

Strategic Plan 2019-2021

Farmington Economic Development Authority



January 2019



CONTENTS

Contents	1
Introduction	2
Context	3
EDA Powers	3
Comprehensive Plan.....	3
City Government	4
EDA Resources	5
Strategic Plan	6
Objective: Expand and Diversify the Tax Base.....	6
Objective: Encourage development that brings additional goods and services to Farmington	11
Objective: Promote the economic and physical health of older sections of Farmington....	12
Objective: Effectively communicate information about the EDA within City government, to the community and to people and businesses outside of Farmington.....	13
Objective: Conduct the business of the EDA to maximize its effectiveness.....	14

INTRODUCTION

This document presents the Strategic Plan for the Economic Development Authority (EDA) of the City of Farmington. The EDA Strategic Plan serves several purposes:

- The plan articulates the vision, mission and fundamental principles that guide decision making and actions for the EDA.
- The plan provides a framework for identifying potential roles for the EDA, prioritizing use of resources and periodically reviewing actions taken by the EDA.
- The plan serves as a tool for communicating information about the EDA to the city council, city departments and advisory boards, partner organizations in the economic development community and Farmington residents and businesses.

The Strategic Plan focuses on the years 2019 through 2021.

Vision Statement

The Economic Development Authority's vision is to improve the economic vitality of the City of Farmington and to enhance the overall quality of life by attracting and retaining businesses, creating partnerships, fostering employment opportunities, promoting workforce housing, business growth, and expanding the tax base through development and redevelopment.

Mission Statement

Farmington is commerce friendly, responsive, and innovative in the realm of economic development. The Economic Development Authority's mission is to position Farmington as one of Minnesota's most desirable cities to open, grow, and maintain a business.

CONTEXT

The actions of the EDA do not occur in a vacuum, but within the context of city government and development forces that affect Farmington and the region. Understanding this context is an important element of creating and implementing the strategic plan.

EDA Powers

The powers of the EDA come from both State Law and city enabling resolution. The EDA can exercise the powers set forth in Minnesota Statutes, Section 469.090 through 469.108 unless otherwise limited by the city council. The Farmington EDA was established by Resolution R104-05 (the “Enabling Resolution”). The Enabling Resolution empowers the EDA to use all statutory authority with the following exceptions:

- The sale of all bonds or other obligations issued by the EDA shall first be approved by the city council.
- The EDA shall follow the budget process for city departments as may be provided by the city and as implemented by the city council and Administrator.
- All official actions of the EDA shall be consistent with the city comprehensive plan and official controls implementing the comprehensive plan.

The Enabling Resolution also transferred all activities, programs, operations and authority relating to economic development from the Farmington Housing and Redevelopment Authority (HRA). The EDA is authorized to exercise all of the powers granted to the HRA pursuant to Minnesota Statutes, Sections 469.001 through 469.047.

No actions contemplated by the Strategic Plan are impaired by the limitations of State Law or the Enabling Resolution.

Comprehensive Plan

The Economic Development chapter of the 2040 Comprehensive Plan provides a framework of the activities of the EDA.

“The Economic Development Plan (Chapter 9 of the Comprehensive Plan) provides a high level and long-term roadmap for the City of Farmington and its partners (public, private, and nonprofit sectors) to work together to enhance employment, investment and quality of life opportunities that benefit the entire community. The city recognizes that local government has a responsibility for creating an environment in which economic development can occur. This plan also serves to examine and strengthen the city’s ability to compete effectively and prosper in both the regional and increasingly global economy.”

