

CHAPTER 9

ECONOMIC DEVELOPMENT ELEMENT

For the past decade, the City of Farmington has been experiencing a period of substantial residential growth. Growth in the residential sector has created a need for increased activity in the commercial and industrial aspects of development in order to achieve a more balanced community. Recognizing the value of developing strategies to create this balance, the City's Economic Development Authority (EDA) has undergone a strategic planning and visioning process.

Over the course of several months, the EDA, City staff and community members met to discuss future economic growth and to identify the areas of emphasis that would most benefit the City as a whole. The economic development priorities identified will become the basis for creation of strategies and action plans to proactively work toward the overall goal of more balanced commercial and industrial growth.

Three primary areas of focus were identified and prioritized; they are as follows:

- 1. Downtown Development and Redevelopment**
- 2. Industrial Development**
- 3. Commercial Development Outside of the Downtown Area**

Several other areas were identified that will be pursued but not emphasized as priorities:

1. Redevelopment of blighted properties and a continued focus on improving the aesthetics of aging properties.
2. Focus on the Vermillion River. The Vermillion River is recognized as an underutilized asset of the community. New restrictions on building near the river have created challenges that require the City to scale back expectations and resources for economic development efforts. There are however, areas of continued interest in economic development applications:
 - Expand Third Street plan to Vermillion River
 - Tie river theme into downtown streetscape plan
 - Pedestrian and bike trails linked to picnic areas
 - Encourage events that tie downtown to the river
3. Provide Linkage between the Second Street entrance into Dakota Village and Downtown's Third Street Business District.
4. Tourism development.

GOALS AND POLICIES

Policies

The following goals and strategies will be the top priorities with regard to concentration of time, energy and resources. With priorities established, activities can be structured to support the overall economic development vision of more balanced commercial and industrial growth.

Policy 1: Downtown Development and Redevelopment

The boundary of the downtown area has been discussed many times and remains a point of confusion. A clear delineation of downtown is an essential first step in defining and planning the next steps of development including promotion of infill development and the expansion of the commercial core. It is the desire of the City to have standards in place to coincide with the development and redevelopment of downtown.

Strategies to achieve the policy:

a) Establish a Clear Downtown Boundary

Action Steps:

1. Perform a SWOT analysis of existing and potential communication links within the community.

Implementation

- a. Staff will identify potential stakeholders and resources that may be helpful in disseminating information and recruiting involvement in the process of delineating a clear boundary for the downtown.

2. Design and Implement a Public Information Campaign

Implementation

- a. Staff will develop promotional materials to be distributed to members of the City Council and Commissions, the School District, the Chambers of Commerce and residents.
- b. A survey will be distributed to residents to obtain feedback.
- c. Joint meetings will be held with the City Council and the Planning Commission, Economic Development Authority and Historic Preservation Commission.
- d. Public meetings for residents will be organized to facilitate discussion regarding the delineation of downtown.
- e. The data obtained from the aforementioned meetings will be reviewed and a boundary for downtown will be created.
- f. A map showing the resulting boundary will be created and upon EDA approval, will be disseminated to the community.

b) Design Standards

Action steps:

1. Identification of the primary group to lead the creation of design standards will need to take place.

Implementation

- a. Staff will meet with the members of the Planning Commission and Historic Preservation Commission to determine which group will lead the process of creating design standards for the downtown.
- b. Develop preliminary design standards.
The following elements will be addressed:
 - Types of materials
 - Bulk requirements
 - Height
 - Signs
 - Streetscape
 - Landscaping
 - Green Space
 - Lighting
 - Image
 - Complimentary architectural elements
 - Walk-able and pedestrian oriented
- c. Review preliminary design standards with the public and receive input.
- d. Develop final draft and adopt supporting ordinance.
- e. Make design standards public and promote.

c) Promote Infill Development

Action Steps

1. Downtown Outreach Program

Implementation

The program would include business visits by City staff members or small committee which might include: City Staff, a City Council Member, an EDA Member and/or Administration. An important aspect of the program will be follow-up on concerns or questions raised at business visits and creation of a database to compile visit information and results.

2. Promotion of infill in the downtown area that includes business activities that are complimentary to the unique atmosphere of the historic downtown.

