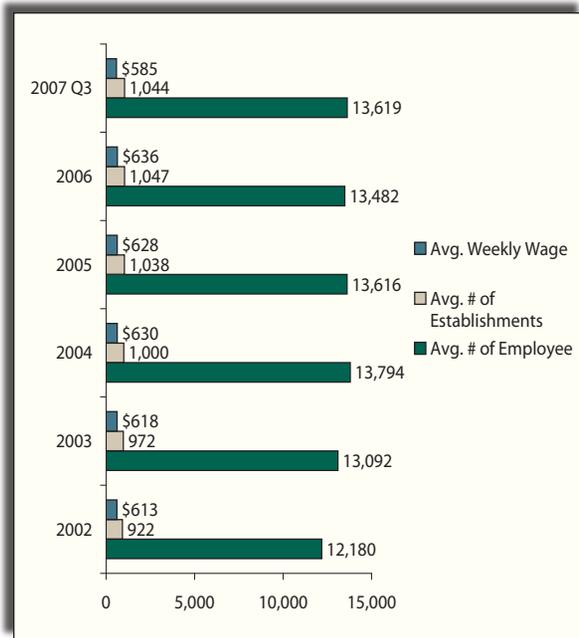
These trends point to the importance of using the Comprehensive Plan to guide the expansion and diversification of the tax base and to promote the maintenance of existing property.

Jobs

The creation and retention of jobs is an important community development objective for Apple Valley. Jobs attract residents to the community. Jobs provide the income needed to support local business and government services. Retention of businesses promote community stability by keeping jobs and residents in Apple Valley.

The Community Context chapter of the Comprehensive Plan makes some important observations about employment in Apple Valley:

- ◆ According to the 2000 Census, only 16% of Apple Valley residents in the labor force worked at places located in Apple Valley.
- ◆ The majority of workers in 2000 (54%) traveled to places of employment outside of Dakota County.
- ◆ The 2000 Census reported 26,221 workers living in Apple Valley, but only 10,720 people working at jobs located in Apple Valley.
- ◆ Sixty-two percent (62%) of jobs from the top fifteen employers were from uses classified as institutional (ISD 196, Dakota County, City of Apple Valley, Minnesota Zoo).

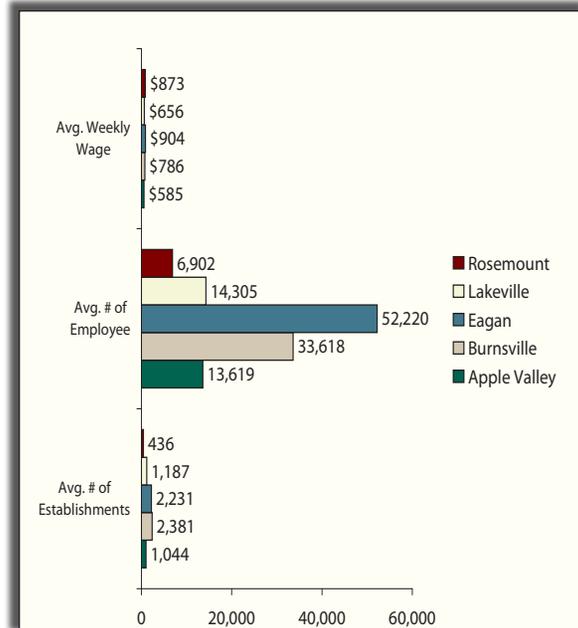


Wage and Employment Trends

Figure 6.3

Another valuable source of employment data comes from the State of Minnesota. The Department of Employment and Economic Development (DEED) conducts and publishes a Quarterly Census of Employment and Wages (QCEW). The QCEW covers all establishments reporting wage and employment to the State under the Unemployment Insurance System. The chart in Figure 6.3 contains employment in Apple Valley in the QCEW. Key employment trends include:

- ♦ The employment base in Apple Valley is growing. The average number of employees increased by 1,439 (12%) from 2002 to the third quarter of 2007.



