6. Economic Development



Land use planning is not sufficient to address the economic development and redevelopment needs of Apple Valley. In this chapter, the City outlines strategies to create jobs; expand the property tax base; attract and retain businesses and industry; and enhance the image of the community.

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 is routinely named by Money Magazine as one the "Best Places to Live". In 2013, it was ranked 17 out of the 50 cities that were recognized. This recognition is partially due to the vibrant local economy and amenities. Maintaining a vital economy requires focused planning and continued investment.

Strategic Plan

There are six pillars to the economic development plan. They are summarized below and expanded upon at the end of the chapter.

1. Attract large employers to the Mixed Business Campus

The main goal of Apple Valley's economic development strategy is to increase local employment; specifically, to increase the number of jobs that pay well enough to sustain household. Attracting large employers to areas adjacent to Downtown will counter the effect of out-commuting and improve the jobs/housing balance. The Twin Cities metro is an attractive headquarters for national and regional businesses, including hospitals and supporting medical offices, corporate offices, and manufacturing. With available land and a clear vision for redeveloping the Fischer Mine into a mixed-business campus, Apple Valley is the best regional location for these uses. With great places to live, play, shop, and do business, Apple Valley already has many qualities that are valued by prospective employers and working families, but more can be done to build on the city's employment potential.

2. Unify the Downtown through infrastructure and design

The layout of Downtown is defined by large quadrants focused around Apple Valley's most important intersection, Cedar Avenue and County Road 42. These wide highways convey high volumes of traffic, limiting connectivity and cohesion. The City must respond to increasing traffic and congestion in a way that strengthens connectivity and prevents conversion to a grade separation and a freeway-like environment. Where feasible, multimodal connectivity should be enhanced across Cedar Avenue and County Road 42; however, some treatments may be prohibitively expensive and/or ineffective, given Downtown's established structure and function. Because heavy traffic limits the potential for "main street" style development on Cedar Avenue, it may be more feasible to make improvements within the surrounding superblocks. Breaking up these superblocks will support redevelopment opportunities by creating flexibility for a variety of smaller users to take root. The Downtown design guidelines provide a framework for guiding the transition of Downtown to a more walkable, sustainable business center. Enhancing multimodal facilities, extending the Ring Route design concept, and developing connections between Downtown and surrounding neighborhoods will strengthen cohesion and further develop the identity of Downtown.





3. Reinvest in Downtown, adapting to changing retail trends

The nature of American retail is changing. Thanks largely to the rise of e-commerce, many brick-and-mortar specialty chains, including Macy's, Best Buy, Toys R Us, and Sears, are shuttering. While a pattern of extensive commercial value decline is not evident in Apple Valley, some properties are vacant or underperforming. Others can be expected to become obsolete over the next 20 years without a strategy to redevelop/repurpose them. Revitalization will run the gamut from adaptive re-

use of serviceable structures, to larger-scale rehabilitation and redevelopment. The City prefers to implement market-based solutions when possible. In some cases, the City will leverage tax incentive policies, such as tax increment financing (TIF), to prepare sites for redevelopment and attract additional investment from the private and public sectors. Development and redevelopment will be guided by enduring partnerships between the City, private business, and other stakeholders.



4. Develop connections within the Twin Cities metro and beyond

To succeed in a globalized economy, Apple Valley must enhance and maintain connections to the Twin Cities metro and beyond. Some connections are physical. Others are social, economic, financial, or digital. In a digital society, most communication relies on fiber optics, satellite, and wireless systems. Global enterprise is data-driven, and the amounts of data which are created, processed, and consumed grow every day. As more data is produced, processed, and shared, Apple Valley must continue to expand its digital communication networks. Likewise, it is essential to maintain and expand transportation connections. Apple Valley benefits from its regional highway location. The extension of the Red Line bus rapid-transit (BRT), with service to the Mall of America and other regional destinations, is a key catalyst for economic development in and around the Cedar Avenue corridor. Leveraging and expanding these and other networks will make the City more profitable and create new value that will retain our competitiveness in the region and the world.

5. Support STEM-related businesses and workforce development

Traditional retail development – national chains and local businesses – will be only one part of the business community profile of the future. In the knowledge economy, the City will need to lead and attract new business investment that advances the themes of science, technology, engineering, and math (STEM disciplines). These professional disciplines provide good incomes, which is a key part of Apple Valley's overall economic development strategy. Apple Valley is committed to supporting STEM initiatives through business development, financial investment, education, and workforce training.

6. Develop economic resilience

The economic strength of Apple Valley is derived from its connections to regional, national, and global economies. When conditions in these economies change, the City is affected. The last recession is a prime example. Developing resilience will help Apple Valley withstand future shocks to the local economy. Apple Valley can build resilience by implementing policy initiatives that diversify local industry, increase access to local employment, reduce reliance on long-distance car travel, and develop the ability of workers to adapt to changing economic conditions. Another strategy, discussed above, is to expand and diversify the infrastructure which supports economic function, including energy systems, broadband networks, and high-quality housing.

Regional Economy

Economic development does not happen in a vacuum. Apple Valley is part of a thriving, broad-based regional economy. Understanding regional industry strengths will help the City narrow its economic development strategies, target investments, and position itself as a favorable partner with key actors in regional industry.

The U.S. Cluster Mapping Project identifies concentrations of related industries within the Twin Cities Metropolitan Statistical Area and Dakota County. Cluster industries are linked through supply/production chains, supporting institutions, and

positive economic spillover effects. Several clusters in the Twin Cities Metro (MSP) have expanded employment in the last two decades, including Business Services; Education and Knowledge Creation; Distribution and Electronic Commerce; Marketing, Design, and Publishing; Performing Arts; Biopharmaceuticals; Oil and Gas Production and Transportation; and Medical Devices. These clusters are traded, meaning they primarily produce goods and services for export. Developing traded clusters is important because they often support higher wages and they induce economic growth in other industries.

The largest cluster is Business Services, with more than 200,000 employees. The Twin Cities metro has the largest concentration of corporate headquarters per capita in the United States. The strongest cluster is Medical Devices, which ranks third in the nation compared to similar metros. This cluster is powered by companies such as Medtronic, Boston Scientific, and 3M.

