

Nolan W. Wall, AICP
Planning/Community Development Director

651.204.6027 Phone
651.204.6100 Fax
nolan.wall@cityvadnaisheights.com



The City of Vadnais Heights
800 East County Road E
Vadnais Heights, MN 55127

Memorandum:

TO: Mayor Fletcher and City Council Members

FROM: Nolan Wall, Planning/Community Development Director

DATE: April 3, 2018

SUBJECT: *2040 Comprehensive Plan Update – Economic Competitiveness Element*

Recommended Council Action

Staff recommends the City Council review the attached materials and provide any comments on the Economic Competitiveness element of the *DRAFT 2040 Comprehensive Plan*.

Background

Staff and Bolton & Menk have been working on the DRAFT elements and maps as part of the Comprehensive Plan Update project since early 2017. Staff has conducted on-going public engagement efforts with the public and business community and the Planning Commission has already reviewed several DRAFT elements last year.

Attached is the DRAFT element for your review and comment. Please note that these documents are *not* how the final plan will appear. The consultant uses a document-design software program to pull everything together in a consistent format with pictures once all the elements are finalized.

Staff plans to conduct public engagement outreach at the following upcoming events:

- Lion's Waffle Breakfast – Sunday, April 8 at the Vadnais Heights Commons
- Public Open House – Tuesday, April 24 from 5:00-7:00 PM (preceding the regular PC meeting)
- NE Metro Expo – Sunday, April 29 from 11:00-3:00 at the Vadnais Sports Center

The DRAFT elements remaining for Planning Commission/City Council review include:

- Water Resources
- Implementation

Discussion

Staff is looking for feedback on the DRAFT element.

Attachment: DRAFT Economic Competitiveness element

I. ECONOMIC COMPETITIVENESS

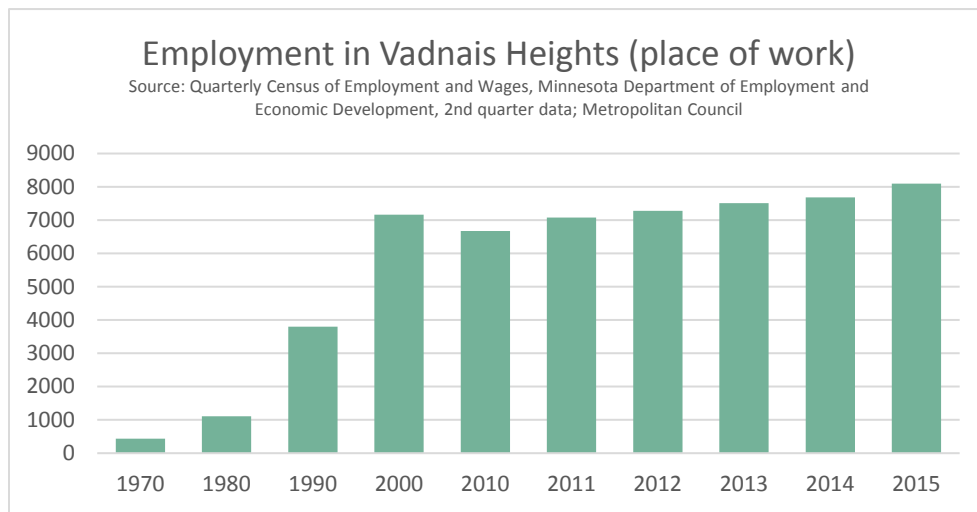
A. Introduction

Vadnais Heights is located in the northeast section of Ramsey County, approximately eight miles out of downtown Saint Paul and sixteen miles from downtown Minneapolis. Being located so closely to the core metropolitan areas provides a home for those that work in the City, and a place of employment for those in the City and surrounding areas.