Wage and Employment Comparisons

Figure 6.4

- ♦ The number of employers has expanded. The number of establishments reporting to the State increased by 122 (13%) during this period.
- ♦ Wages are falling. The average wage reported during this period fell by 5%.

It is interesting to compare Apple Valley with other Dakota County cities. Figure 6.4 compares wages and employment (3rd Quarter 2007) in Apple Valley with four adjacent cities. The most noteworthy aspect of this chart is the disparity in wages. Apple Valley jobs pay the lowest average wages of these five cities.

A key consideration in the planning process is seeking a balance of jobs and housing in Apple Valley. This balance

is both in terms of the number of jobs relative to the number of households, as well as the type of job relative to the planned future land use patterns. The benefits of achieving a balance of jobs to households are many, but most importantly, having jobs within the community and close to housing reduces vehicle miles traveled to work which in turn reduces transportation costs, time spent in traffic and energy consumption. This is an important aspect of being a sustainable community and a healthy community.

Based on 2000 Census data and Metropolitan Council household and employment data, Apple Valley had a ratio of 0.74 jobs for every household in 2000. Research suggests that a targeted standard for jobs-housing ratio is approximately 1.5 (Source: Jobs-Housing Balance: APA Planning Advisory Service Report Number 516 published in 2003). This ratio is based on the assumption that the average number of workers per household is 1.5. However, in metropolitan areas where jobs are more regionally allocated, nearby cities demonstrate a range. Inver Grove Heights is targeting closer to 1. The City of Eagan's 2000 ratio was 1.9 jobs per household. Projecting household and employment growth forward based on the future land use plan and Metropolitan Council projections, Apple Valley's job to household ratio will increase to 0.8 by 2030 with the addition of a job center in the mixed business campus area.

This data supports the Vision for Apple Valley that seeks to create more local jobs and more jobs with wages capable of sustaining a family.

Development Potential

The Community Context chapter refers to two recent studies that project the future demand for commercial and industrial development in Apple Valley. The Apple Valley Office/Industrial Market Potential study completed in November of 2006 by the McComb Group, estimated the long-term potential for 4,000,000 square feet of office, office showroom and office warehouse development.

There are three major policy positions from the McComb Study that require review and discussion:

1. Apple Valley's medical office growth and the addition of a hospital during this Comprehensive Plan is related to the population growth in the retail trade area and the desire of major medical groups to have offices and medical facilities close to their customers.
2. The City wants to create more jobs and become more of a place to work.
3. The City may need to consider leveraging limited financial resources and increasing regulatory flexibility in pursuing job creation and higher value development.

Redevelopment

At the present time, an expanded city role in redevelopment is not a pressing community development issue. The overall building supply is physically sound and economically viable. Redevelopment projects to this point have been market driven. Some examples include:

- ♦ Fischer Market Place (northeast corner of Galaxie Avenue and County Road 42) was developed on a reclaimed gravel mine.



- ♦ The Cobblestone Lake development (northwest corner of County Road 46 and Diamond Path) was developed on a reclaimed gravel mine.
- ♦ The Apple Valley Chrysler site (southwest quadrant of Galaxie Avenue and County Road 42) was replaced with a CVS Pharmacy and M&I Bank.
- ♦ Cedar Marketplace (northeast quadrant of Cedar Avenue and 147th Street) took the place of a nursery.
- ♦ LA Fitness (northwest corner of Galaxie Avenue and 152nd Street) was a former used car sales lot.
- ♦ The Apple Valley Transit Station (northeast corner of Cedar Avenue and 155th Street) was the site of a former large general retail store.

The City continues to support and encourage the redevelopment of under utilized sites. These examples of market driven redevelopment should continue in the coming years as property conditions and market demand create opportunities.