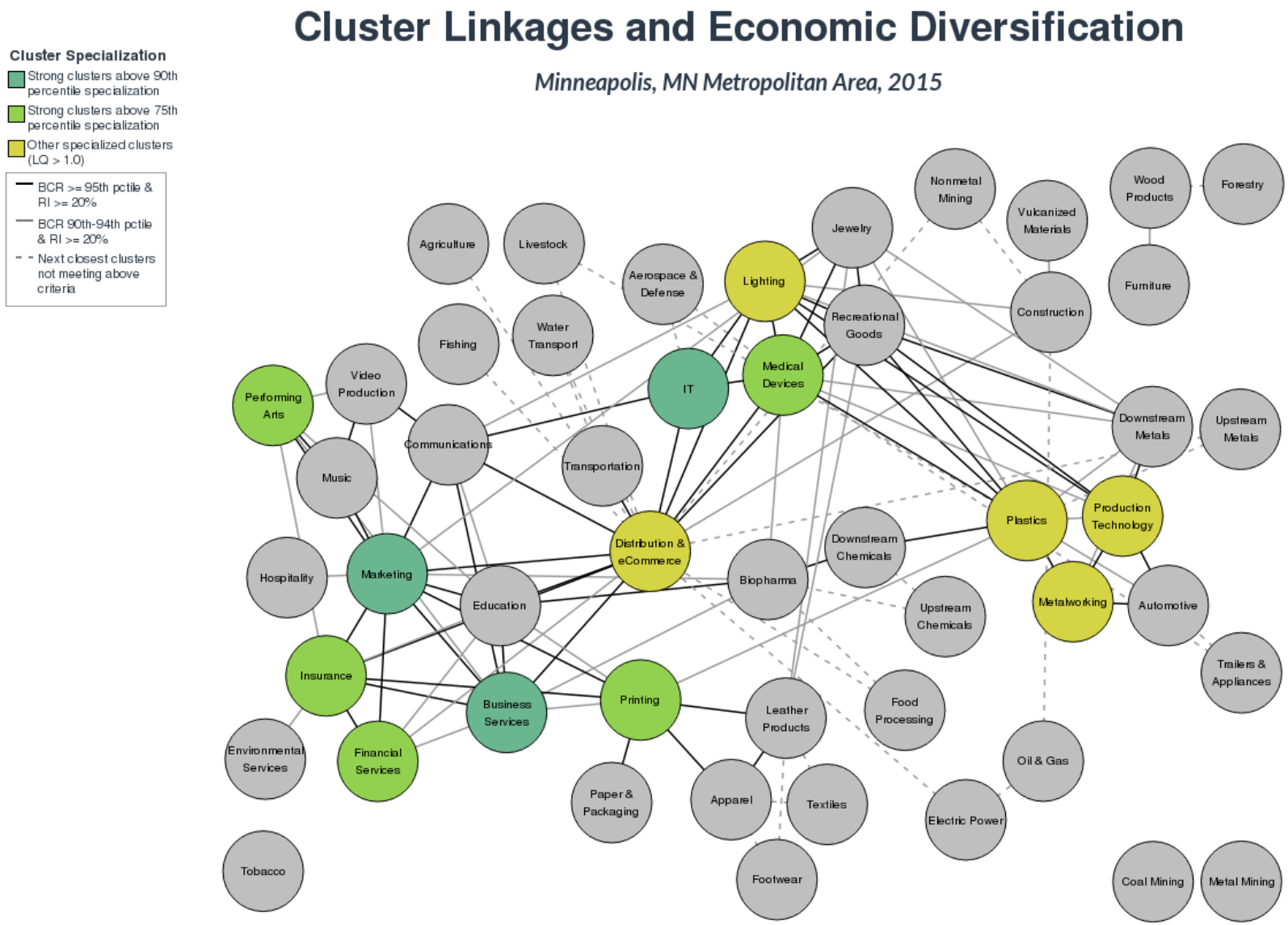
Figure 6.1 provides depicts cluster linkages in the Twin Cities metro. The strength of each industry is determined by its location quotient, a which is a measure of local employment/production relative to the national average. All industries identified in green have a location quotient greater than 1.0, indicating that they have a relatively stronger presence in the Twin Cities than elsewhere in the United States. The strongest industries are identified in dark green.

Table 6.1 provides more in-depth information about employment, wages, and subcluster linkages. Most of these clusters saw expanded employment from 1998-2015.

The U.S. Cluster Mapping Project also provides county-level data. The strongest clusters in Dakota County largely mirror those for the broader region. Other key traded clusters in Dakota County include transportation and the aerospace vehicles and defense cluster. More data describing county and regional clusters is available at www.clustermapping.us.

Economic development activities should dovetail with regional strengths, such as Business Services, Medical Devices, and other cluster industries.

Figure 6.1



Cluster industries support and are supported through cross-sector linkages. The strongest industries are identified in green. Source: US Cluster Mapping Project, www.clustermapping.us.

Table 6.1 – Cluster industries in the MSP metro

Cluster	Rank relative to similar metros	Employment (2015)	Average Wage (2015)	Subclusters
Medical Devices	3	12,004	$77,247	Optical Instruments and Opthalmic Goods, Surgical and Dental Instruments and Supplies
Printing Services	4	15,670	$55,815	Printing Services and Support Activities, Printing Inputs, Greeting Card Printing and Publishing
Information Technology and Analytical Instruments	7	35,899	$86,764	Electronic Components, Computers, Semiconductors, Software Publishers, Software Reproducing, Process and Laboratory Instruments, Medical Apparatus, Audio and Visual Equipment
Insurance Services	8	34,971	$98,719	Insurance Related Services, Insurance Carriers, Reinsurance Carriers
Marketing, Design, and Publishing	10	29,727	$65,346	Advertising Related Services, Other Marketing Related Services, Design Services, Publishing
Business Services	11	207,480	$93,229	Corporate Headquarters, Consulting Services, Business Support Services, Computer Services, Engineering Services, Architectural and Drafting Services
Distribution and Electronic Commerce	12	89,550	$83,359	Wholesale, warehousing, and distribution of various goods.
Financial Services	12	35,402	$119,376	Financial Investment Activities, Credit Intermediation, Credit Bureaus, Monetary Authorities (Central Bank, Securities Brokers, and Exchanges)
Biopharmaceuticals	20	2,304	$79,051	Biopharmaceutical Products, Diagnostic Substances, Biological Products

City Resources

A healthy municipal economy has several components. The following components can be viewed as integrated resources which the City will seek to retain, expand, or enhance over the life of this plan:

- Property tax base
- Local job opportunities
- Workforce potential
- Development/redevelopment potential
- Community image and identity

The following section explores each of these resources as they relate to the Comprehensive Plan. The role of the City is to foster new development and retention of business activity to provide employment opportunities and support a strong tax base.

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 a 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 requires a clear understanding of the property tax system. There are three components of 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 assessed value of a parcel of property. 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. 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.

Figure 6.2 – Taxable Market Value

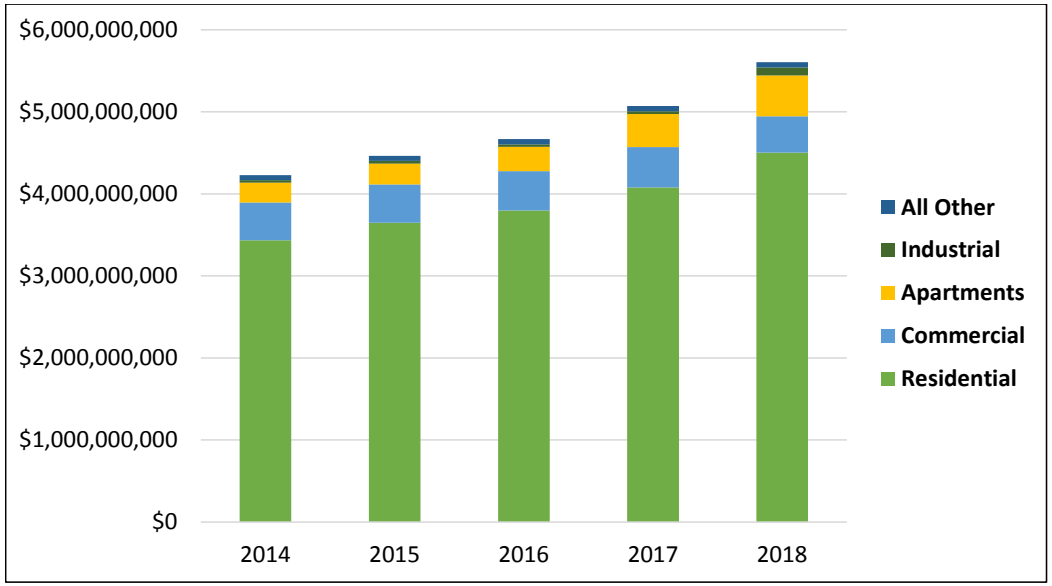
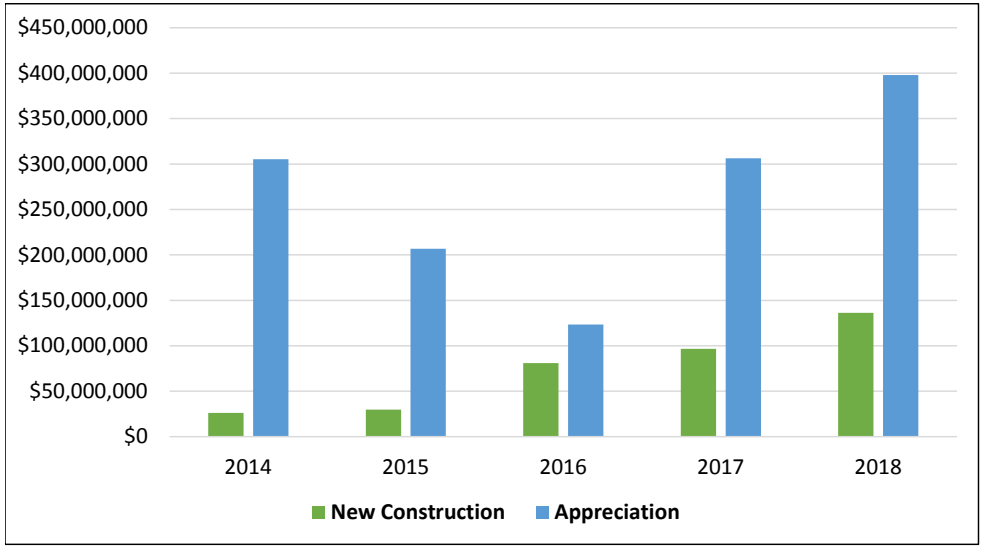