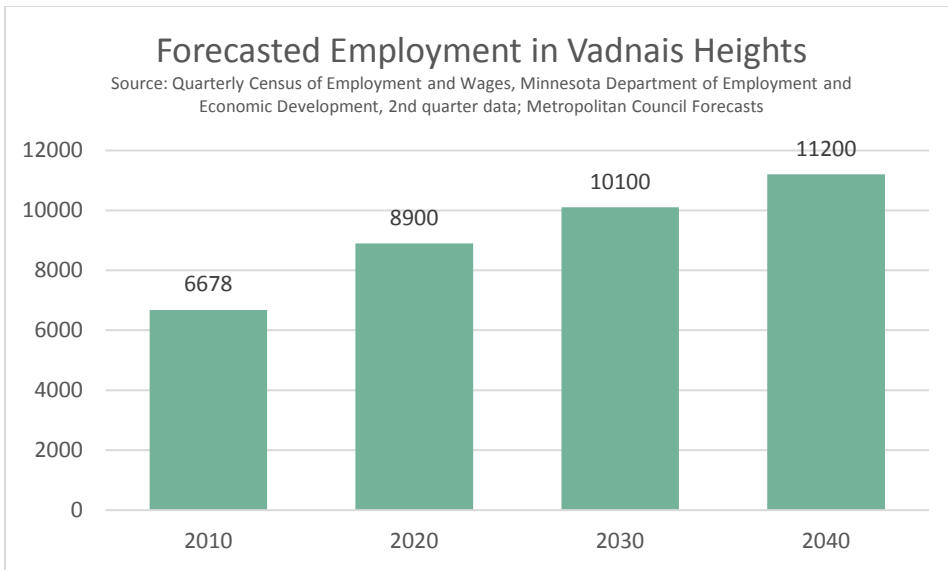
Vadnais Heights has a strong and diversified economic base with excellent access to major roadways, including Interstate Highways 35E and 694, as well as County Highway 96, U.S. Highway 61. Employment and business development has grown recently in Vadnais Heights to support over 8,000 jobs. The City on occasion will provide financial assistance to encourage development.

The City of Vadnais Heights is home to the Vadnais Heights Economic Development Corporation (VHEDC). VHEDC is a private, not for profit organization that seeks to create further economic development in Vadnais Heights. VHEDC is made up of local business leaders who strive to create new job opportunities, retain existing jobs, and expand the tax base of the area.

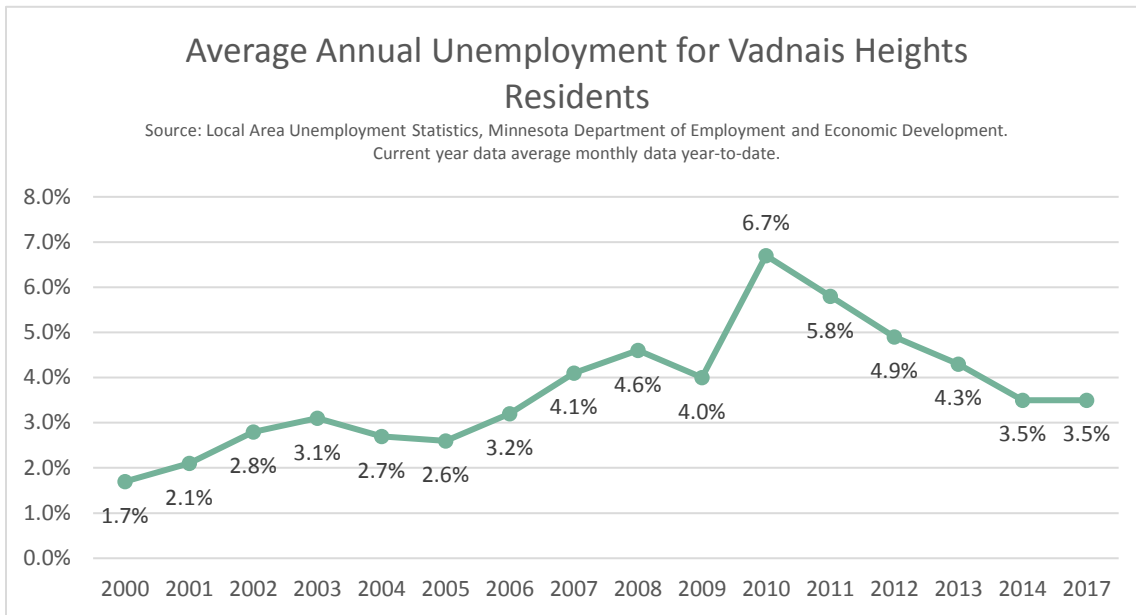
B. Existing Conditions



The City of Vadnais Heights has seen steady growth in employment for the last five years and seeks to continue this trend in the future. The total workforce of age 16 and older in Vadnais Heights is 7,283 people, and the area supports 8,096 jobs.