While the Comprehensive Plan does not currently identify areas for redevelopment, a larger city role in redevelopment



can be expected over the life of this Plan. Several factors define the need for city involvement:

- ♦ As buildings age, some will become physically and economically obsolete. If private investment does not correct the problem, these conditions may become blight (vacancies and deferred maintenance) that spreads to other properties.
- ♦ Most previous redevelopment has been on single or small groups of parcels. The City may find the need to consider change to an overall broader area.
- ♦ The market may bypass the area needing redevelopment. With vacant available land, the market has less incentive to correct the problems on developed but blighted parcels. It is easier to develop a greenfield site than a developed site where existing structures and infrastructure may affect how the site may be used.
- ♦ Redevelopment property is often more expensive. Acquisition includes both land and buildings.
- ♦ Redevelopment often requires the assembly of smaller parcels into a larger site. Multiple property owners

with differing interests compound the complexity of land acquisition.

- ◆ Redevelopment sites may have more site preparation costs. Buildings must be demolished and the site cleared before new construction can occur.
- ◆ Redevelopment may face the need and cost of environmental remediation. Old buildings may have asbestos or other hazardous materials that require special treatment. Certain commercial and industrial businesses may have allowed pollutants to enter the soil.

These factors describe the need for and likelihood of greater future city involvement in redevelopment.

Image/Identity

The image and identity of Apple Valley are small but important element of economic development. An identifiable and positive image can help Apple Valley in attracting residents, businesses and visitors. Distinctive signs and entry monuments signal to people that they have entered Apple Valley. Entry markers increase community name recognition, send a welcoming message and offer an indication of community pride. Presently, only traditional city limit signs mark movement from a neighboring city into Apple Valley, and these should be enhanced.

Signage can also be used to identify commercial districts and neighborhoods. Subdivisions and shopping centers frequently use signs to create place recognition. The City uses consistent signage to identify parks and trails. The City has also used corner monuments and enhanced streetscaping to help identify the Ring Route.

The Ring Route shows a recognition of the importance of public actions to create community identity. The distinc-

tive streetscape improvements help to define this part of Downtown. The City will continue to enhance the Ring Route monuments and streetscape and will keep them in scale with the higher density development that is sought for Downtown.

The City has committed to a vision of promoting mixed use development in the Central Village area of Downtown. Further development of the area's image is necessary to help achieve a unique identity for this area.

Investments in image and identity are small pieces in a broader puzzle of attempting to positively distinguish Apple Valley in a competitive environment of attracting businesses and residents. The City will continue to work to create a positive and memorable image of Apple Valley.

Economic Sustainability

Economic development plans and strategies of the City have direct implications for sustainability. Expanding the supply of local jobs increases the ability of people to live and work in Apple Valley. Decreasing the distance between work and home reduces regional travel. Providing a wide range of goods and services also reduces travel by enabling residents to shop locally. Expanding the property tax base provides the City with financial resources needed to invest in services and facilities that enhance Apple Valley's environment.

As Apple Valley ages, there will be greater need to monitor the condition of existing commercial structures and to promote the maintenance, enhancement and operating efficiency of the existing community. By promoting property maintenance and encouraging reinvestment, Apple Valley

hopes to avoid the conditions that create blight and require more complex and expensive city intervention.

Goals and Policies

Economic Development Goals

The following are the goals for the City of Apple Valley relative to economic development:

- ◆ Use the Comprehensive Plan to ensure that Apple Valley has an appropriate mix of development types and an adequate supply of land to secure new business investments consistent with the city's vision.
- ◆ Retain current businesses and assist companies with expansion where appropriate.
- ◆ Attract quality businesses to Apple Valley.
- ◆ Establish and maintain the infrastructure system (transportation, utilities and telecommunications) to meet the needs of current businesses and facilitate future growth.
- ◆ Work to maintain a labor force in the immediate areas that supports the growth of business and industry.
- ◆ Encourage a balanced supply of housing opportunities ranging from high-end housing for corporate executives to affordable rental apartments for those just starting out. This will help to, attract new industry to the community.
- ◆ Build strong working relationships with the Apple Valley Chamber of Commerce, Dakota County Community Development Agency, Dakota Future and other entities with shared interest in economic development and redevelopment.

