

INTRODUCTION

The purpose of this chapter is to identify strategies to increase commercial and industrial development in the City of Dayton. There are currently few commercial and industrial businesses located in the City of Dayton relative to surrounding communities. Major employers in the City of Dayton include ABC Auto Auction (wholesale vehicle sales) with 150 employees, King Solutions (mass mailings/store setups) with 85 employees, Sundance Golf and Bowl, Inc. (Dayton golf course) with 85 employees, the Anoka-Hennepin School District (Dayton Elementary School) with 70 employees, and the City of Dayton with 21 employees. Additional commercial and industrial development will provide additional revenue for the City which currently must rely largely on residential property taxes for revenue. The additional tax base provided by commercial and industrial areas will provide funds for additional City services that will be required as the City grows.

BACKGROUND

As part of the comprehensive plan process, Dayton met members of the business community to discuss Dayton's future. A key topic of this discussion was the provision of public infrastructure. Dayton business community members recognized the potential for growth due to the future construction

of an interchange at I-94 and Brockton. They noted that the minimal infrastructure in place provides the City with a blank slate for development of its infrastructure system, presenting an opportunity to develop excellent city-wide sewer, water, and transportation systems. The business community recognized the need for additional city services and infrastructure, but also expressed concern over the cost of services and infrastructure to Dayton residents and the associated financial strain of higher tax assessments if no large commercial/industrial tax base is present to offset these concerns. The business community was asked to identify strengths, weaknesses, opportunities, and threats for Dayton's future. This discussion is summarized in Table 6.1 – Strengths, Weaknesses, Opportunities, and Threats.

Although commercial and industrial development has been limited in Dayton, the City has begun to more actively pursue economic development opportunities in recent years. The City recently established an Economic Development Authority (EDA) to promote business development in Dayton. The City also supported development of the Wicht Industrial Park on Territorial Road/Holly Lane. Several industrial users are already located at this site and the City and the developer are actively pursuing additional industrial users for this location.

Tale 6.1- Strengths, Weaknesses, Opportunities, and Threats

STRENGTHS	OPPORTUNITIES
Future Freeway access	Brockton interchange
Cooperative/Collaborative City staff leaders	Water and sewer improvements
Growth potential	Blank slate
Scenery/topography	Dayton adjacent to great infrastructure
Honest and intelligent leadership	Close proximity to future hospital (Maple Grove)
WEAKNESSES	THREATS
Minimal infrastructure in place	Poor planning
Lack of city services	Financial strain of high tax assessments
Cost of infrastructure to residents and businesses	Low income housing
Concern about police and fire	Increased crime
Minimal commercial and processional services	City Council/leadership

GOALS AND POLICIES

Input from the business community and residents were used to develop a set of goals and policies to guide the comprehensive plan. Although economic development was not specifically addressed, many of the goals and policies for commercial and industrial development are applicable to the City's economic development plan. These goals and policies are listed below.

COMMERCIAL LAND USE

Goal 1: Expand and diversify the City's tax base by encouraging new commercial development.



Policy 1: Create a cohesive identity for Dayton commercial areas. Create performance standards for all commercial areas including building and signage design guidelines, streetscaping, and inclusion of green space, paths, and sidewalks to connect commercial areas to neighborhoods.

Policy 2: Support and promote existing business and new businesses that are viable and responsive to the needs of the community. Identify or create programs to provide financial assistance to retain existing business and attract new business.

Policy 3: Rehabilitate, or where necessary, redevelop substandard and/or functionally obsolete commercial development through private means or, if necessary, public assistance.

Policy 4: Encourage business owners to remodel, rehabilitate, and enhance building exteriors.

Policy 5: Allow home businesses provided that they are an accessory to the residential use, adhere to the Zoning Ordinance, and do not impact nearby properties.

Policy 6: Maintain and promote the Historic Village as an important commercial opportunity.

Policy 7: Work with the area's Chamber of Commerce to attract new business to Dayton.

INDUSTRIAL LAND USE

Goal 1: Attract and encourage new light industrial, office-industrial, high tech, and professional services and maintain and expand existing businesses in Dayton.



Policy 1: Encourage high-end business park development that attracts medical, technology, and similar industries which provide quality employment and wages.

Policy 2: Work with property owners to redevelop existing industrial sites that are in disrepair, are obsolete with respect to site design, have environmental concerns, and are incompatible with neighboring land uses.

Policy 3: Develop a marketing plan and strategy aimed at creating an industrial identity that will help recruit business and industry to Dayton.

Goal 2: Create areas for industrial expansion within the City's growth areas that are accessible to public infrastructure and transportation.