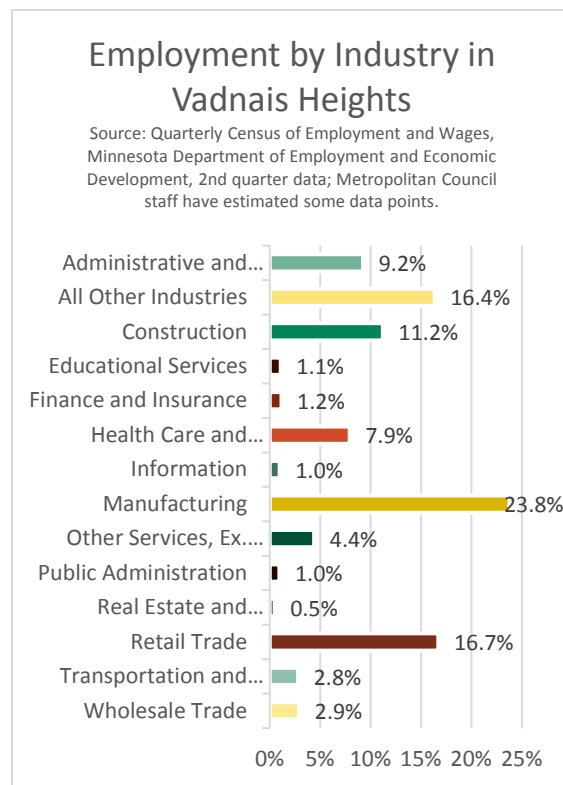
The amount of jobs in Vadnais Heights is projected to grow by 67% in the next 20 years. Therefore, the City must plan accordingly to maintain a healthy economy that enables this growth.



Vadnais Heights saw a rise of unemployment during the Great Recession, but has been able to recover presently with an unemployment rate of 3.5%

Employment by Industry	
Industry	Employees
Administrative and Waste Services	755
All Other Industries	1335
Construction	915
Educational Services	89
Finance and Insurance	95
Health Care and Social Assistance	647
Information	80
Manufacturing	1940
Other Services, Ex. Public Admin	359
Public Administration	78
Real Estate and Rental and Leasing	39
Retail Trade	1364
Transportation and Warehousing	229
Wholesale Trade	238

Source: Quarterly Census of Employment and Wages, Minnesota Department of Employment and Economic Development, 2nd quarter data; Metropolitan Council staff have estimated some data points.