- ◆ Work with property owners to address unique development challenges including the maintenance, revitalization and redevelopment of existing buildings.
- ◆ Take advantage of opportunities to use public improvements and private development to enhance the image and identity of Apple Valley.
- ◆ Foster private investment and economic activity without compromising community objectives to maintain and enhance Apple Valley's environment.

Economic Development Policies

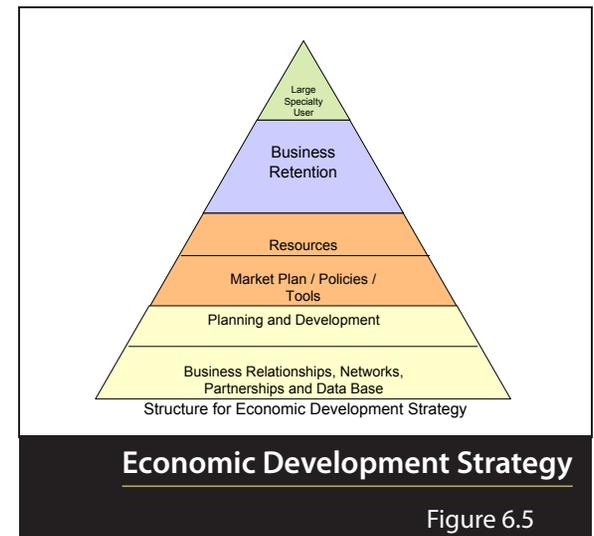
The City seeks to achieve its economic development goals through application of the following policies:

- ◆ Actively investigate and pursue opportunities to attract a hospital and other medical and health care businesses to Apple Valley.
- ◆ Actively investigate and pursue opportunities to attract businesses that create jobs with incomes that can sustain a family. In addition, attract businesses that will bring high quality development, expansion of the property tax base and will fit into the overall market desires and land use plans of Apple Valley.
- ◆ Periodically review and amend if necessary the Comprehensive Plan to ensure an adequate allocation of land resources are planned for employment producing development and that those designations can be supported by the marketplace.
- ◆ Encourage and facilitate infill commercial, industrial and retail development on remaining vacant parcels to ensure maximum efficiency of land use.

- ◆ Encourage and facilitate redevelopment of underutilized or distressed properties into viable commercial, industrial and retail developments by working with property owners and interested developers.
- ◆ Create a medical campus district to encourage and facilitate development of medically related uses in certain geographic areas.
- ◆ Work with local businesses and industry to ensure needs for expansion and development are adequately met and maintain an open line of communication with the business community.
- ◆ Work with local businesses, Dakota County and Minnesota Valley Transit Authority to provide transit services that support the economic development goals of Apple Valley.
- ◆ Encourage and promote the development of advanced, state of the art telecommunication technology to and within Apple Valley.
- ◆ Work with service providers to ensure adequate supplies and reliable distribution systems for electricity and natural gas.
- ◆ Pursue ways to streamline the development approval process, while still maintaining high quality development standards.
- ◆ Review new and innovative economic development incentives for application in Apple Valley.