Implementation

Through information compiled from the Market Study and the Downtown Outreach Program, the types of businesses to be targeted will be identified and may include the following:

- Professional offices
- Entertainment and arts
- Craft and antique
- Boutiques
- Specialty shops

3. Parks and Public Spaces

Implementation

Staff will work in conjunction with the Park and Recreation Advisory Commission to identify opportunities for park and green space in the downtown area.

4. Identify Incentives

Implementation

Possible incentive programs and options will be investigated and developed based on input from the City Council and EDA. Staff will research available grant and loan funding.

5. Land Assembly Strategy

There will be ongoing attention to the possibility of land assembly. Potential reasons to assemble land include but are not limited to:

- Prices that are unusually favorable
- The ability to capture opportunities that arise
- To accommodate the desired development patterns as outlined by the Comprehensive Plan.

6. Develop and implement a communications plan.

Policy 2: Industrial Development

The goal of promoting industrial development is to encourage the expansion of the tax base and job creation to enhance the well being of the community. The following steps will be undertaken to promote development.

Strategies to achieve the policy:

- a) Build, execute, and maintain a business retention program.

Action steps

1. Visit each business on an ongoing basis dependent on their individual needs. Partnerships with the City Council, EDA, Administration, DEED, the Chambers of Commerce and Legislators may be utilized to benefit the program. The following steps will be included in the program.
 - a. Identification of the questions and discussion topics for the visits
 - b. Identify list of businesses
 - c. Data review
 - d. Follow-up
 - e. Ongoing visits
- b) Promote the availability, use, and sale of industrial property
 - Action steps
 1. Develop inventory and contact list
 2. Identify desired businesses
 3. Determine if land assembly is appropriate
 4. Rezone property to comply with Comprehensive Plan
 5. Develop promotional materials for desired business types
 6. Create marketing packet for inquiries
- c) Advocating with stakeholders
- d) Enforcing building standards
- e) Establishment of incubator buildings and/or inventory of vacant buildings for start-ups
- f) Extend Light-Industrial Areas of the City

Policy 3: Commercial Development Outside of Downtown Area

Support and promotion of commercial development throughout the City of Farmington will continue to be a priority. The commercial development outside of the downtown area includes neighborhood commercial nodes, and those along major thoroughfares. Those areas will be supported by the following strategies.

Strategies to achieve the policy:

- a) Promote the availability, use, and sale of commercial property and buildings.
 - Action steps
 1. Zone commercial property to influence development patterns
 2. Determine if incentives will be used to promote this type of development
 3. Market to desired business types and brokers
 4. Develop design standards (PUD)
 5. Land assembly/Identify priority locations
 6. Infrastructure

b) Build, execute, and maintain a business retention program.

Action steps

1. Visit each business on an ongoing basis dependent upon their individual needs. Partnerships with the City Council, EDA, Administration, DEED, the Chambers of Commerce and Legislators may be utilized to benefit the program. The following steps will be included in the program.
 - a. Identification of the questions and discussion topics for the visits
 - b. Identify list of businesses
 - c. Data review
 - d. Follow-up
 - e. Ongoing visits

MARKET STUDY

To better determine the future demand for commercial and industrial space, the Economic Development Authority and the Farmington City Council hired two consulting firms to conduct a commercial and industrial market study in mid 2007. The two firms, Maus Group and McComb Group, Ltd. worked together to conduct research and analysis of past trends and future growth projections for development in the Farmington trade area. The results of the study were used in the City of Farmington's Comprehensive Plan Update as well as to provide additional guidance in the creation of work plans for the City's Economic Development Staff as identified in the Economic Development Chapter of the 2030 Comprehensive Plan. The *Summary of Findings and Development Strategy* that follow provide insights into development potential, space absorption and strategies that serve as a guide for future development activities.

SUMMARY OF FINDINGS AND DEVELOPMENT STRATEGY
(Prepared by Maus Group / McComb Group Ltd.)

Farmington is updating its comprehensive plan to accommodate additional residential, retail and business development. New development will capitalize on previous Farmington investments including development and successful marketing of the Farmington Industrial Park and creation of the Spruce Street Commercial Area. The decision to relocate City Hall in Downtown retains an important destination in downtown.

Development Potential

Future development potential for retail, services and business park establishments through 2030 are summarized in Table i. Acres of land needed for this development is also shown for each type of development.