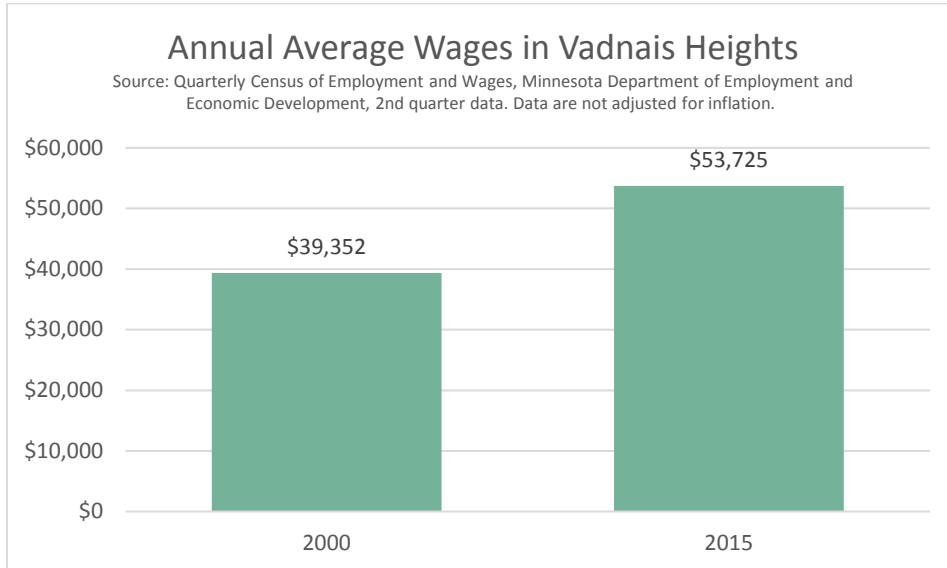


The largest industry in Vadnais Heights is manufacturing, making up 24% of employment. Following this is retail trade at 16.5%, construction at 10.4%, administrative and waste services at 9.5%, and the all other industries category at 8.8%. The large amount of manufacturing in Vadnais Heights is a due to the presence of companies like H.B. Fuller, Dynamic Air Inc., and Posi-Flate. H.B. Fuller, located in the southeast section of the City has brought approximately 450 jobs to the area. Dynamic Air Inc. and Posi-Flate both have generated approximately 125 jobs.

Employment by Industry				
Industry	Employees in 2010	Employees in 2016	Actual Change	Percent Change
Administrative and Waste Services	827	755	-72	-9.5%
All Other Industries	2,011	1,335	-676	-50.6%
Construction	0	915	915	100.0%
Educational Services	0	89	89	100.0%
Finance and Insurance	142	95	-47	-49.5%
Health Care and Social Assistance	0	647	647	100.0%
Information	0	80	80	100.0%
Manufacturing	1,657	1,940	283	14.6%
Other Services, Ex. Public Admin	201	359	158	44.0%
Public Administration	68	78	10	12.8%
Real Estate and Rental and Leasing	0	39	39	100.0%
Retail Trade	1,316	1,364	48	3.5%
Transportation and Warehousing	163	229	66	28.8%
Wholesale Trade	293	238	-55	-23.1%

Source: Quarterly Census of Employment and Wages, Minnesota Department of Employment and Economic Development, 2nd quarter data; Metropolitan Council staff have estimated some data points.

From 2010 to 2015 Vadnais Heights saw the most growth in jobs within construction, followed by health care and social assistance, manufacturing, and then other services. Change in industries may be somewhat skewed by differences in how the Census Bureau defines employment industries between censuses. In total, all industries increased by approximately 2,335 jobs. There was however, jobs lost in the all other industries category, administrative and waster services, whole sale trade, and finance and insurance.



Wages in Vadnais Heights rose by approximately 36.5% over the last 15 years. However, that increase was less than both Ramsey County and the Twin Cities region as a whole, which saw increases of 47.7% and 46.2% respectively.