Economic Development Strategies

A more detailed discussion of the five near term economic development challenges for Apple Valley follows. See Figure 6.5 for the overall structure of the Economic Development

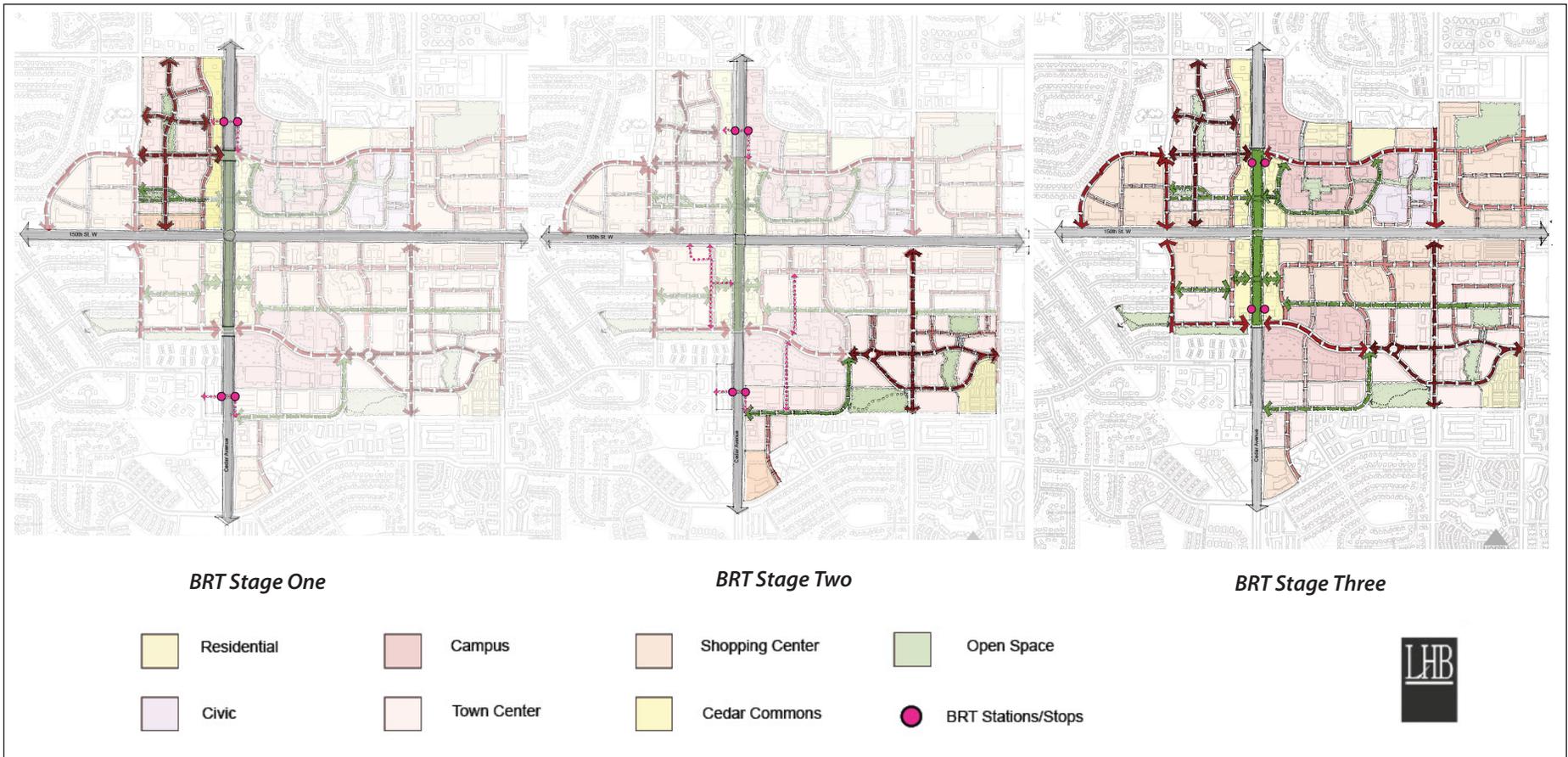


ment Strategy; representing both the highest achievements sought and the foundational work that is needed to succeed. To summarize, the strategy is to:

- ◆ Create jobs.
- ◆ Retain jobs.
- ◆ Support jobs.
- ◆ Develop and review plans that result in development.
- ◆ Expand and develop new business relationships, networks and partnerships.