Figure 6.3 – Sources of Change in Property Valuation



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 6.2 shows the components and growth of taxable market value of property in Apple Valley over the past five years. (The years in Figure 6.2 refer to the year of assessment. Values for 2018 are preliminary.) This chart illustrates several important points about Apple Valley's property tax base:

- Housing creates the greatest amount of tax base. In 2017, residential property made up 89% of the total taxable value of Apple Valley. Apartments added 9% of total value.
- The residential share has increased slightly over the past 10 years. In 2008, the residential property accounted for 84% of the tax base, with apartments contributing 4% of total value.
- Industrial property represents less than 1% of all taxable value.
- The total tax base grew by 33% from 2014 to 2018. Approximately 21% of this growth came from value added by new construction. The appreciation of existing properties contributed to the bulk of new value.

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.

Local 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:

- 18% of Apple Valley jobs are filled by workers who live in Apple Valley. (On the Map, 2014)
- 11% of working Apple Valley residents have jobs in the city. (On the Map, 2014)
- 40% of workers traveled to places of employment outside of Dakota County. (On the Map, 2014)
- The largest employment sectors are retail trade (22%), education (17%), accommodation and food services (14%), and health care and social assistance (12%). (Quarterly Census of Employment and Wages)

Figure 6.4 – Average Weekly Wage (All Industries)

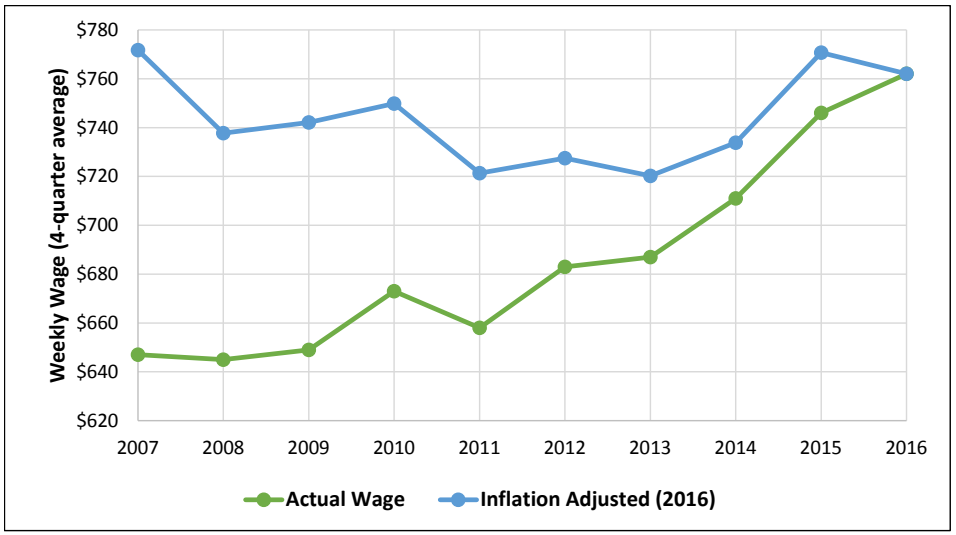
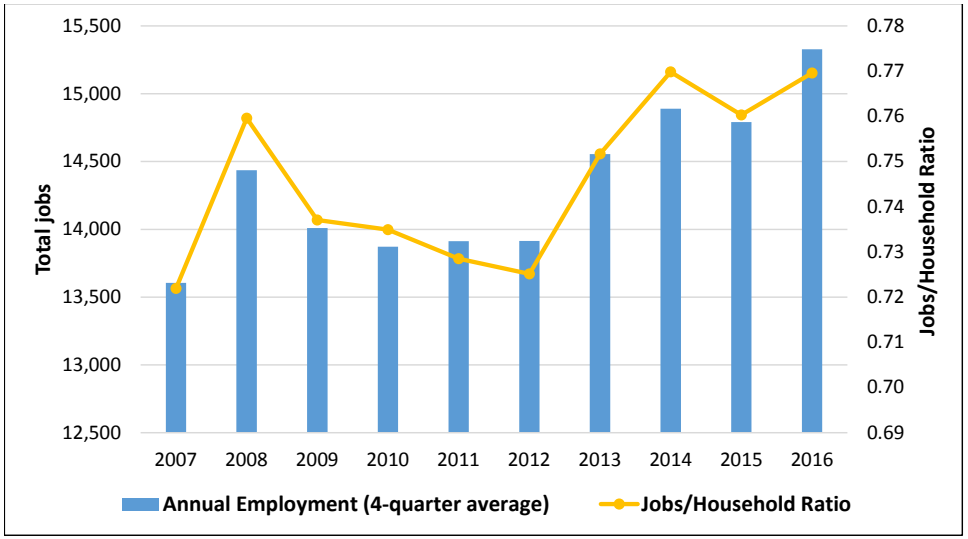


Figure 6.5 – Apple Valley Jobs Growth



The Minnesota Department of Employment and Economic Development (DEED) 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.

Figure 6.4 depicts wage trends in Apple Valley for 2007 to 2016. While actual incomes are increasing, real incomes (inflation-adjusted incomes) generally have not increased over the 10-year period. Wage stagnation from 2010 to 2014 is attributed to the national recession.

Figure 6.5 depicts jobs trends from 2007 to 2016. Apple Valley added more than 1,700 jobs in that period, with most of this growth occurring during the recovery from the recession (2011 to 2016.) The rate of job growth has exceeded population growth. In 2007 the jobs/household ratio was 0.72. By 2016 the jobs household ratio was 0.77. This data shows that Apple Valley's employment base is slowly expanding.

Even as the number of workers has increased, the number of business establishments has decreased. The QCEW reported 970 business establishments in 2007 and 899 establishments in 2016. The economic downturn likely forced the closure and consolidation of some businesses, with some unemployed workers shifting to other establishments.