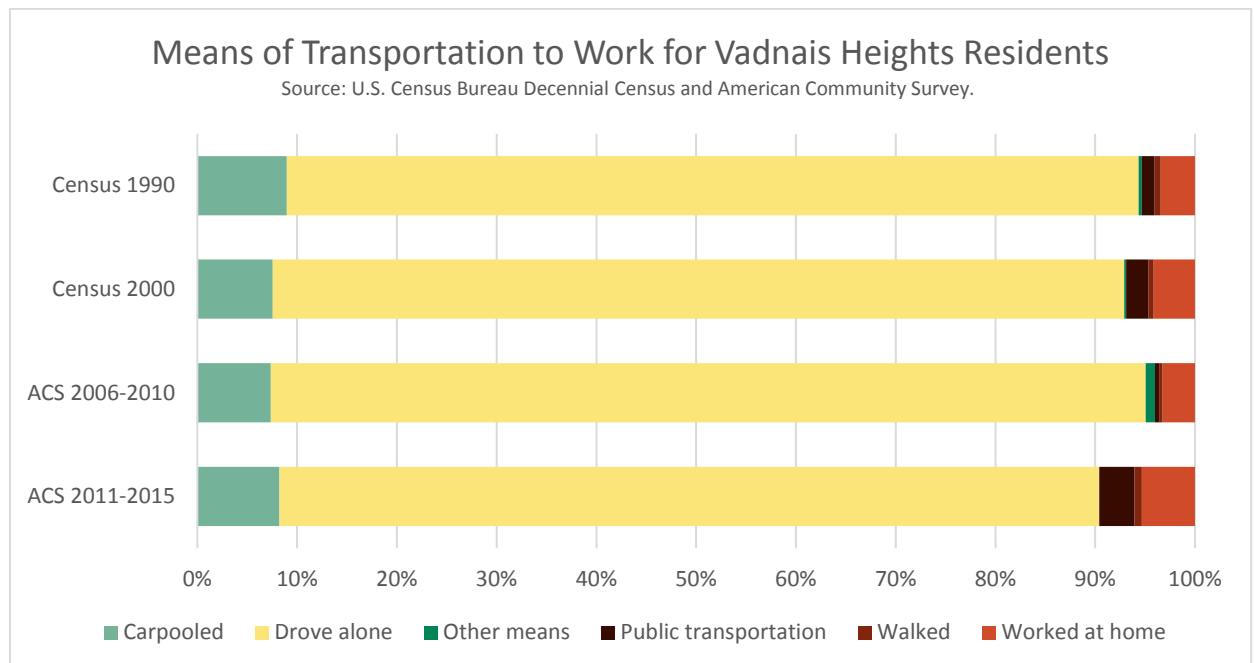
Top ten workplaces of people who live in Vadnais Heights	
Workplaces	Workers
St. Paul	1,130
Minneapolis	866
Maplewood	376
Roseville	326
Vadnais Heights	315
White Bear Lake	288
Shoreview	178
Arden Hills	142
Fridley	139
Bloomington	136
Other	1,989
Total	5,855

Source: U.S. Census Bureau Local Employment-Household Dynamics.

Top ten residences of people who work in Vadnais Heights	
Residence	Workers
St. Paul	852
White Bear Lake	430
Minneapolis	417
Vadnais Heights	315
Maplewood	283
Woodbury	245
Hugo	239
Blaine	222
Lino Lakes	219
White Bear Township	217
Other	3,772
Total	7,211

Source: U.S. Census Bureau Local Employment-Household Dynamics.

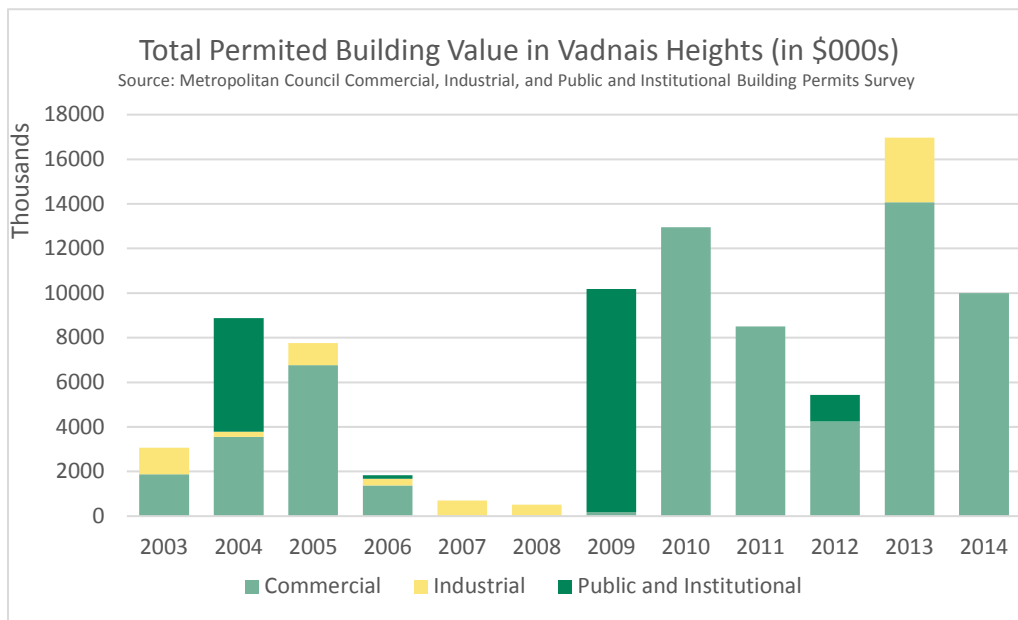
There is a total of 7,211 individuals that commute to the City of Vadnais Heights from other municipalities for employment. Concurrent with this, there are nearly 5,885 people that live in Vadnais Heights, but leave the City for their employment. Most residents of Vadnais Heights are working in St. Paul or Minneapolis, with others spread across Ramsey, Anoka, and Hennepin County. Census data states that a mere 315 people that live in Vadnais Heights, work within the City.