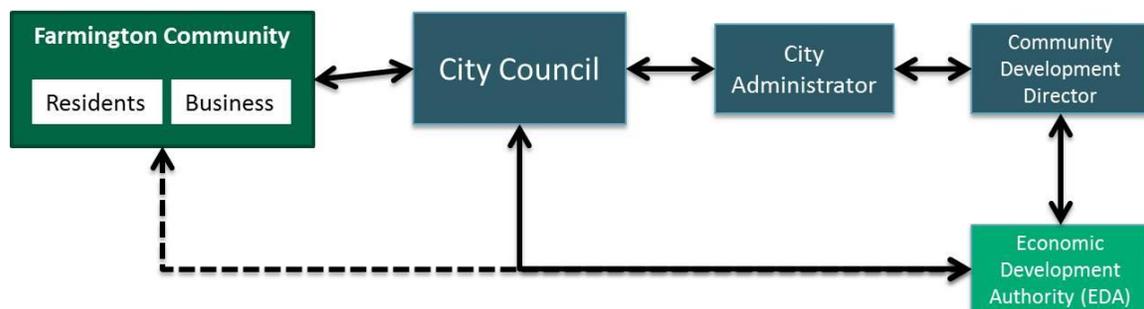
The Comprehensive Plan contains eight (8) economic development goals. As part of the process of creating this Strategic Plan, the EDA validated the importance of these goals for guiding the actions of the EDA. The following list contains the economic development goals in order of the ranking of the EDA Board:

1. A three-year Strategic Plan for Economic Development that provides a dynamic and actionable tool for achieving the community’s economic development vision.
2. Cultivation of strong relationships between existing businesses and the city to increase business retention.
3. A desirable commercial environment for residents is created through growth from existing and new businesses.
4. Healthy and diversified growth of existing and new businesses to achieve the community’s 2030 and 2040 employment projections.
5. Redevelopment of vacant and underutilized properties in older areas to revitalize these vital community areas.
6. Public and private sector reinvestment in downtown to revitalize it as the community’s commercial, cultural, and recreational center.
7. Diverse housing options and quality of life amenities that support the needs and preferences of the community’s workforce into the future.
8. A well-trained and adaptable workforce is maintained within the community to support the projected business and job growth.

These goals provide a useful tool for evaluating EDA activities. How does the activity help to achieve the goals of the Comprehensive Plan? A consistent connection between these goals and EDA activities ensures that the EDA meets its mandate of consistency with the Comprehensive Plan.

City Government

An essential factor shaping the Strategic Plan is the EDA’s fit within the overall structure of the city. The EDA is one of five advisory boards and commissions established by the city council. The EDA is different from any other board in that it has the power and resources to undertake projects in a relatively autonomous manner. State Law designates EDAs as political subdivisions.



The EDA is governed by a 7-member board of commissioners appointed by the city council. Members of the EDA board consist of two city council members, one Independent School District 192 school board member, and four residents. Economic development staff is part of the

city's Community Development Department. The Community Development Director serves as the Executive Director of the EDA.

This structure combines the dedicated focus on economic development and statutory powers of the EDA with a day-to-day foundation in the core structure of the city.

EDA Resources

Creating and implementing the Strategic Plan must be done with an eye towards the resources of the EDA. With limited resources, the effective use of resources should be a factor in evaluating current and future activities. Do the potential benefits of the action merit the allocations of EDA resources?

The most important resource of the EDA is city staff. The experience and technical skills of economic and community development staff provide the capacity to successfully achieve EDA objectives. The staff resource available to the EDA is a finite commodity. It is also a commodity that serves other functions within city government.

STRATEGIC PLAN

The EDA Strategic Plan is based on the following Core Strategies:

- Attract new businesses that provide jobs, needed goods and services, and tax base
- Encourage the retention and expansion of existing business
- Encourage revitalization and redevelopment
- Manage EDA programs and projects
- Be the voice of economic development in city government

The Core Strategies guide EDA actions. All actions shall be consistent with one or more of the Strategies.

Objective: Expand and Diversify the Tax Base

Economic development is not an end itself, but rather a means to achieve certain outcomes. An important outcome in Farmington is to grow the property tax base. Preliminary tax rates for taxes payable 2019 show Farmington with the fifth highest city tax rate for Dakota County cities (over 1,000 population). When all other taxing jurisdictions are included, the total tax rate in Farmington is the highest in Dakota County.