Policy 1: Establish light industrial and business park locations that offer a full range of activities in a manner that is compatible with surrounding land uses.

Policy 2: Encourage site upkeep and quality maintenance through code enforcement to maintain and promote a positive image of industrial areas.

TARGET ECONOMIC DEVELOPMENT DEMAND AREAS

As the City of Dayton grows, demand for commercial and industrial development will increase. As previously stated, a future interchange on I-94 is planned in Dayton at Brockton Lane. This roadway improvement will significantly improve access to the City making it a more desirable location for commercial and industrial development. The City has planned a large area of Industrial/Business Park and Commercial/Mixed Use development in the immediate area surrounding the interchange to serve this future demand. The City has already zoned this area for industrial land and several industrial users have recently located at the Wicht Industrial Park. Although interchange access is not currently available, County Road 81 provides adequate access to the site. A BNSF railroad line also provides rail access which is desirable for many industrial users for the movement of freight.

Additionally, the provision of municipal sewer and water services will provide for increased housing opportunities in the City. The increase in housing units will create additional demand for commercial services. The City has planned accordingly by designating several additional areas of general commercial, neighborhood commercial, and mixed use areas along major transportation corridors on its 2030 Future Land Use Plan.

The City's redevelopment plan for its Historic Village area also provides an opportunity for additional economic development. The City has guided this area for Mixed Use on the Future Land Use Plan, providing for flexibility for future development. The redevelopment plan will promote reinvestment in Dayton's Historic Village, an important asset to the community and part of the community's identity.



The City anticipates the demand for commercial and industrial development will increase significantly by 2030. Therefore, the City's Land Use Plan identifies large areas of commercial, industrial, business park, and mixed use areas that will provide for a mix of jobs, ranging from retail and commercial service jobs to high end technology jobs. The City's future land use plan provides capacity for a total of 12,501 jobs by 2030.

ECONOMIC DEVELOPMENT STRATEGIES

The following strategies were developed to guide economic development activities in the City of Dayton.

GUIDE LAND USE FOR TARGET MARKET

The City's goals and policies identify the desire for high end business development. The Future Land Use Plan identifies a large area guided for a business Park that will accommodate high end business development. In addition to diversifying the city's tax base, this area will also provide well-paying jobs for Dayton residents. This land use category may also accommodate medical office development. It is likely that demand for medical office development will increase due to the location of the new hospital in Maple Grove. The business park area in southwest

Dayton is ideal to accommodate medical offices, given its proximity to the hospital site. Additionally, as life-cycle housing increases in Dayton and the population ages, the median age of Dayton's residents will increase. Older residents will likely demand additional medical services. Dayton's business park area provides a convenient location for such services within the community. The City's Future Land Use Plan identifies appropriate locations for business park and industrial uses to accommodate these target markets and to respond to the city's goals to **create areas for industrial expansion within the City's growth areas that are accessible to public infrastructure and transportation and to attract and encourage new light industrial, office-industrial, high tech, and professional services.**

The Historic Village is a desirable location for reinvestment,...

The Land Use Plan also addresses the City's policy to encourage commercial development in Dayton's Historic Village. Guiding this area for mixed-use development in its Land Use Plan provides the City with flexibility to accommodate appropriate redevelopment and new development in the Historic Village. Additional residential opportunities created in this mixed-use area will likely increase demand for commercial services in the Historic Village as well. The Historic Village is a desirable location for reinvestment, due to the significant historic and natural features in the area. Promoting reinvestment and planning for improvements to the Historic Village responds to the community's policy to **maintain and promote the Historic Village as an important commercial opportunity.**

The City should continue to ensure that the Land Use Plan and Zoning Ordinances accommodate target economic development markets. The City should continually evaluate market conditions and update the Land Use Plan and Zoning Ordinances periodically in response to updated market information.

...availability of commercial and industrial land would also be of interest to potential businesses,...

MARKETING THE CITY OF DAYTON

Existing members of the Dayton business community identified a number of strengths and opportunities for Dayton businesses. The City should market these strengths and opportunities to potential businesses. Initially, this information could be shared on the City's economic development site. Information on infrastructure improvements and the availability of commercial and industrial land would also be of interest to potential businesses, and should be shared as well, on the City's website and through other means, such as periodic written reports on economic activity in the City.

The City's Economic Development Authority, I-94 Chamber of Commerce, and City Staff and leadership should work together to share information and develop additional marketing opportunities. For example, the hospital site in Maple Grove provides an excellent opportunity to market Dayton for future medical office development. These groups should work together to identify and capitalize on this opportunity and identify additional opportunities for the community.