According to the 2015 American Community Survey (ACS), 82% of workers are traveling to work in by vehicle, down from ACS 2010. The largest increase in means of transportation to work for Vadnais Heights residents from 2010 to 2015 was an increase by four percentage points for those that used public transportation. Those that carpool, walk to work, and work at home also saw increases from the ACS 2010. Residents of Vadnais Heights have an average travel time to

work of 24.9 minutes, up 1.4 minutes from the American Community Survey in 2010. As of February in 2017, ESRI Business Analyst estimated an employee to residential population ratio of 0.71:1. The City wants to create a community that allows residents the opportunity to work where they live and will encourage housing and industry that will support this goal. This will require creating a variety of high-quality and diverse housing opportunities for households with various incomes.

Land use within the Vadnais Heights is varied and diversified. Being located along Interstate 694, 35-E, U.S. Highway 61 and major local roads such as County Road E, the City has access to major roadways that are able to support industrial and commercial areas. The major areas of business in the area are the Highway 61 Corridor, the Southeast Industrial District, the Highway 96 Corridor, the County Road E Corridor, and the Vadnais City Center. There are multiple sites of vacant land and potential areas for redevelopment that the City is eager to pursue.



Construction in the City has been primarily commercial for the past 11 years with approximately \$63.5 million in total permit value. Approximately \$16.4 million has been invested in public and institutional uses in the same time frame, and around \$6.8 million was invested in industrial development.

During this 20 year planning period, the City of Vadnais Heights will be looking to develop 138.6 acres for the industrial uses, 5.6 acres for commercial uses, and 25.6 acres for mixed use purposes within the City Center district.

In order to support emerging business opportunities, the City will look to develop more housing that suits the demand of the residents of Vadnais Heights. In order to fill this need the City will look to develop high quality housing options in undeveloped areas guided for residential housing and strategic housing redevelopment opportunities to meet the future needs of the community.

Through various resources the City of Vadnais Heights has obtained information on the people of Vadnais Heights and believe that this information is important to future planning in the City.

ESRI Business Analysts has developed what it calls Tapestry Segmentation. This system identifies socio-economic groups within a ZIP codes and the characteristics that are and preferences of the people included in these groups. The top three groups within Vadnais Heights

are Savvy Suburbanites, Comfortable Empty Nesters, and In Style.

- ‘Savvy Suburbanites’ are generally well educated, successful, and in their 40s or 50. They are actively engaged in their homes and property, but enjoy the amenities that the City has to offer.
- ‘Comfortable Empty Nesters’ are generally older than Savvy Suburbanites and are likely to live in the suburb that they grew up in. They are usually financially sound, though not as well off as Savvy Suburbanite, and somewhere between the end of child rearing and retirement age.
- The ‘In Style’ group are generally younger than the previous two groups, planning for retirement instead of approaching it, and favor the amenities of the City over suburban life. Usually well connected, professional couples, which are likely to not have children.