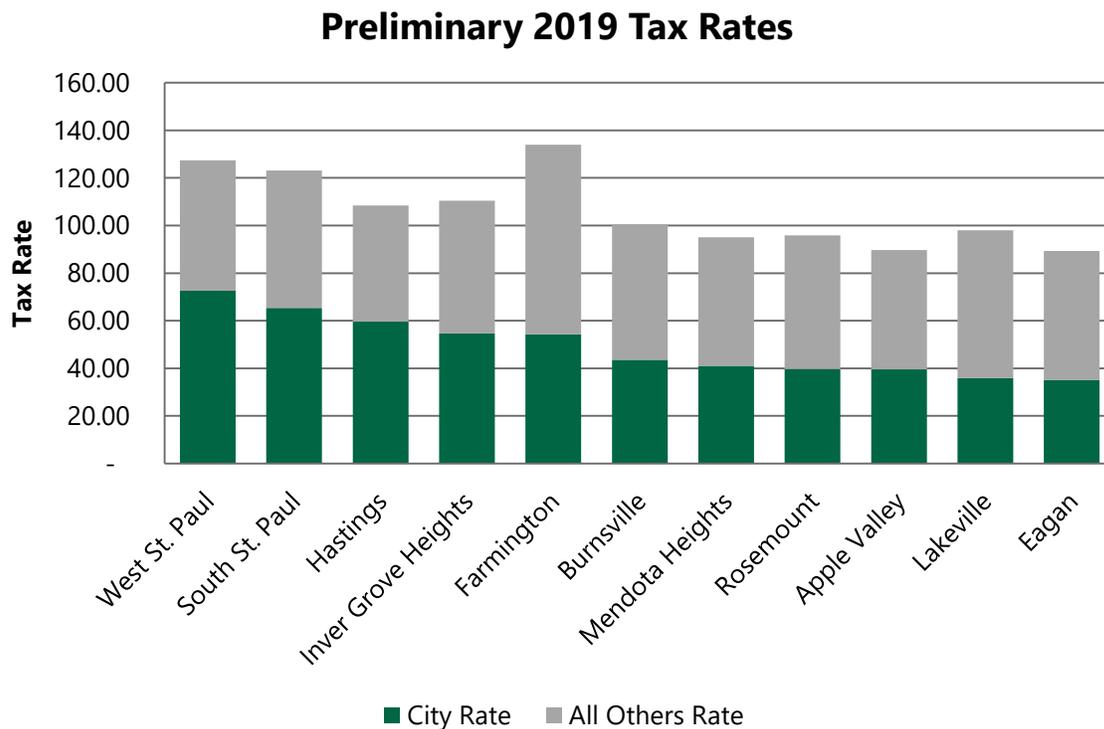


Figure 1

Tax base is a key factor in a higher tax rate. A lower tax base means that the city must tax at a higher rate to generate revenue needed to operate the city. A comparison with other Dakota County cities provides some perspective on Farmington’s tax base. Figure 2 shows total Pay

2019 Taxable Market Value by property classification. Figure 3 compares the distribution of Taxable Market Value among the property classifications.