These marketing efforts will also address the City's policy to **develop a marketing plan and strategy aimed at creating an industrial identity that will help recruit business and industry to Dayton.**

ESTABLISH FINANCIAL INCENTIVES TO ATTRACT NEW BUSINESSES AND SUPPORT EXISTING BUSINESSES IN DAYTON

There are a number of financial incentives available to the City of Dayton to offer potential businesses who may locate within the City and to retain existing businesses looking to expand or invest in their property. Several options available to the City are identified below. The City's Economic Development Authority should evaluate which options would be most appropriate for the City of Dayton. This strategy responds to the City's policies to **support and promote existing business and new business that are viable and responsive to the needs of the community** and to **identify or create programs to provide financial assistance to retain existing business and attract new business.**

Tax Increment Financing

Tax Increment Financing (TIF) is the primary development finance tool available to Minnesota cities. TIF is simple in concept, but complex in its application. Through Tax Increment Financing, the property taxes created by new development (or redevelopment) are captured and used to finance activities needed to encourage the development. The challenge in using TIF lies with the complex and ever-changing statutory limitations. These complexities make it impractical to provide a thorough explanation of Tax Increment Financing as part of this plan. Instead, this section highlights the use of TIF as it relates to the implementation of the plan.

Uses

Tax Increment Financing can be used to finance all of the important implementation actions facing the City such as land acquisition, site preparation, parking, and public improvements. In addition, TIF creates a means to borrow money needed to pay for redevelopment costs. The City can issue general obligation bonds without an election if 20% or more of the debt is supported by tax increment revenues. These bonds are not subject to any debt limit.

Type of TIF Districts

The implementation of the plan may require the creation of one or more new TIF districts. The following overview highlights some of the considerations in creating a TIF district. This information is intended solely as a basic framework for finding applications. All specific uses will require a thorough analysis of all statutory factors.

The ability to meet the statutory criteria for establishing a district is a key to the use of TIF. Four types of TIF districts have application to the plan.

Redevelopment – A redevelopment TIF district has two basic criteria:

- Parcels consisting of 70% of the area of the district are occupied by buildings, streets, utilities, or other improvements and to be occupied, not less than 15% of the parcel's area must be covered by the improvements and
- More than 50% of the buildings not including

outbuildings are structurally substandard to a degree requiring substantial renovation or clearance (as defined by statute). A redevelopment district may consist of noncontiguous areas, but each area and the entire area must meet these criteria.

Renewal and Renovation – A renewal and renovation TIF district requires similar, but reduced criteria. The following three factors must exist.

- The same 70% occupied test applies;
- The minimum amount of structurally substandard buildings drops to 20%;
- And 30% of the other buildings require substantial renovation or clearance to remove existing conditions such as inadequate street layout; incompatible uses or land use relationships; overcrowding of buildings on the land; excessive dwelling unit density; obsolete buildings not suitable for improvement or conversion; or other identified hazards to the health, safety, and general well being of the community.

Housing – A housing TIF district is intended to contain a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income.

Economic Development – Economic development TIF districts focus on industrial development. These districts can be established when the City finds it is necessary to:

- Discourage commerce, industry, or manufacturing from moving their operations to another state or municipality;
- Increase employment; or
- Preserve and enhance the tax base of the state. The TIF Act defines specific types of industrial uses that are eligible for the establishment of this form of district. The primary uses are manufacturing, warehousing, research and development, and telemarketing.

Use of Tax Increment

The use of tax increment revenues is controlled by both state law and by local plan. State law sets forth specific limitations based on the type of TIF district. These limitations generally tie back to the original criteria used for establishing the district. For example, at least 90% of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allowed for the designation of the district. This limitation requires careful consideration of the links between individual projects and the community development initiatives. The use of tax increments must also be authorized by a tax increment financing plan adopted by the City.

Tax Abatement

Tax abatement acts like a simpler and less powerful version of Tax Increment Financing. With TIF, the City controls the entire property tax revenue from new development. Under the abatement statute (Minnesota Statutes, Sections 469.1812 through 469.1815), the City, county, and school district have independent authority to grant an abatement.

Uses

Abatement in Minnesota works more like a rebate than an abatement. The City (and other units abating taxes) adds a tax levy equal to the amount of taxes to be abated. The revenue from the abatement levy can be returned to the property owner or retained and used to finance development activities. Tax abatement can be used to finance the key redevelopment actions in the Historic Village's land acquisition, site preparation, and public improvements.