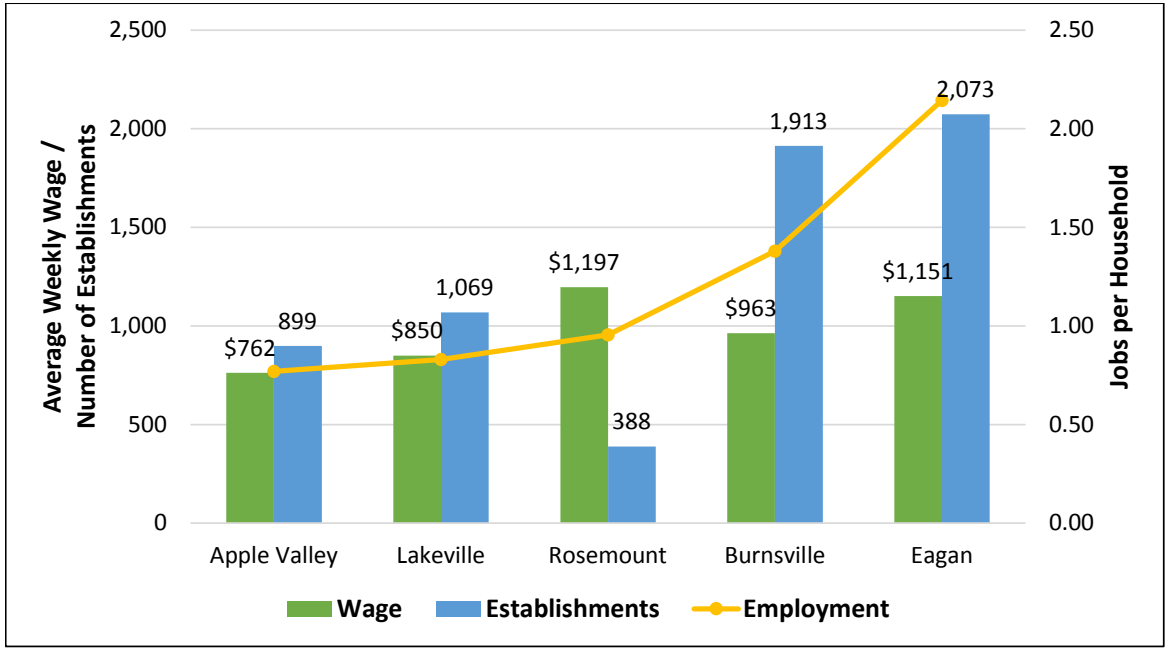
It is useful to compare economic trends for Apple Valley with other Dakota County cities. **Figure 6.6**

compares trends for wages, employment, and the number of establishments in Apple Valley with four adjacent cities. The data represent the four-quarter average for 2016.

Burnsville and Eagan have a competitive advantage in terms of jobs and wages. The average wage in these cities is 50-60 percent higher than the average wage in Apple Valley. Higher wages are correlated with higher jobs/housing ratios. In Eagan there are 2.14 jobs for every household. In Burnsville there are 1.38 jobs per household. Apple Valley has the lowest jobs/household ratio of the five cities included in Figure 6.5.

Apple Valley's employment base is slowly expanding, but remains smaller than those of several neighboring communities.

Figure 6.6 – Dakota County Wage and Employment Comparisons



Jobs/Housing Balance

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 jobs relative to the education and interests of Apple Valley residents. Locating a wide range of housing close to employment may shorten commuting distances. High vehicle-miles traveled produces highway congestion and air pollution, reduces pavement life, and diminishes leisure time.

A standard measure of jobs-housing balance is the ratio of jobs to housing units. (This measure is similar as the ratio of jobs to households.) The American Planning Association recommends a ratio of 1.3 to 1.7. However, in metropolitan areas where jobs are more regionally allocated, cities demonstrate a range of jobs-housing ratios (See Figure 6.6). From a regional perspective, the high degree of variance indicates that some communities have less than the ideal number of jobs given their number of households, while others have higher employment. This is more a regional issue than a local one – many communities have an imbalanced supply of housing and jobs. These imbalances should be addressed through

comprehensive housing policy and transportation planning, as well as economic policy.

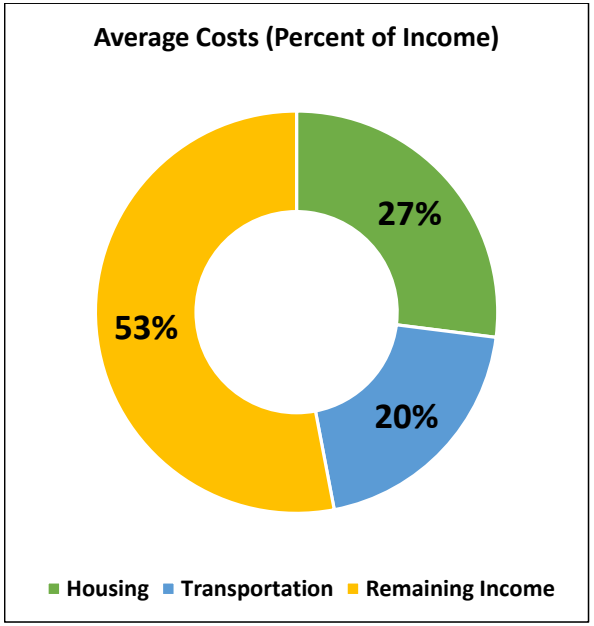
The Metropolitan Council projects 17,100 jobs and 24,900 households in 2040, for a jobs/household ratio of 0.69. This projection would be a reversal of current trends, which show improving jobs/housing balance. With the addition of a job center in the mixed business campus area, Apple Valley is targeting a higher jobs goal – 19,000 jobs – for 2040. This goal reflects the Vision for Apple Valley that seeks to create more local jobs and more jobs with wages capable of sustaining a family.

Apple Valley seeks to expand job opportunities, prioritizing jobs which pay wages capable of sustaining a family.

Commuting Costs

The jobs/housing relationship directly impacts quality-of-life. After housing, transportation is the largest cost for most households. The Housing and Transportation (H + T) Index provides a snapshot of these effects for Apple Valley (www.htaindex.cnt.org). On average, Apple Valley households spend 27 percent of their income on housing and 20 percent of their income on transportation. For comparison, Lakeville households spend 53 percent of their income on housing and transportation, while Burnsville households spend only 43 percent of their income on these costs. In 2016, the average expenditure on transportation in Apple Valley was $13,594 per household. This figure includes the average expenditures for auto ownership (car payments, maintenance, insurance, registration, etc.), fuel, and transit. With a heavy emphasis on employment in the future land use plan, Apple Valley is seeking to increase its jobs-housing ratio. Increasing access to local jobs, along with dedicated improvements to multimodal transportation, will improve quality-of-life, resilience, and local spending power.

Figure 6.7 – Apple Valley Housing and Transportation Costs



Source: Housing and Transportation Affordability Index (H+T); htaindex.cnt.org

Development Potential

Apple Valley's low ratio of jobs to households is not ideal, but it does indicate that there is a ready supply of workers and consumers for expanding markets. With a sizeable population, a large trade area, and a large site prioritized for mixed business and health care services, Apple Valley is an ideal location for major medical groups which desire to have offices close to their customers. There are successful hospitals in other suburban communities such as Maple Grove and Woodbury, but unlike Apple Valley, neither of these communities is located within 15 minutes of the international airport or the Mall of America. To maximize this potential, the City may need to leverage its financial resources and increase regulatory flexibility in pursuing job creation and higher-value development. For example, the City will likely need to offer financial incentives, such as tax increment financing, in order to facilitate development for Orchard Place.