Table i					
ESTIMATED INCREASED RETAIL, SERVICE AND BUSINESS PARK SPACE AND LAND; 2010 TO 2030					
Category	Square Feet			Land	
	Demand	Contingency	Total	(Acres)	
Retail					
Retail Stores	341,000	500,000	841,000	84	
Services	299,000	50,000	349,000	35	
Medical	100,000	50,000	150,000	15	
Other	100,000		100,000	10	
Subtotal	840,000	600,000	1,440,000	144	
Business Park					
Office Warehouse/Industrial	1,675,000	420,000	2,095,000	175	
Commercial Office	400,000	100,000	500,000	50	
Office Showroom	180,000	45,000	225,000	19	
Bulk Warehouse	590,000	150,000	740,000	62	
Subtotal	2,845,000	715,000	3,560,000	306	
Total	3,685,000	1,315,000	5,000,000	450	
Source: McComb Group, Ltd.					

Farmington currently has about 640,000 square feet of retail stores, services and medical offices. Retail stores total about 223,000 square feet and services total about 240,000 square feet. Medical offices currently occupy about 64,000 square feet. There's an additional 133,500 square feet of space that could not be identified as clearly retail stores or services and is identified as other.

Additional retail space demand by 2030 is estimated at 840,000 square feet. A contingency of 600,000 square feet is provided to accommodate unforeseen retail development. This contingency has been allocated to each retail category. The contingency is provided to ensure that Farmington will have retail space in the period beyond 2030. Most of this contingency, 500,000 square feet, has been allocated to retail since this is the category which accounts for the big box stores (i.e. SuperTarget, Wal-Mart Superstore, Home Depot, Menards, etc.). Land area estimated to accommodate this retail development is estimated at 144 acres excluding water retention and streets. Existing business park type buildings total over 1.1 million square feet.

Office warehouse/industrial is the largest category with 809,500 square feet and bulk warehouse totals 195,600 square feet. The Farmington Industrial Park is responsible for much of the industrial development in Farmington.

Business park space demand is estimated at over 2.8 million square feet with office warehouse/industrial accounting for about 60 percent of the estimated demand. Commercial office is estimated at 400,000 square feet and bulk warehouse accounts for 590,000 square feet. Office showroom is a relatively small category estimated at 180,000 square feet. A contingency of 25 percent (715,000 square feet) has been provided for two reasons: 1) Farmington’s growth will not end in 2030; and 2) the contingency space will provide for the possibility that demand for business park space exceeds the baseline estimates. Land necessary to support business park demand is estimated at 306 acres excluding water retention and streets.

Space Absorption

Estimated demand for retail and business park space increases steadily over the 23-year analysis period with the largest increase in the 2025 to 2030 period, as shown in Table ii. This is due to the growing metropolitan economy, Farmington’s growth, and reduced supply of competitive sites in other communities.

Table ii						
ESTIMATED INCREASED RETAIL, SERVICE AND BUSINESS PARK SPACE						
AND LAND; 2010 TO 2030						
(In Thousands of Square Feet)						
Category	Cumulative Increase					2030
	2010	2015	2020	2025	2030	
Retail						
Retail Stores	15	82	202	262	341	
Services	14	61	113	192	299	
Medical	6	19	38	65	100	
Other	6	19	38	65	100	
Subtotal	41	181	391	584	840	
Contingency	31	115	229	386	600	
Total	72	296	620	970	1,440	
Business Park						
Office Warehouse/Industrial	138	367	683	1,115	1,675	
Commercial Office	20	76	146	252	400	
Office Showroom	4	27	66	115	180	
Bulk Warehouse	30	96	201	359	590	
Subtotal	192	566	1,096	1,841	2,845	
Contingency	48	142	274	460	711	
Total	240	708	1,370	2,301	3,556	
Land (acres)						
Retail	8	30	62	97	144	
Business Park	21	63	119	198	306	
Total	29	93	181	295	450	
Source: McComb Group, Ltd.						

Estimated demand for retail, service and medical offices accelerates to an additional 840,000 square feet by 2030. The largest increase in space occurs in the later years of the analysis period. The estimated increase between 2010 and 2015 is 140,000 square feet, which increases to 210,000 square feet in 2020. The estimated increase in demand is 193,000 square feet in 2025 with a further increase of 256,000 square feet by 2030. For purposes of preparing absorption estimates, the contingency was allocated to each five-year period beginning with 31,000 square feet in 2010.