Tax abatement is perhaps best suited as an incentive for reinvestment in existing property. While TIF deals with only the value from new development, abatement can apply to both new and existing value. This power provides the means to encourage rehabilitation of commercial buildings and housing. The City could agree to abate all or part of the municipal share of taxes to encourage reinvestment tied to the plan.

The statute grants the authority to issue general obligation bonds supported by the collection of

abated taxes. The proceeds of the bonds may be used to pay for the following:

- Public improvements that benefit the property,
- Land acquisition,
- Reimbursement to the property owner for improvements to the property, and
- Costs of issuing the bonds. These bonds can be issued without an election and are not subject to the debt limit.

Limitations

State law places several important limitations on the use of tax abatement.

- In 2003, the State Legislature increased the total taxes abated by a political subdivision in any year to an amount that may not exceed whichever is greater of 10% of the current levy or \$200,000.
- If one political subdivision declines to abate, then the abatement levy can be made for a maximum of 15 years. If the City, county, and school district all abate, then the maximum period drops to 10 years.
- The duration of the abatement can be extended to 20 years if it is for a "qualified business" as defined in the statute. This provision is targeted towards industrial development applications.
- Taxes cannot be abated for property located within a Tax Increment Financing district.

City Growth Fund

The City of Dayton may consider establishing a Growth Fund to assist potential businesses. This technique has been used in other metro area cities to promote economic development. Some cities have established a revolving loan fund to new and expanding businesses to finance equipment and/or real estate with the purpose of increasing the local tax base and improving the City's overall economy.

Twin Cities Community Capital Fund

The Twin Cities Community Capital Fund (TCCCF) is an economic development financing resource for

the seven county Twin Cities Metropolitan Area. The Fund is designed to leverage millions of dollars in Revolving Loan Funds (RLFs) and other economic development funds owned and managed by metro area local governments and development financing organizations. By pooling resources, TCCCF members have the advantage of offering much larger loans than would be possible with limited local resources, greater gap-lending flexibility for financing local development projects, and significantly lower loan risk. This non-profit organization also provides the services of a professional fund manager and loan officers at no cost to participating fund members. Many member communities in the metro have used TCCCF financing to provide gap financing for funding of building expansion and equipment for new and expanding businesses.

Other Programs

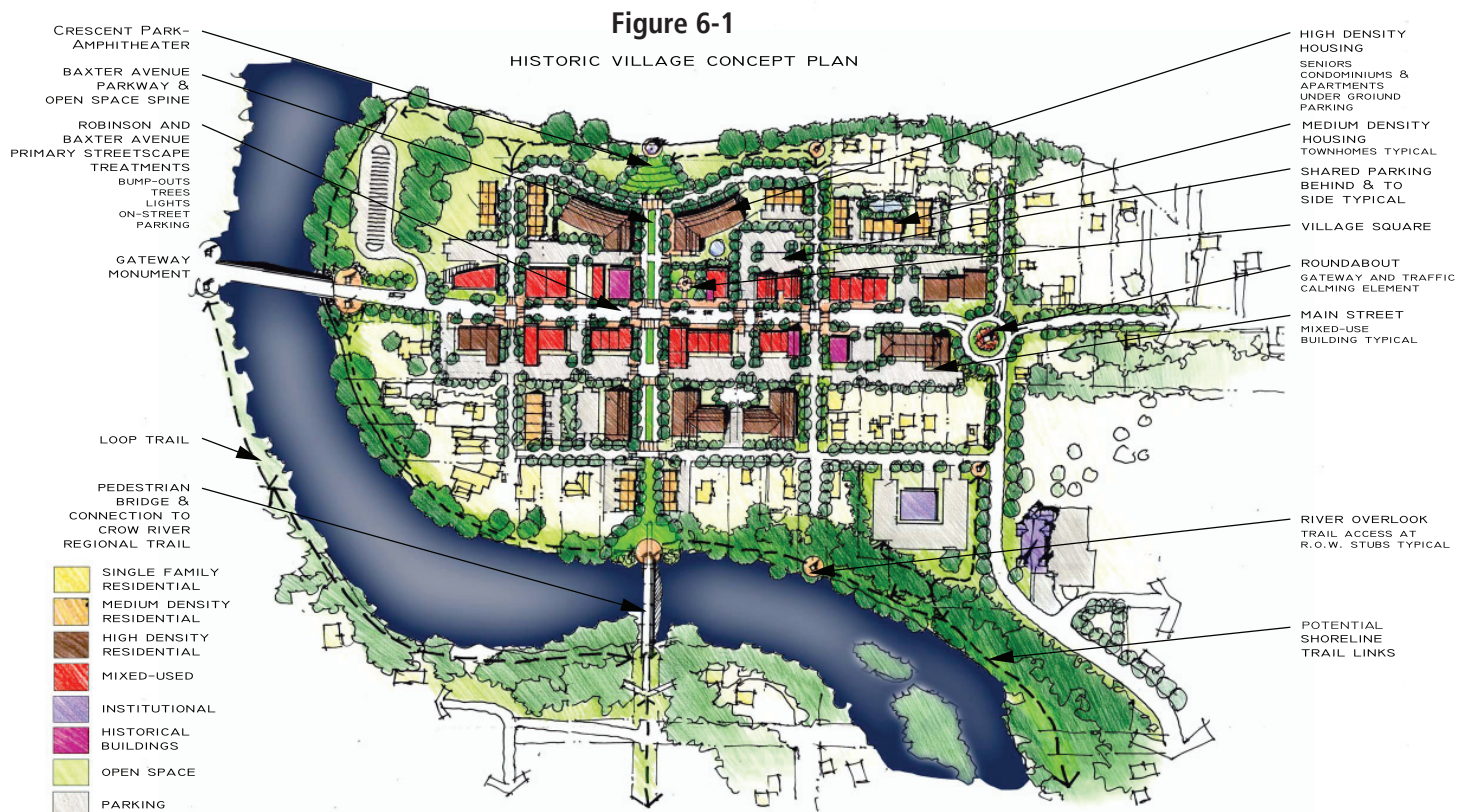
The City of Dayton EDA could also pursue opportunities through the Minnesota Department of Employment and Economic Development (DEED) to secure financing for businesses. Possible programs may include the Minnesota Investment Fund or the Minnesota Job Skills Partnership Program.