With its sizeable population, large trade area, robust highway system, and Orchard Place Master Plan, Apple Valley is the ideal location for a medical hub in the south metro.

Redevelopment Potential

The City continues to support and encourage the redevelopment of underutilized sites. Redevelopment is largely a market-driven process. The overall building supply is physically sound and

economically viable at this time. In the short-term, the market may bypass the area needing redevelopment. However, there are some vacant and underutilized commercial/industrial sites with the opportunity for reuse, and the market will grow as original structures continue to age and other preferred growth sites are used up.

The Comprehensive Plan does not identify specific parcels for redevelopment. However, redevelopment and adaptive reuse will be encouraged within the Downtown over the life of this plan. The level of City involvement in the redevelopment process will depend on the level of opportunity/need, available capital, the role of private investment, and the City's ability to acquire available properties or otherwise influence redevelopment through public-private partnerships. Most previous redevelopment has been on single or small groups of parcels. The City may find the need to consider a change to a broader area where necessary.

Table 6.2 summarizes some of the pros and cons of redevelopment versus greenfield development.

Table 6.2: Redevelopment Considerations (Pros and Cons)

Redevelopment Pros	Redevelopment Cons
Keeping existing land uses viable helps sustain neighborhood property values. Physically or functionally obsolete buildings can produce a cycle of disinvestment. Redevelopment generally improves community aesthetic.	Older sites face the need for 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.
Adapting/expanding existing roads and utilities can potentially be more cost-effective than new construction.	Redevelopment sites may have greater site preparation costs, such as demolition, regrading, and environmental review.
Adapting or replacing older buildings and infrastructure provides an opportunity to improve energy efficiency and upgrade roads and utilities.	Redevelopment often requires the assembly or division of existing parcels, involving multiple property owners with individual interests.
By repurposing sites, redevelopment conserves land resources for other uses.	Existing structures and infrastructure may limit flexibility to repurpose the site.
Increased density at key Downtown nodes supports community objectives for economic development, transportation, and land use.	Elevated property values may exacerbate housing affordability problems, increasing burden on low-income groups.

Some successful examples of recent market-driven redevelopment 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.

Workforce Potential

Business development and retention is one piece of the economic development strategy, which focuses on increasing the supply of well-paying jobs in the community. Those jobs must be filled by a skilled and talented workforce. Apple Valley can develop its workforce by strengthening its skills and expanding the labor pool through the attraction and retention of talented workers. Workforce development is often facilitated through public-pri-

vate initiative. A good example is Uponor, one of the largest employers in the city. Starting wage at Uponor is $17/hour; average hourly wage is $33. The company employs 650 workers, having doubled its staff in the last few years. This expansion was partially enabled by an apprenticeship program designed to recruit, train, and retain maintenance technicians, addressing the shortage of skilled labor in a competitive economic environment. The program was created through a partnership with the State.





One of the largest employers in Apple Valley, Uponor partnered with State and local organizations to develop its apprenticeship program. The 2017 Minnesota Manufacturing Awards recognized the business as best in class.

This example of workforce development used a supply-based strategy – it created a supply of readymade workers to match a skillset in demand. Demand-based approaches to economic development are also beneficial. For example, in addition to recruiting and training labor to match them to existing jobs or anticipated jobs, Apple Valley can improve local workforce retention by targeting industries that match the skills and abilities of its existing workforce. A large percentage of educated workers leave the city for work each day because the employment opportunities in Apple Valley don't match their skillset. Recruiting new industry and services would help satisfy this potential. Periodic surveys of local businesses and workers can help the City better understand local worker skillsets and industry needs.

Image/Identity

The image and identity of Apple Valley are small but important elements of economic development. An identifiable positive image can help Apple Valley attract residents, businesses, and visitors in a competitive marketplace. Distinctive signs and entry monuments signal to people that they have entered Apple Valley. Entry markers improve community name recognition, send a welcoming message, and offer an indication of community pride.

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. These features will be extended to the expanded Ring Route. The Ring Route shows a recognition of the importance of public actions to create community identity. The distinctive streetscape improvements help define 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. Furthermore, development of the area's image is necessary to help achieve a unique identify for this area.

Investments in image and identity are small pieces in a broader puzzle of promoting Apple Valley to businesses and residents. The City will continue to work to create a positive and memorable image of Apple Valley.



Image is a key component of the economic development strategy. Enhanced streetscaping, monuments, and signage help create a sense of place and distinguish important nodes and corridors.

Goals and Policies

Economic Development Goals

- Activate 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 new employers which pay above the area's median income.
- Maintain and improve the infrastructure system (transportation, utilities and telecommunications) to meet the needs of current businesses and facilitate future growth.
- Maintain a labor force that fulfills the needs of business and industry and supports business development.
- Provide a balanced supply of housing opportunities that meets the needs of current and prospective workers, from affordable rental units to high-end housing.
- Continue to 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 and parking lots.
- 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 that supports sustainability and resiliency objectives.
- Support development of regional industry clusters with a focus on Apple Valley.
- Develop the mixed business campus on Orchard Place to improve the jobs/housing balance.
- Take advantage of the mixed business campus on Orchard Place to demonstrate energy efficiency objectives by incorporating renewable/local energy sources, such as solar or biomass.

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.
- Work to 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 plan of Apple Valley.
- Periodically review and amend if necessary the Comprehensive Plan to ensure that 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 un-

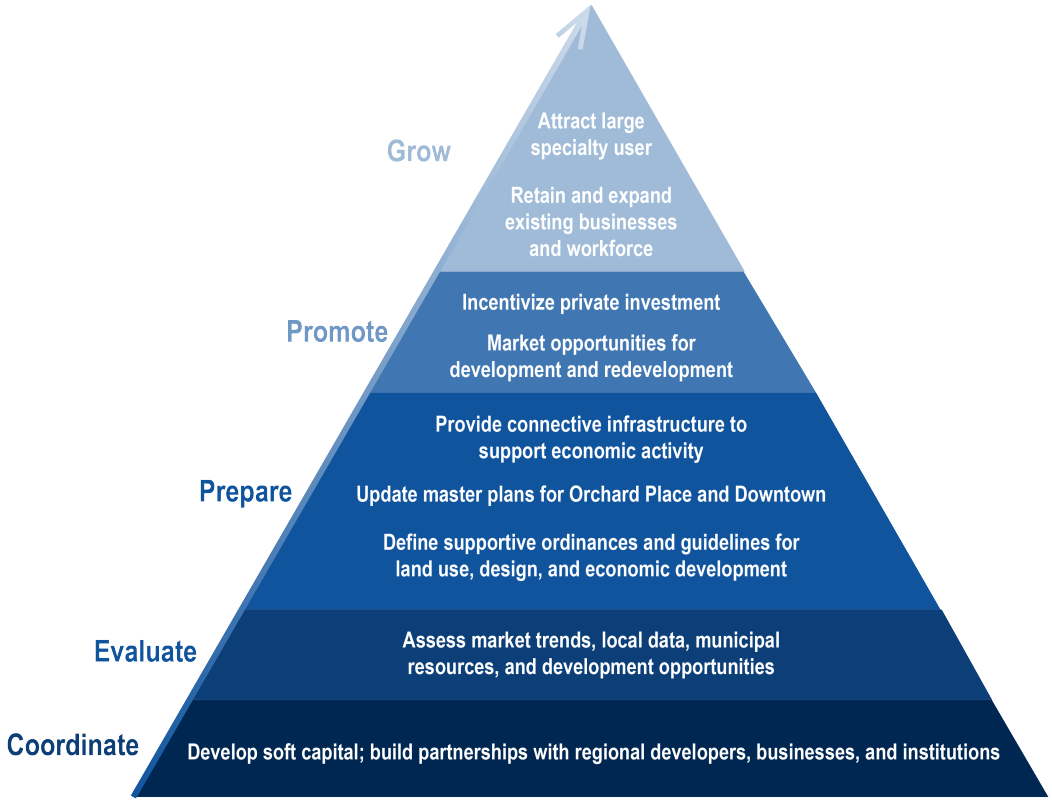
derutilized or distressed properties into viable commercial, industrial, or retail developments by working with property owners and interested developers.