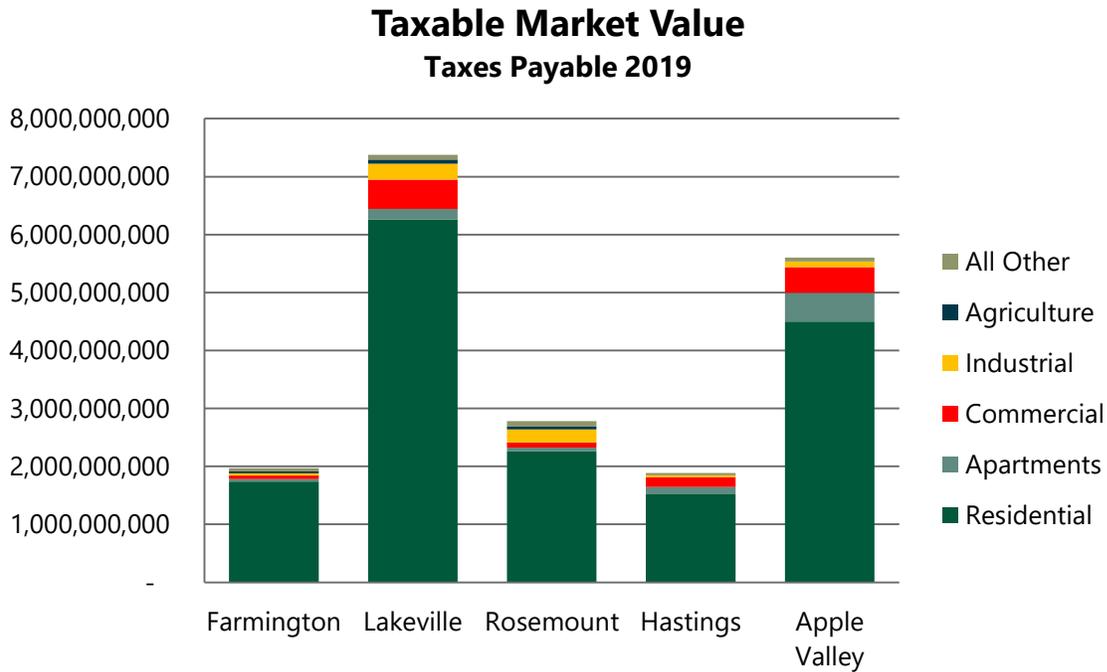


Figure 2

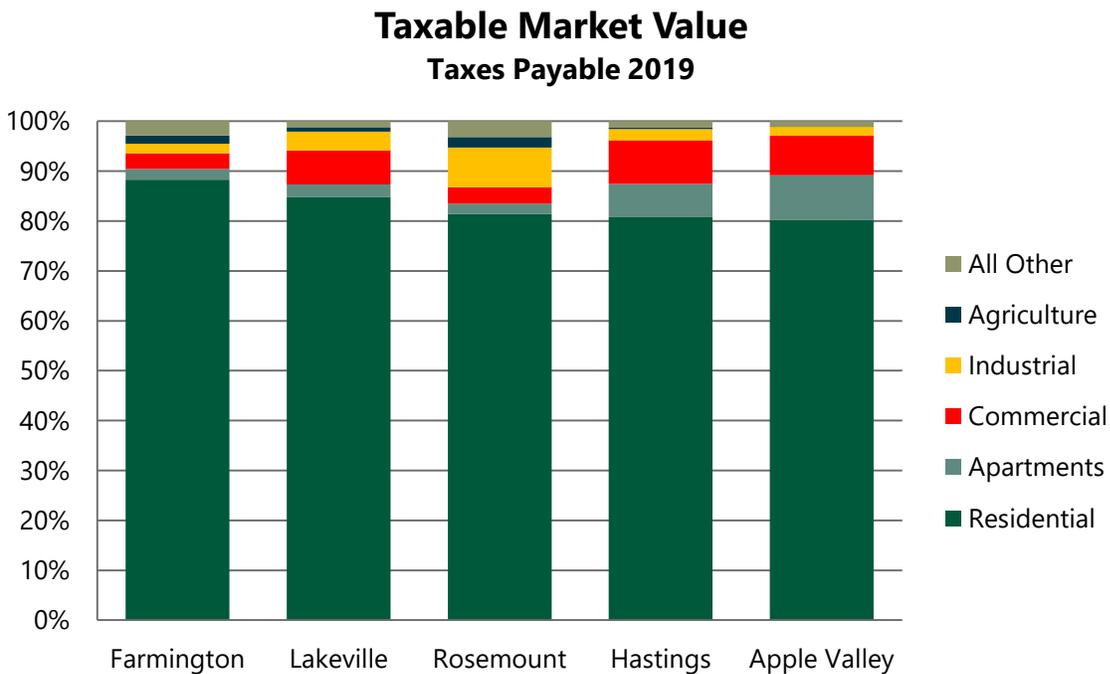


Figure 3

- Hastings has less Taxable Value than Farmington (\$1.52 billion to \$1.74 billion). However, the portion of the total tax base in commercial and industrial property is more than double in Hastings (11%) in comparison to Farmington (5%).
- The commercial/industrial share of the tax base in the comparison cities ranges from 9.66% in Apple Valley to 11.24% in Rosemount.
- Rosemount provides a good contrast to Farmington. The cities have similar populations (Farmington 22,421 – Rosemount 23,956), but Farmington has 29% less tax base. Total Taxable Market Value per capita in Farmington is \$87,866 and \$116,100 in Rosemount.

Growing and diversifying the tax base has a variety of benefits. A growing tax base gives the city more flexibility in funding services and capital improvements. This flexibility would likely extend to the EDA budget. The demands for operating revenues may limit the ability to lower the tax rate, but a growing tax base lessens the need to raise rates. Growing the tax base is one of the only means available to the city to promote reductions in other parts of the total tax rate. A diversified tax base changes the impacts of economic downturns as value changes vary among property types. Commercial and industrial development make different use of city services than residential with the potential for comparably less pressure to increase services and spending.

EDA efforts to grow the tax base must be done thoughtfully and strategically. The Minnesota property tax system affects the ability of the city to realize growth in the tax base from new development. 40% of all new commercial-industrial value goes into the Fiscal Disparities Pool and is not available for local taxation. The use of tax increment financing (TIF) or tax abatement defers the benefits of new tax base until the financial assistance ends. Property class rates set by the Legislature convert the Assessor's Estimated Market Value to Tax Capacity (taxable) value at different rates.

Figure 4 illustrates these points. This chart compares the Tax Capacity value available to the city (and other taxing jurisdictions) from alternative development of 100 acres.

Tax Capacity From Alternative Land Uses

	<u>Industrial</u>	<u>Retail</u>	<u>Single</u>	<u>Townhome</u>
Acres	100	100	100	100
Lot Coverage/Density	30%	30%	3	6
Development (SF or Units)	1,306,800	1,306,800	300	600
EMV per SF or Unit	65	125	330,000	330,000
EMV	84,942,000	163,350,000	99,000,000	198,000,000
Tax Capacity	1,698,090	3,266,250	990,000	1,980,000
Fiscal Disparities	40%	40%	0%	0%
Net Local Tax Capacity	1,018,854	1,959,750	990,000	1,980,000