All three of these groups have median ages between 41.1 and 46.8 and have a diversity index from 30.6 to 36.9. General preferences for all groups in housing is single family with values starting at \$187,000 to \$311,000. All of these groups have a majority of occupations that tend to be in management, office and administrative support, and sales. Finally, the population growth of these groups is relatively low ranging from 0.4% to 0.6% with the maximum on the scale being 3%. These groups should be relatively stable for the length of this plan, but further out these groups are likely to shrink in their size and dominance of the region.

Worth noting from this information too, is that the studies are done in Zip Codes. As such, the southeastern business area east of 35-E has other dominant groups. These groups are the Parks and Rec, the Midlife Constants, and again Comfortable Empty Nesters. Generally, these groups are slightly younger, and have lower median incomes. These groups are generally more interested in suburban or rural life, than the amenities of the City.

C. Goals, Policies, and Recommended Actions

Economic Development Goals and Objectives

- Maintain Vadnais Center as the center of social, commercial and community life.
- Maintain and improve the appearance of the community promoting cleanup efforts and redevelopment as well as appropriate types of land uses, landscaping and screening, and preserving existing natural resources and local character
- Address blighted areas and implement measures to prevent further properties from becoming blighted.
- Attract commercial development to the downtown that will serve the needs of the community and complement the existing mix of businesses (e.g. restaurants, retail, entertainment, etc.
- Increase the walkability of the downtown area with additional wayfinding signs and pedestrian and cyclist friendly improvements.
- Analyze and evaluate the City's parking situation and create a plan for improving parking management and balancing parking space supply with demand, with a focus on the downtown area.
- Create design standards to improve the façade of the buildings and create and inviting downtown center area.
- Attract businesses and institutions that will offer a variety of jobs, especially higher paying jobs
 - Look for people or organizations with connections to the community to bring in new business opportunities
 - Identify additional industrial lands for both immediate and long term growth and development. Locate these near the key transportation corridors

- Develop a land use pattern that provides room for industry and business, and takes into consideration their utility needs
- Continue support for programs and initiatives that foster entrepreneurship (e.g. promote City business incubators and encourage entrepreneurship among all segments of the population, including minorities, women, youth)
- Work Closely with the VHEDC and other partner entities to support local businesses with a proactive business retention and development strategy
- Partner with the local organizations to promote food security and public health by encouraging and supporting locally-based food production and distribution, the farmers market and community gardens

Toolkit

a) TIF

Redeveloping blighted and aging areas is vital to maintaining long-term economic competitiveness for the City of Vadnais Heights. Vadnais Heights has utilized tax increment financing (TIF) for housing projects and redevelopment since 1985 when the first TIF district was established. TIF has been used to accomplish many goals of the City and has strengthened the diversity of housing options, land uses and tax base, increased employment opportunities, and been used to clean up contaminated sites. These efforts can be quantitatively represented by the market value increases that have been seen in the different TIF districts

Table XX – TIF Districts			
District	Original Market Value	Pay 2013 Market Value	Percent Increase in Value
TIF 1-6 Volp	\$333,183	\$10,550,900	3066.70%
TIF 1—8 Quality Fabricators	\$504,100	8,845,600	1654.73%

Source: Management Review & Analysis Tax Increment Financing Districts, City of Vadnais Heights , Ehlers Leaders in Public Finance, July 2013

Revenue from TIF districts is a financial asset of the City of Vadnais Heights. Revenue gained through TIF must be used primarily to address blight, contamination, housing or redevelopment needs for parcels within the TIF district within a specific period of time. The revenue is first used to pay debt service on outstanding bonds, interfund loans and developer pay-as-you-go notes (PAYGO). Some remaining funds can be used to participate in other eligible development projects and City initiatives

The use of TIF funding has been an asset to both the City and those districts that have seen its use. The City will continue to encourage the use of TIF to increase the prosperity of the districts, to provide funding for redevelopment and addressing blight, and to encourage development for beneficial uses within the City.

b) Tax Abatement

The City of Vadnais Heights plans to implement/continue the use of tax abatement programs to incentivize development. Through tax abatement developments are able to keep a portion of real estate taxes abated for 20 years

on new developments. Tax abatement allows for the City to further incentivize developers when TIF is not an option.