- Create a medical campus district to encourage and facilitate development of medically related uses in certain areas.
- Work with local businesses and industries 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 the Minnesota 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.

Implementation

Figure 6.8 shows the overall structure of the Economic Development Strategy. The top of the pyramid represents the highest achievements sought. The base of the pyramid represents the foundational work that is needed to succeed. Much of this work, such as developing municipal networks and evaluating resources, is a recursive part of the economic development process. Other items, such as updating City policy or a Downtown Master Plan, require greater effort, but would likely have to be addressed only once during the 20-year planning horizon. The highest goal is to attract new business and industry to Orchard Place and Downtown. However, Apple Valley recognizes that the framework for sustainable growth emerges from within. Retaining existing businesses and workforce talent is vital to demonstrate local potential to prospective employers. Developing within established and emerging clusters will help solidify the economic base.

Figure 6.8: Economic Development Strategy



Extending the Strategic Plan

This chapter introduced six core strategies for economic development. To summarize, they are:

- Attract large employers
- Unify the Downtown
- Reinvest in Downtown
- Develop connections within the Twin Cities metro and beyond
- Support STEM-related businesses and workforce development
- Develop economic resilience

The following material expands on these themes.

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

The biggest economic challenge for Apple Valley is to increase the number of local jobs – specifically, to improve the jobs/household ratio. It is not uncommon for a metropolitan economy to produce clusters of employment that benefit some communities more than others, especially in suburban areas, resulting in a regional jobs/housing imbalance and complex commuting patterns. Because there are regional forces at work, Apple Valley will benefit through intergovernmental collaboration as much as through competition with other communities.

The economic potential of development proposals must be evaluated based on the number of jobs that businesses create and the wages they provide.

Potential economic development opportunities must be evaluated based on the number of jobs they create – both directly and indirectly – and the wages they provide. The amount of public incentives, if they are used to attract new employers or retain existing employers, should reflect these factors. The City will target employers which pay above area median income, especially businesses that are compatible with existing industry clusters or which represent emerging technologies.

In the near-term, the City will work to develop re-

lationships with commercial, office, and industry partners in the community. Conducting periodic meetings with the largest employers will help the City identify opportunities and threats to its existing jobs base and develop local partnerships. This will help the City improve educational programs, such as that used by Uponor, to meet industry needs. Another strategy is to expand local employment data, and the application of data, to monitor and communicate characteristics of the municipal workforce and local employers. The QCEW provides detailed data regarding the types of jobs that are located within a geography, but not the jobs which are held by the population of that geography. A survey of residents would give the City a clearer picture of workforce skills and help the City track employment characteristics. It could also be used to demonstrate local demand for certain industries and cultivate jobs training programs.

Orchard Place

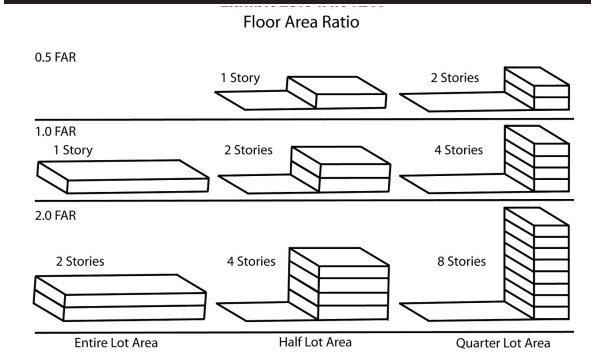
The long-term goal is to develop Orchard Place as a mixed-business employment center. The City will continue to develop ancillary amenities that are attractive to businesses. Strong systems of trails, transit, and parks provide a solid foundation from which to build. The Orchard Place master plan encapsulates this strategy by guiding ample acreages for open space, water features, and pedestrian connections, supported by a network of great streets. Careful attention to preliminary design and promotion of the plan will attract a large specialty business to the site. This business will anchor the development and attract supportive businesses.

The Orchard Place concept plan guides approximately 165 acres for the Mixed Business Campus and 40 acres for supportive commercial. These figures do not include acreage that is designated for rights-of-way, open space, or ponds. Based on historical development within the Metropolitan area, it is suggested that at least 40 acres of the Mixed Business Campus be considered for a hospital and medical office area. The Orchard Place concept plan guides approximately 50 acres for a medical corporate campus located in the northeast quadrant of Johnny Cake Ridge Road and 155th Parkway. Adjacent tracts are illustrated for potential medical-related uses, office, hotel, and commercial/industrial.

Utilizing FAR to guide development and model development intensity

One guiding principle for development intensity is floor area ratio (FAR). Floor-area ratio guides intensity by limiting the amount of total floor space in all buildings on a given site to a specified fraction of the buildable area. Within these parameters, developers maintain some flexibility to adjust building height and bulk (Figure 6.9). Intensity increases with more building space and higher FAR.

Figure 6.9: FAR graphic



FAR standards regulate density while giving developers greater design flexibility. The City's FAR guidelines help it project employment density, assess site impacts, and address traffic needs for future development.

Employment potential is correlated to FAR, since jobs are traditionally measured as the number of employees per unit building area. The conceptual plan for Orchard Place includes a range of FAR goals for each land use. Table 6.2 summarizes these goals.

Table 6.2: FAR goals for Orchard Place

Use	FAR Range
Corporate Campus	0.25 to 0.35
Medical	0.25 to 0.40
Office	0.25 to 0.35
Industrial	0.30 to 0.45
Commercial Retail	0.18 to 0.30
Hotel	0.35 to 0.50

As of March 2017, the concept plan for Orchard Place retains flexibility for further refinement. The precise acreage for each use and the intensity of development will be further evaluated in cooper-

ation with the land owner and the project developer. In the meantime, these numbers are useful for conceptualizing a range of intensity scenarios, refining economic development objectives, and developing an understanding of likely traffic impacts and utility needs. If, for example, a 50-acre corporate campus were constructed to 0.35 FAR, there would be 17.5 acres of floor space, or approximately 762,300 square feet. A typical hospital might staff 2.6 employees per 1,000 square feet. Thus, a 50-acre hospital site might support a staff of roughly 1,980 employees. As actual development potential is determined, Apple Valley can adjust its FAR and/or acreage assumptions accordingly to promote the most efficient use of the Fischer site.

The Metropolitan Council projects 17,100 jobs in 2040, with only 1,300 additional jobs from 2020 to 2040. This forecast may prove to be an underestimate of both need and opportunity. Instead, Apple Valley would like to increase employment to 19,000 jobs by 2040. 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 there. Implementing the FAR framework will help the City achieve the desired development intensity – and associated employment growth – for Orchard Place and other sites. If a portion of the site is developed at lower-than-average FAR, then the City knows that the remaining space must be developed at a higher intensity to produce the desired jobs outcome. The present marketplace readily builds at .25 to .30 FAR. Building at higher intensities may require the application of financial incentives and/or modifications to City code.