1) ***Attract large employers primarily in the designated Mixed Business Campus area.***

There is an estimated 270 acres in the designated Mixed Business Campus Area that is presently designated with an interim use of Sand and Gravel Mining. Upon reclamation of this area for development, with consideration



Stages of BRT in Cedar Avenue Corridor
Figure 6.6

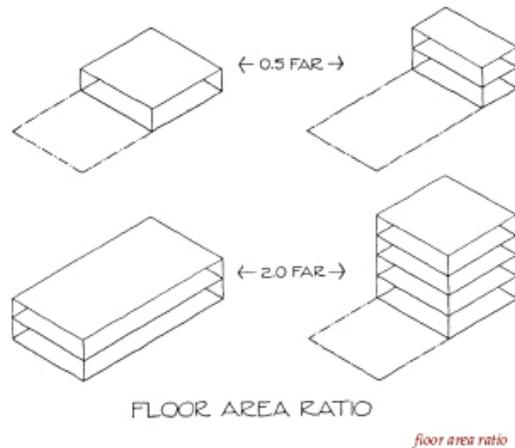
for ponding, parks and right-of-way, approximately 210 acres are available for Mixed Business Campus. Based on historical development within the Metropolitan Area, it is suggested that approximately 170 acres be focused on Mixed Business Campus development and 40 acres be considered for a hospital and medical office area. Further modeling of land use approaches suggests there can also be medium to high density housing for up to 40 acres of

available land, reducing the 170 acres to approximately 130 acres. The intensity of development will be further evaluated in cooperation with the land owner. Some guiding principles that will be discussed, reviewed and considered during the period of this Comprehensive Plan, and when establishing zoning requirements, include:

- ♦ A measure of floor-to-area (FAR) ratio. More intensive land uses place a higher amount of square footage,

typically in multi-level buildings, on a given acreage. If a portion of the business area proceeds as residential, then a desired FAR ratio, and job creation, does not diminish. With the land area available, a FAR ratio of .5 to .6 is a desirable intensity being observed for the first time in the Apple Valley marketplace. There is an interest in replicating that intensity. The marketplace readily builds at a FAR of .25 to .30. To do more may

The floor area ratio, or FAR, is a measurement of the building density upon a given parcel of land. It is the ratio of the gross floor area of the building (s) to the gross area of the lot on which the building(s) is located. Illustration Source: APA PAS S21/S22



require the consideration of financial incentives and regulatory flexibility.

- ◆ A measure of employees/sq.ft of building. The Metropolitan Council, in the system statement for Apple Valley, projects 5,200 additional jobs between 2010 and 2030. Given a 2007 employment level of 13,600, the actual number of jobs needed to achieve the forecast is closer to 8,400. This forecast may prove to be an underestimate of both need and opportunity. The Mixed Business Campus area and the greater Downtown area are the most likely locations for job growth to occur. It is estimated that the Mixed Business Campus yields about 75 percent of the growth in jobs. Upon completion of the Mixed Business Campus, about 25 percent of all jobs in the city would be located in that area.

2) **Unify and redevelop in the Downtown area, using Cedar Avenue and County Road 42 road and transit system improvements as a trigger.**

The City authorized a study of transit oriented development (TOD) along Cedar Avenue in 2008, which is currently under review. In the draft report, the consultants introduce the concept of 20 years of evolutionary change driven by the marketplace and the need for congestion management in the Downtown area. The draft report offers changing land uses, including both public and private changes and new desirable building types and character. See Figure 6.6 for images of change:

- ◆ In stage one, the 2009/2010 Cedar Avenue improvements and additions to a Bus Rapid Transit service begin to offer express, rapid, a hybrid of the two types of services, and east west connection points along Cedar Avenue. The addition of these services is followed by redevelopment of land uses in the north west quadrant of Cedar Avenue and County Road 42.
- ◆ In stage two, projected up to 2020, the success, greater intensity of development and new vitality, influences the remaining quadrants of Cedar Avenue and County Road 42.
- ◆ In stage three, by 2030, a very short segment of Cedar Avenue is depressed at County Road 42, a “lid” is added, and within a quarter mile of that intersection, the four quadrants of the Downtown are connected with an at-grade “Cedar Green”. Adjacent land uses continue to intensify around a central grand public space first visualized in the Commercial Area Planning Study in 1987.