ENSURE INFRASTRUCTURE IS AVAILABLE TO MEET BUSINESS NEEDS

The City has developed a staging plan to identify the timing of infrastructure availability in the City. Plans are underway to provide sewer service to the City's two economic development target areas. Sewer service is currently being extended to the Historic Village through Otsego and sewer service is available to current industrial users in the Brockton Lane area. This area is also within the Current staging area of the City's staging plan to accommodate additional infrastructure demands in this area as needed. The City has prepared a staging plan to identify the staging of infrastructure provision to the rest of the City. The City has also timed its Staging Plan to coincide with planned transportation improvements to ensure that adequate transportation infrastructure is in place to accommodate new commercial and industrial uses. Additionally, the City is coordinating with other state and local jurisdictions in support of the potential interchange at Brockton Lane and I-94. This interchange will dramatically improve access to key commercial and industrial areas of the City.

HISTORIC VILLAGE REDEVELOPMENT

The City has developed a redevelopment plan (see Figure 6-1 below) and design standards for the



Dayton Historic Village area to promote reinvestment in this area. To implement new design standards, City ordinances should be revised to incorporate these standards. With the redevelopment plan and the appropriate regulatory framework to implement the plan in place, the City will be well-positioned to pursue available funding from the Metropolitan Council for public improvements in this area. Public investment in the Historic Village will likely stimulate additional private investment in this area.

PROMOTE QUALITY DEVELOPMENT

After the Comprehensive Plan is finalized, the City will update its Zoning Ordinance to be consistent with the Comprehensive Plan. The revised ordinance should incorporate high design standards for new business development including architectural guidelines for retail development, standards for quality building materials for commercial and industrial development, and site planning requirements that incorporate quality landscape features for both commercial and industrial development as well. These design standards will address the following plan policies for commercial and industrial areas:

- Create a cohesive identity for Dayton commercial areas;
- Create performance standards for all commercial areas including building and signage design guidelines, streetscaping, and inclusion of green space, paths, and sidewalks to connect commercial areas to neighborhoods; and
- Maintain and promote a positive image of industrial areas.

SUPPORT EXISTING BUSINESSES

The City recognizes the importance of maintaining its many valuable existing businesses located within the community. These businesses provide important services and jobs to Dayton residents and the region. The City will work with the Dayton Chamber of Commerce to identify the needs of existing businesses to achieve a healthy business climate. Open communication between the City and business owners is essential to establishing a strong and mutually beneficial relationship between

the City and businesses owners. The City should pursue ongoing communication efforts with Dayton businesses owners including surveys, interviews, and check-in meetings to understand the needs and issues facing business owners. Dayton will also work with existing businesses that are considering moving or expanding to better understand barriers to business expansion and assist businesses to overcome these barriers. Additionally, financial assistance options discussed above for new businesses will also be made available to existing businesses where appropriate to encourage business investment and expansion in the City. If businesses do leave the City, the City should follow-up with these businesses to understand reasons for the departure. This information can be used to inform additional business retention efforts.