2. Unify Downtown by taking advantage of future redevelopment opportunities, using Cedar Avenue and County Road 42 and transit system improvements as catalysts.

Downtown is the engine of Apple Valley's economy. Improvements that unify Downtown, support development intensity, and enhance connectivity will improve economic potential. Future redevelopment opportunities can be supported by transit and other transportation improvements in the Cedar Avenue corridor and the County Road 42 corridor. The Cedar Avenue Transitway Implementation Plan guides improvements to the Red Line from 2010 to 2040, with five stages for development. Stage 1 was completed in 2013 when BRT service was extended on TH 77/Cedar Avenue, connecting Apple Valley to the Mall of America transit station. Stage 2 is programmed for 2015-2020 and calls for expansion of the Apple Valley transit station and bicycle and pedestrian improvements. Stage 3 is programmed for 2020-2025, and calls for new a station at Palomino Drive with potential park and ride expansion. Stages 4 and 5 are scheduled for completion by 2040, with extension to Lakeville.

The City is targeting land use and transportation improvements that unify the Downtown and mitigate the barriers presented by Cedar Avenue and County Road 42. Enhanced pedestrian connections across these thoroughfares, coupled with stronger connections to transit, will serve this goal. The addition of bus rapid transit to the transportation network has already supported several development projects in the Cedar Avenue transitway. However, significant opportunities remain, especially in the four major quadrants surrounding the intersection of Cedar Avenue and County Road 42. Momentum from transit-supportive development and the extension of the Red Line south to Lakeville will eventually influence these superblocks as well.

Lid Concept

A 2008 study of transit-oriented development introduced a "lid" concept for the intersection of the Cedar Avenue and County Road 42 (See Chapter 3). The concept envisions that a short segment of Cedar Avenue is depressed at County Road 42, a "lid" is added over the intersection, and within a quarter mile of that intersection, the four quadrants of the Downtown are connected with an at-grade "Cedar Green". This idea would unify the Downtown, but it could also be prohibitively expensive. Further, it would not be practical to impose a substantial, grade-separated pedestrian improvement at the intersection before improvements are made to improve walkability and pedestrian access to the surrounding superblocks. First, the superblocks

should be broken up by adapting the street system, with some redevelopment/infill taking place. Then, if these areas have been infused with new activity and investment, a capstone improvement such as the "lid" could potentially be justifiable.

Downtown Plan

A structured plan is critical to achieve unified development. Updating the downtown master plan would help coordinate Downtown's transition with integrated development and infrastructure improvements. This plan would expand on the Downtown Design guidelines and other concepts presented here, and would bring key landowners in the Cedar Ave/County Road 42 corridors, potential developers, and other stakeholders to the table.

A cohesive Downtown Master Plan is a critical tool for guiding transition in a unified manner.

3. Reinvest in Downtown, adapting to changing retail trends

For several years, the City has prioritized positive relationship-building with businesses and has selectively used financial loan products, tax-increment and revenue bond resources to support new development. This will continue and intensify as the competition for development increases and various financial arrangements are needed to close financial gaps in the development process. Some strategies include:

- Financial incentives such as grants, loans, and regional investment funds, often in partnership with other agencies such as the State of Minnesota and the Dakota County Community Development Agency.
- Continue the robust 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. Dakota County Community Technical College and the Metropolitan Consortium of Community Developers are examples of supporting partners, along with the City.
- Local tax incentives

Tax-increment Financing (TIF)

Tax-increment financing (TIF) can be used to support land assembly and infrastructure installation to prepare for higher-intensity development. A TIF district is financed by capitalizing the gains in property tax value that are anticipated to occur through development. The base tax which is levied before creation of the TIF district is still directed to the general fund, but the increment is leveraged to finance debt over a 20-year period. In practice, the City should demonstrate that this increment would not occur "but for" the creation of the district, in order to dispel concerns that debt financing would potentially siphon from municipal reserves. When a TIF district is closed, total property taxes (both the increment and the base tax values) are reallocated to the general fund. As a tool that initializes development and ultimately expands the tax base, TIF is a powerful resource to stimulate local economic growth.

Downtown Redevelopment Opportunities

As Downtown ages, there will be opportunities to redevelop or adaptively reuse existing structures. In most cases, it is far more effective to reuse or adapt vacant big box structures, rather than demolish them and reconstruct the site, which requires significant energy and investment. For example, vacant big-box commercial buildings could be repurposed for community-serving uses, such as libraries, medical clinics, schools, or fitness centers. With additional investment and more substantial retrofits, other structures could be adapted to support additional stories and accommodate other uses, such as a large data center. Access to the Red Line would support the development of more jobs in the vicinity of Cedar Avenue.

The Downtown Design Guidelines advocate breaking up the superblocks around the intersection of Cedar Avenue and County Road 42. To facilitate this type of transformation, the City will have to examine its zoning code and consider amending policies which have produced the type of Downtown commercial development which actively discourages walking and bicycling, such as deep setbacks, wide streets, wide intersection spacing,

separated uses, and liberal parking standards.