3) **Connect Apple Valley to the region in new ways; using advances in communication, technology and transit.**

The City has long monitored the evolution of internet services in communities within and outside of Dakota County. There are multiple approaches based on the hard wire services of the past and present and the wi-fi, wi-max, and fiber optic services of the future. A discussion of this topic 10 years ago would have underestimated future systems already realized. The same will be true in the future, to 2030. The advantage for the City is to utilize all three in combination to meet user needs for the transfer of voice, video and data. As development and redevelopment occur, it will be important to integrate the most cost effective and efficient systems available to remain competitive.

The Metropolitan Council’s 2030 transitway system envisions the Cedar Corridor and Apple Valley as a critical south to north and north to south route; connecting to the region. The opportunities for the City resulting from the upcoming implementation of bus rapid transit (BRT) continue to be evaluated.

A review of land uses within one-half mile of the Cedar Corridor indicates:

- ◆ There are over 6,000 housing units and an estimated 17,000 people living nearby.
- ◆ There are over 170 commercial parcels with an estimated value in excess of \$500,000,000.
- ◆ The City places a high priority on a strong, vital Downtown. Transit improvement must be proven to be value added.

The strategy that will make transit a success requires:

- ◆ Good system design; the best ridership in the worst weather and the safest crossing of Cedar Avenue for pedestrians.
- ◆ Getting people where they want to go.
- ◆ Moving people quickly.
- ◆ Having it be an experience people want to repeat.
- ◆ Routes that shape adjacent growth and investment.
- ◆ The ability to add to the systems with connecting routes and networks; a mix of express, rapid and local services.

4) *The City will act as a partner; to guide vitality through new development, redevelopment and support to existing commercial property.*

For several years, the City has prioritized positive relationship building with businesses and the selectively used financial loan products, tax increment and revenue bond resources to support new development. This will continue and intensify as the competition for land uses, the need to close financial gaps in redevelopment, and preferred users increasingly becomes important.

The types of economic development strategies include:

- ◆ Financial incentives such as grants and loans, often in partnership with other agencies such as the State of Minnesota, regional investment funds, and the Dakota County Community Development Agency.
- ◆ Continue the working relationship with the Apple Valley Chamber of Commerce.
- ◆ Provide support to small businesses, entrepreneurs, and new entrants in the marketplace with the creation

of business plans and marketing plans. Initiatives by Dakota County Community Technical College and the Metropolitan Consortium of Community Developers are examples of supporting partners along with the City.

- ◆ Financial support tied to job creation. The role of tax increment financing (TIF) may help to support land assembly, infrastructure installation (including structured parking), and higher intensity development.

5) *To be forward thinking in the attraction of businesses focused on science, technology, engineering and math (STEM); providing a well educated and compensated workforce.*

The Federal Americans Competitiveness and Workforce Improvement Act of 1998 established STEM as the 21st century response to competitiveness. The National Science Foundation (NSF) encouraged academic institutions in the United States to increase the number of students nationwide that receive degrees in science, technology, engineering and mathematics.

Taking this initiative to the local level requires the City to play a role in and answer the questions to:

- ◆ Where will these graduates work?
- ◆ Where will these graduates live?

Apple Valley offers the land resources and the cooperation with local owners to locate new and expanding business opportunity. Further, Apple Valley is already highly educated and offers the places to live, shop, learn and recreate.