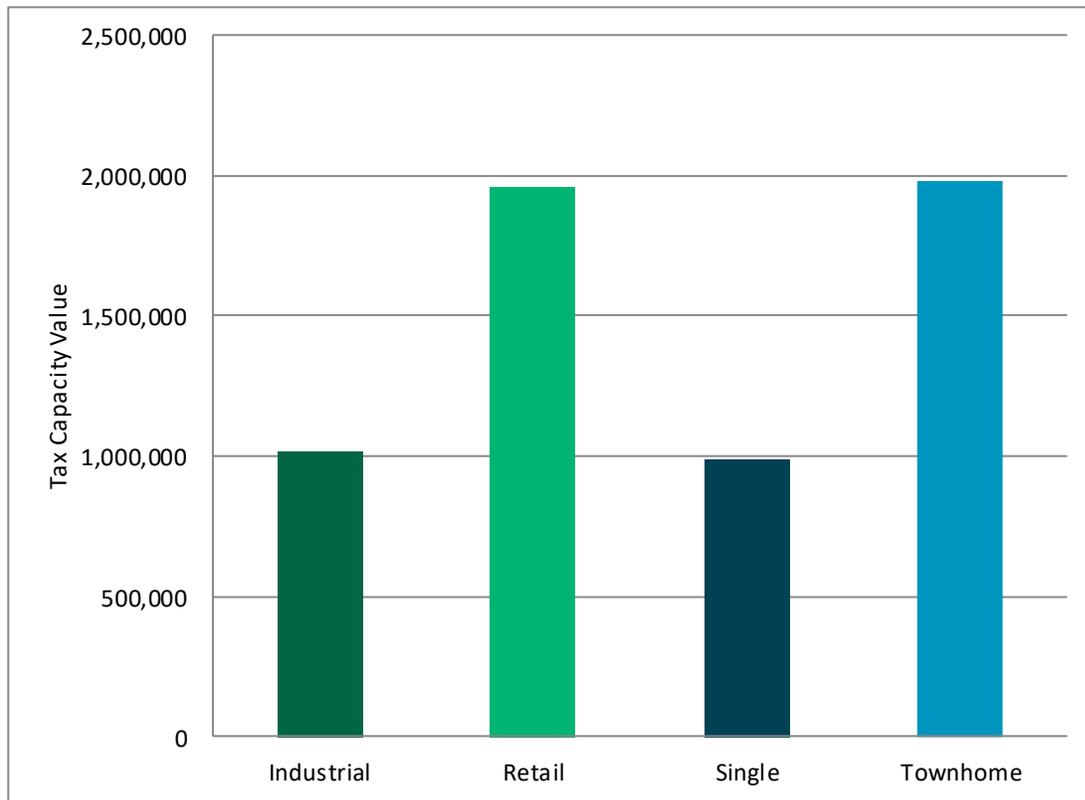


Figure 4

Expansion of the tax base also comes from within. The Economic Development chapter of the Comprehensive Plan notes that “research from numerous sources shows that existing businesses create 60%-90% of all new economic growth in a community”. A focus on local businesses is a more efficient means of expanding the tax base. Resources applied to business expansion are more likely to yield returns than using the same resources to compete with other cities. Resources are applied to businesses already in Farmington rather than competing with

other cities. The use of financial incentives (if needed) is typically lower and more closely aligned with project need.

Tactics

1. Create and maintain strong relationships and lines of communication with local business to identify opportunities for the EDA to enhance success and encourage expansion.
2. Be prepared to receive and effectively respond to inquiries about locating businesses in Farmington.
3. Make use of tax increment financing and tax abatement, pursuant to city policies, to achieve the objectives of the Strategic Plan.
4. Use tax increment financing and tax abatement only when the benefits received from the development outweigh the deferred tax base.

2019 Action Plan

1. Create and conduct a comprehensive business needs/assessment survey.
2. Review and update (as needed) economic development promotional materials.

Objective: Encourage development that brings additional goods and services to Farmington

Building and maintaining a strong core of commercial development is important to Farmington. When necessary goods and services are not available locally, residents travel to other cities to shop. These trips often result in additional shopping that could have occurred in Farmington. The EDA seeks to encourage commercial development that reduces this out-migration and complements existing businesses.

The EDA has limited control over the type and pace of commercial development. Market forces tend to be the primary force in commercial growth. In that regard, commercial development and job growth are directly related. New, well-paying jobs located in Farmington may produce the demand for new housing. These new “rooftops” create the market sought by commercial development.

The EDA can facilitate commercial development by providing desirable business districts. Farmington has a history of creating community plans for such business districts. Plans for Vermillion River Crossing and Downtown Farmington provide the framework for public and private investment. In 2019, the city will be completing a plan for development in the Highway 3 Corridor. The ongoing implementation of these plans is an important EDA objective.