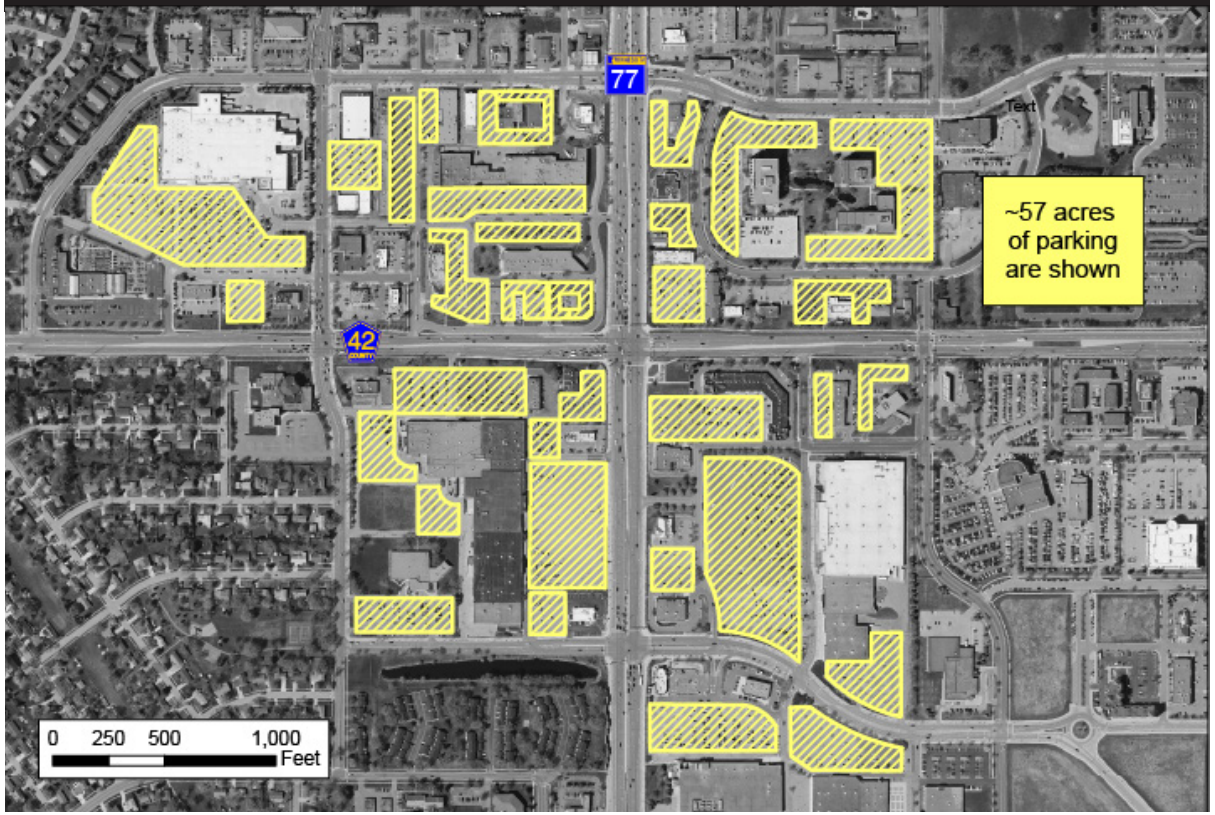
Surface Parking

Figure 6.10 depicts surface parking areas in Downtown. There appears to be an excess of underutilized space, representing an opportunity for economic development. Most of these lots are associated with large chain retailers. Although there are substantial challenges to working with national chains, which usually have their own parking and development standards, there are still opportunities to retrofit surface parking by working creatively within the market. For example, owners of underperforming strip malls or big box sites could be encouraged to lease the outer edges of their parking lots to smaller retailers, which would increase their revenue and extend the presence of commercial activity closer to street. Alternatively, some property could be converted for solar energy production. The Great Plains Institute's energy assessment notes that surface parking lots in Downtown receive high insolation and could be adapted to produce efficient solar energy. The extent to which this would be a desirable use of Downtown property is debatable; nevertheless, it illustrates the potential to adapt parking areas for a variety of uses. Beyond adaption, there may be opportunities to physically remove parking to daylight streams or natural wetlands, improving storm water retention.

These adaptations may not be implementable for years. In the short term, however, the City should conduct a parking study that calculates acreages, investigates daily use, estimates the economic potential for these areas based on regional market dynamics, and identifies some potential sites that could be retrofitted in the short-term. This examination could lead to a broader effort to update a master plan for Downtown. The Downtown Design Guidelines and conceptual presented in this plan effectively plan for "anticipatory" retroffiting. Anticipatory planning can be extended by laying out surface lots in block configuration, conceptualizing future building sites, and identifying conceptual collector lanes with street trees and utilities between rows of parking.

Excess parking is an opportunity for redevelopment.

Figure 6.10: Downtown Parking Lots



4. Develop connections to the Twin Cities metro and beyond, using advances in communication technology, 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 wi-fi, (faster and more efficient), and fiber optic services. A discussion of this topic 10 years ago would have underestimated future systems already realized. The same will be true in the future, to 2040. 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 to remain competitive.

The Metropolitan Council's 2040 transit system envisions the Cedar Corridor as a critical north-south route, with Apple Valley a key node between Lakeville and the Mall of America station. The opportunities for the City resulting from the implementation of bus rapid transit (BRT) continue to be expanded. A Dakota County study from 2015 found that the Red Line triggered investment of $273 million in 38 projects within ½ mile of the Cedar Avenue corridor, beginning in 2010 with anticipation of transit's arrival. A review of land uses indicates that there are over 6,000 housing units and an estimated 17,000 Apple Valley residents living within ½ mile of the corridor. In addition, there are over 170 commercial parcels with a total property value greater than $500 million. Figure 3.5 in the Community Context Chapter depicts the estimated value of parcel structures as a fraction of total property value. This is one measure of property utilization, which can be useful in identifying potential for redevelopment and adaptive reuse.



Leveraging regional transit investments is an important piece of the economic development strategy.

Goals/strategies that will make transit a success include:

- Good system design (transit must be convenient even during bad weather; transit must be

supported by adequate parking and a dense and well-connected mixture of residential and employment-based uses)

- Linking key activity areas and population centers
- Moving riders quickly and efficiently
- Creating an experience people want to repeat
- Developing routes and stations to shape adjacent growth and draw investment
- Enhancing multimodal connections to/from transit line ("last-mile" connections); pedestrian connections across Cedar Avenue and to adjacent neighborhoods and businesses must be safe and convenient
- Augmenting the regional system through local transit connections

5. Attract businesses focused on science, technology, engineering, and math (STEM) to build a well-educated and well-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. These disciplines often support high-paying jobs in forward-thinking industries. Attracting innovative employers will position Apple Valley's economy to remain competitive in the knowledge economy.

With a limited number of students emerging in the workforce with STEM skillsets, the City must be prepared to provide supportive and desirable career opportunities, as well as housing and other amenities. Apple Valley offers the land resources and the cooperation with local owners to locate new and expanding businesses. Furthermore, Apple Valley is already highly educated and offers many places to live, shop, learn and recreate.

6. Develop Resilience

Resilience is an overarching theme that ties the economic development plan together. The economic strength of Apple Valley is derived from its connections to regional, national, and global economies. When conditions in these economies change, the City is affected. To ensure it can withstand future shocks to its economic base, Apple Valley is focused on improving its resilience. Apple Valley can build economic resilience by diversifying local industry, addressing the jobs-housing imbalance, and diversifying the skillsets of its labor force. Furthermore, it can expand and diversify its supply of energy to include a greater share of renewables and develop its energy storage capacity.

Energy

There are substantial opportunities to improve energy efficiency in the commercial and industrial sectors. Developing and diversifying the energy supply to incorporate more clean energy not only improves resilience, but creates opportunities for new jobs and technical training, and community partnerships with existing businesses and manufacturing. Energy efficiency improvements at large industrial and commercial facilities can lead to substantial cost savings. The total rooftop solar resource for commercial businesses in the City is 194 megawatts, which is equivalent to approximately 77 percent of all the electricity consumed in the city. Developing a fraction of this resource could have a large impact. Some local businesses, such as Uponor or Wings Financial Credit Union, may be receptive to partnerships that expand local resilience initiatives, foster community outreach and recognition, and benefit their bottom line. Implementing a combination of clean energy strategies for the business and residential sectors would help Apple Valley reach its GreenStep goals and stay on track to meet Minnesota's energy target – 50 percent GHG reduction by 2030.

New development is an opportunity to improve energy efficiency. The mixed-business campus should be designed to incorporate renewable power sources, such as local solar or biomass production.

In addition to solar, biomass can be used as a source of local, renewable energy. Several schools, colleges, and hospitals in Minnesota use wood pellets, waste wood, and other sources of biomass to fulfill part or all of their energy require-

ments. Managing organic food waste is a huge opportunity to reduce GHG emissions directly and create additional energy. Dakota County is looking to require organics diversion by large generators by 2022, and plans to make curbside organics collection available by 2025. The proposed hospital/mixed medical campus in Orchard Place would be a large energy user that could benefit from sourcing energy from local biomass or other renewables. A large producer of organic food waste, the hospital system could be engineered to use captured biogas (methane and carbon dioxide) to generate efficient energy through a combined heat and power (CHP) system.

Local Jobs Access

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. When more people live, work, and play within Apple Valley, the City will improve its self-reliance and resilience.

Land Use

Resilience is further built by diversifying land uses to support a variety of industries and by strengthening local networks of producers, consumers, and intermediary suppliers. Expanding the property tax base provides the City with financial resources needed to invest in services and facilities that enhance Apple Valley's environment.

To sustain the economy, existing commercial and industrial properties need to be maintained for viable use. 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. Deferred maintenance can have harmful effects. 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.