Land needed to support the above retail demand is contained at the bottom of Table ii. One acre of land will support about 10,000 square feet of gross leasable area, excluding land for water retention. This indicates demand for about 84 acres. Adding 60 acres for the 600,000 square foot contingency brings total additional land area to 144 acres by 2030.

Estimated business park demand by five-year period is contained in the lower portion of Table ii by building type. These are baseline forecasts and do not take into consideration the current economic environment that may restrain development of business park properties. The total additional business park space by 2010 is estimated at 240,000 square feet. For 2015, the estimated demand increases to 708,000 square feet, an increase of 468,000 square feet for the five-year period from 2010 to 2015. Baseline demand in 2020 is estimated at 1,370,000 square feet, an increase of 662,000 square feet from 2015. This table demonstrates that space demand increases with the largest space demand is estimated for the period 2020 to 2025 (931,000 square feet) and 2025 to 2030 (1,255,000 square feet).

Retail Development Strategy

Growing population and households in Farmington's trade area will provide support for a growing number of retailers over the next 23 years. Retail potential is focused primarily in convenience goods, food service, services and medical, or those business establishments that are generally patronized by customers that live near the business establishment. Demand for shopping goods, which include apparel and accessories, electronics, home furnishings, and other specialty stores, have more limited potential because the Farmington trade area does not have enough households to support most of these types of businesses.

Significant retail development occurs around anchor stores that attract customer traffic. Examples of anchor stores include supermarkets, drug stores, discount stores, superstores, department stores, and home centers. Retailers and services attracted by anchor stores differ by type of store. Supermarkets and drug stores attract convenience retailers, liquor, florists, fast food and personal services. Discount stores and superstores attract many of the same convenience stores and services and a limited number of shopping goods stores. Department stores attract shopping goods retailers, fast food, and restaurants. Home centers and other destination stores, such as furniture, appeal to a smaller group of retail stores as a draw. New anchor stores, because of their size (55,000 to 200,000 square feet), will be most likely to locate in the Spruce Street Commercial Area. How and when this occurs will affect downtown business establishments.

Supportable square footage analysis indicates that Farmington will be able to support an additional supermarket. The timing of this new supermarket is important to Downtown Farmington. Farmington's trade area should be able to support two supermarkets sometime around 2015. This supermarket is likely to locate in the Spruce Street Commercial Area. If a new supermarket is constructed before the trade area can support two stores, it's possible that Econofoods could be forced out of business in a scenario similar to that which occurred in Rosemount when Knowlan's opened causing the downtown supermarket to close. Subsequently, Cub opened a store and Knowlan's closed. Customer traffic to other stores in Downtown Farmington would suffer if Econofoods were to close.

Analysis in this report demonstrates support for a discount superstore in about 2015 to 2020. A superstore would reduce market share and sales for any supermarkets operating in Farmington. Due to its smaller size, Econofoods could be most vulnerable.

Notwithstanding the timing for supermarket or superstore development contained in this report, major anchor stores are concerned about market share and the development activities of their competitors. This can cause a retailer to build a store before a market can fully support the store to prevent a competitor from locating in the market. As a result, an anchor store could choose to locate in Farmington to prevent a competitor from opening a store in the area. The timing of these types of development decisions is unpredictable, but do have ramifications for Farmington.

Farmington's comprehensive plan emphasizes maintaining Downtown as a major retail area and also provides for retail expansion into the Spruce Street Commercial Area. Current drafts of the 2030 comprehensive plan identify new retail areas north of TH-3 at 195th Street, and on Flagstaff south of 195th Street. These should be convenience shopping areas. A convenience shopping area could also be planned at CSAH 50 and Flagstaff. These convenience shopping areas should be five to ten acres in size and designed to accommodate the types of uses found at Marketplace and Charleswood.

Downtown Farmington is the area's dominate retail location due to its historic base of retail stores and services. It is important to improve Downtown's attractiveness to retailer stores and services.

Retail potential in Downtown Farmington can be strengthened by locating new businesses that serve as major customer draws in the downtown area. This is similar to the city's decision to build its new City Hall in Downtown.