Tactics

1. Attract new businesses that produce jobs that are likely to create or retain households and expand the local market for new commercial development.
2. Prepare and implement plans that provide desirable locations for new commercial development.

2019 Action Plan

1. Continue to work with brokers and land owners to attract developments to Vermillion River Crossings area.
2. Create ongoing means of communicating actions related to the implementation of the Downtown Redevelopment Plan to the EDA.
3. Play an active role in the completion of the Highway 3 Corridor Study and seek effective implementation strategies.

Objective: Promote the economic and physical health of older sections of Farmington.

One of the Economic Development Goals of the Comprehensive Plan is “redevelopment of vacant and underutilized properties in older areas to revitalize these vital community areas”. In reality, there are two aspects to redevelopment. The most effective strategy is to promote the economic and physical health of the community to avoid the need for redevelopment. If the need for redevelopment exists, however, it is important to prevent blighting conditions to spread to other properties.

The EDA has taken a proactive approach to redevelopment by creating plans for the Downtown and the Highway 3 Corridor. These plans provide a framework for public and private investment. Implementation of these plans is not the sole responsibility of the EDA. The EDA must coordinate its efforts with the city council, planning commission and other stakeholders.

Tactics

1. Engage on a consistent basis with the planning commission to share goals and develop strategies.
2. Support the outcomes and implementation of the Highway 3 Corridor Plan.
3. Review and promote existing programs that target key areas.

2019 Action Plan

1. Schedule quarterly joint work sessions with the planning commission and semi-annual work sessions with the city council to align priorities.
2. Complete and identify initial implementation steps of the Highway 3 Corridor Plan.
3. Meet with Dakota County CDA staff (or invite to EDA meeting) to discuss programs.

Objective: Effectively communicate information about the EDA within city government, to the community and to people and businesses outside of Farmington.

Communication is an essential function of the EDA. Communication with the city council promotes collaboration on shared objectives and builds the foundation for the financial resources required by the EDA. Communication with the community explains the work of the EDA, highlights the positive impact on the community and offsets potential misinformation. Communication informs the business community, both within and outside of the community, about the opportunities to do business in Farmington and the assistance available from the EDA.

The city's website is the most important communication tool for the EDA. The website is the place people look for information about the EDA. Farmington's online presence for economic development should be guided by several factors:

- Information about the EDA and economic development in Farmington must be easy to find on the website.
- The information on the website must be useful.
- The form and content of the pages devoted to economic development should convey a positive message that creates interest in Farmington.

Tactics

1. Utilize the city's website as the primary point of information about the EDA and economic development in Farmington.
2. Ensure that the website contains useful information for businesses evaluating potential development in Farmington.
3. Make use of the newsletter and other ongoing city communications to provide information about the EDA.

2019 Action Plan

1. Review other websites to identify elements that could be incorporated into Farmington's website.
2. Review and enhance the city's webpage(s) related to Economic Development.
3. Develop one or more new communications tools to relay the messages and work of the EDA.
4. Shift the monthly "Director's Report" in the EDA packet to a more public-facing newsletter.
5. Develop a social media strategy to promote the work of the EDA.

Objective: Conduct the business of the EDA to maximize its effectiveness.

While this objective seems obvious, it is important to make it a stated objective of the Strategic Plan. The EDA operates with limited resources in terms of funding, staff time and board responsibilities. All decision-making must consider the effective use of these limited resources.

Tactics

1. Provide consistent information to the EDA about its financial condition and existing obligations.
2. Provide the EDA with consistent updates on the status of the action plans for the Strategic Plan and other ongoing initiatives of the EDA.
3. Annually update the action plans in the Strategic Plan.

2019 Action Plan

1. Provide annual comprehensive review of the EDA's finances in March.
2. Develop a standardized template for providing specific project updates.
3. Explore ways to enhance the effectiveness of monthly board meetings.
4. Create a process to annually review and update action plans in the Strategic Plan.