As of December of 2015 the City of Vadnais Heights has in place policy to report consistent and comprehensive financial statements when entering into agreements for tax abatement. This policy is to help users better understand how the tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact tax abatements have on the City's financial position and economic condition.

The City sees tax abatements as an opportunity to incentivize development in critical areas where otherwise it may not be viable or may not occur. The City will continue to use tax abatement as appropriate and standards that were outlined in 2015 to provide transparent tax abatement process and to better inform the public about the economic condition of the City.

Project Partners

Vadnais Heights Economic Development Corporation

It is Vadnais Heights Economic Development Corporation's (VHEDC) mission of to enhance economic development in the City of Vadnais Heights and the surrounding areas through the attraction, retention, and expansion of existing businesses and industries.

The VHEDC is a private, non-profit organization established to further economic development in the City of Vadnais Heights and the northeast metro area. Unlike most economic development agencies, the VHEDC is independent of any governmental entity.

The VHEDC is comprised of local business leaders who are focused on creating new job opportunities, retaining existing jobs, and expanding the tax base of our area. Businesses invest in the organization both with their financial commitment as well as service on committees.

Funding Sources

Minnesota Department of Employment and Economic Development

The Minnesota Department of Employment and Economic Development (DEED) is a state entity that monitors and collects information on employment and economic forces within the state. In addition to this DEED offers a multitude of different programs to fund and incentivize business development and growth. Some programs are available to a majority of businesses, while other have more specific goals such as furthering businesses that are start-ups or founded by certain groups such as minorities and women. Below are the different options that DEED offers:

- Angel Loan Fund

The Angel Loan Fund (ALF) is a program supported by the Minnesota Department of Employment and Economic Development with the express purpose of supporting entrepreneurial growth through attractive funding for early-stage business. The program grants up to 10% of the total amount of equity investment received in the business' approved funding round, subsequent to ALF approval.

- Emerging Entrepreneurs Loan Program

The Emerging Entrepreneurs Loan Program (ELP) is designed to support the development and growth of businesses owned and operated

by minorities, low-income persons, women, veterans and/or persons with disabilities. The programs majorly runs through various non-profit partners that may have their own requirements and restrictions on who is qualified to receive a loan. Loan sizes will also vary.

- **Minnesota Job Creation Fund**

The Minnesota Job Creation Fund is a program that provide incentives to new and existing businesses that meet certain standards for job creation and capital investment targets. The main industries that are targeted for this fund are those in the manufacturing, warehousing, distribution, and technology related fields. In order for a business to apply for this funding, they must be given a resolution in support by the City.

- **Minnesota Investment Fund**

The Minnesota Investment Fund is a program designed to award local municipalities who provide loans to assist expanding businesses. The goal of this fund it to create new jobs and retain high-quality jobs on a statewide basis. Industrial, manufacturing, and technology-related industries are all considered a focus due to their positive impacts on the local and state tax base and their ability to improve economic vitality on a statewide level.

- **Minnesota Job Skills Partnership**

The Minnesota Job Skills Partnership (MJSP) is a program that has been developed to work with businesses and educational institutions to train or re-train workers, expand work opportunities, and keep high-quality jobs within Minnesota. Educational institutions that partner with businesses can be granted up to \$400,000 to develop new-job training or re-training for existing employees.

Ramsey County

- **Ramsey County Business Loan Program**

Ramsey County has a Business Loan Program that provides loans to for-profit start-ups or expanding businesses. These loans are restricted to businesses that fall within the commercial, industrial, or service industries. Conditions for qualification include creating at least five new positions, enter a hiring agreement to consider applicants from a job-ready pool provided by the county, and obtain at least 60% of financing from other sources with 5% equity for expansions and 20% equity for start-ups. Benefits to qualified businesses include that gap financing can be used with private and public funds the rates and terms with the county will be more flexible than the market, and there are lower application fees.

- **Economic Gardening Program**

The Economic Gardening Program created by Ramsey County focuses on cultivating home-grown businesses by providing high-end, high-speed business growth resources to non-competing second stage businesses who want to grow.