To encourage retail development in Downtown Farmington, the city could consider establishing a retail incubator to attract new retail stores to Farmington at affordable occupancy costs. The key to maintaining the vitality of Downtown Farmington is to have a growing number and diverse mix of attractive retail stores, restaurants and services that can meet the needs of trade area residents and visitors.

Building owners and retailers in Farmington's older retail areas (Downtown and Highway 3) should be encouraged to update and modernize their space to present a more contemporary appearance. This includes updating storefronts and interior finishes and fixtures. Downtown

retailers should seek to be comparable to their competitors on Pilot Knob and in Apple Valley, Lakeville and Rosemount. Most national and regional retail chains have refurbishment schedules of seven to ten years.

Over the next 25 years, some of Farmington's existing retail buildings are likely to be redeveloped to accommodate expansion of existing retailers or new retailers choosing to locate in these areas. The City of Farmington should encourage these redevelopment activities and should establish programs to enable redevelopment to be economically feasible.

Business Park Development Strategy

Since 1990, about 450,000 square feet of business park space has been developed in Farmington. Industrial Park tenants indicated they located in Farmington due to the availability of affordable land and friendly business climate. Farmington should capitalize on this "good will" in its business development activities. This will help to mitigate development industry misconceptions of Farmington identified in broker interviews. A strategy that will help Farmington achieve a balanced growth would include the following:

- ◆ Land use policy that promotes a balanced growth that includes a mix of office and industrial users to help support Farmington's tax base and minimize the real estate tax on homeowners.
- ◆ Target industries that are not heavily dependent on transportation. Because Farmington is not on a primary transportation corridor like I-35, industries that depend on a road network to receive and ship large quantities of raw materials and finished goods will find Farmington less accessible than other locations.
- ◆ Building values tend to reflect the wages and talent of the people working inside. It is important to create jobs that enable employees to live within the community. These employees are likely to have higher disposable income to support local businesses. This will reduce traffic congestion created by commuters that leave the community to find employment.
- ◆ Development covenants for the industrial park will be important to ensuring that higher value real estate is developed. However, some communities create covenants that are overly restrictive and complex, which will often discourage industry from locating in their area. Covenants that are extensive and detailed are not necessary and can suggest an unfriendly local business climate.
- ◆ Focus on the creation of wealth rather than the number of jobs created. High value investment will create jobs for highly paid skilled workers to operate the facility. High value investment tends to create a sense of permanence. Light assembly and warehouse tenants and owners are fairly mobile. The spaces they occupy are flexible and commodity real estate that is easily adaptable for new users. High value investment often includes expensive equipment that is very difficult and costly to move and often requires customized buildings.

- ◆ The area to the west of the Industrial Park should be guided business park and sized to accommodate projected demand in this report.
- ◆ It is very important to control the cost of land to promote business park development. In order to minimize up front acquisition and infrastructure cost, the EDA should investigate several scenarios to control land and cost. These include:
 - This could be as simple as acquiring a renewable option on the proposed business park property. Option money is not subjected to ordinary income tax until the option is exercised. Therefore, a land owner could continue to farm the land and collect option money not immediately subject to income tax.
 - The EDA could enter into a purchase agreement with a land owner that includes a “take down” provision that would allow the EDA to exercise a purchase at a predetermined price when a buyer is found or to take down land on a scheduled basis over an extended number of years.
 - The EDA could enter into an option agreement for a nearby farm at a lower price and facilitate a 1031 tax free exchange with another land owner near to the business park allowing the owner to avoid paying a capital gain tax.
- ◆ It is important to develop a business park layout that is flexible. Utilities should not be extended beyond the entrance. To do so would commit the city to a final design and preclude flexible lot configuration and size for potential users. A preliminary plat can be developed and finalized as each lot is sold.
- ◆ The EDA should consider developing a business incubator building. This could be a multi-tenant building with added improvements that would allow emerging companies with new technologies to become established and hopefully later grow into the business park. It may be necessary to provide TIF, deferred assessments or other incentives to encourage a private developer to create a building with these added amenities.
- ◆ The EDA should create a targeted marketing program focusing on specific industries and businesses south of the river. This would include direct mail and personal contact by EDA staff.

Farmington’s development strategy should focus on local and regional businesses that are likely to have more flexible location criteria than national firms. Farmington’s favorable business climate is a significant advantage. Farmington has the ability to build on the success of the existing Industrial Park.