

COMPREHENSIVE ECONOMIC DEVELOPMENT PLAN

PREPARED FOR THE NORTHFIELD (MN) ECONOMIC DEVELOPMENT AUTHORITY



APRIL 2006

DRAFT



ACKNOWLEDGEMENTS

The project team would like to thank the many individuals who took time to participate in the development of this document. We are particularly grateful to the Northfield EDA and the many residents, business owners, and organizations who provided feedback and valuable insights regarding the community.

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Should we include the "Context Mapping Group"?

about us

TIP Strategies, Inc. (TIP) is a privately held Austin-based business and economic development consulting firm committed to providing quality solutions for both public and private-sector clients.

Established in 1995, the firm's areas of practice include economic development consulting, strategic planning, site selection, economic impact analysis, regional economic development, target industry analysis, cluster analysis, technology audit, transit-oriented development, workforce analysis, feasibility studies, market analysis, and redevelopment analysis and planning.

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comprehensive economic development plan

EXECUTIVE SUMMARY



Northfield is in an enviable position for a community of its size. The city boasts a number of assets and a unique character that is absent from many of America's small towns and suburbs. An historic downtown, burgeoning riverfront, and distinctive retailers make Northfield a popular destination. Two nationally recognized liberal arts colleges, Carleton and St. Olaf, create intellectual capital that extends beyond students and faculty to a wide variety of cultural offerings for the community as a whole.

These attributes, in addition to a strong employment base and easy access to the Twin Cities, create conditions under which growth are highly likely. While rapid suburban development is a national pattern – resulting in communities with no real sense of identity – Northfield has defied the odds in maintaining both its own employment base and its downtown core.

These advantages, however, are no guarantee that growth will occur in a way that is economically viable. In recognition of this fact, the Northfield Economic Development Authority (Northfield EDA) engaged TIP Strategies, Inc., to develop a comprehensive economic development plan for the city. The plan is a response to the leadership's desire to make economic development a priority while balancing the community's desire to protect its identity as a "freestanding" community and maintain its sense of place.

Northfield is an exceptional community, easily deserving of its reputation as one of America's most appealing small cities. The strategies outlined in this document provide city officials with a guide for positioning Northfield for future commercial and industrial growth while holding on to those things that make it unique.

Most importantly, though, *this plan is intended to sound an alarm*. If Northfield's economic future is to be secure, the community must commit to pursuing specific objectives with regards to economic development – and to doing so in a highly visible manner.

If we want things to stay as they are, things will have to change.

Giuseppe Tomasi di Lampedusa
(1896-1957)



In broad terms, the objectives are:

1. Actively promoting economic development through a combination of increasing the availability of industrial land, aggressive business recruitment, and talent attraction.
2. Re-positioning Northfield in relationship both to the Twin Cities and to its smaller neighboring communities.

TIP, with the strong encouragement of the city's leadership, has sought to address these issues in a clear-headed way. We have framed the discussion in terms of the factors that we believe have the greatest impact on Northfield's economic vitality: expanding the city's *industrial* base, maintaining the community's quality of *place*, and attracting and retaining *talent*.

Industry > Diversifying and expanding the local industrial base is the most significant opportunity open to Northfield. Despite – or perhaps even because of – the dominant presence of the city's colleges, the area did not take part in the rapid employment and income gains seen during the technology boom of the late 1990s. Technology-centers such as Minneapolis, and others across the nation, saw their influence spread dramatically into regional and suburban communities. This plan lays out specific industry targets (*see next section*) to assist Northfield in this regard. These targets emphasize increasing the level of technical and professional employment in the community. Accommodating these targets and the workforce they require is at the heart of this plan

Three sectors (education, manufacturing, and healthcare) account for nearly two-thirds of all employment in Northfield.

our approach: COMMUNITY ASSESSMENT

TIP took an *asset-based* approach to this work, focusing on strategies designed to *maximize Northfield's existing advantages*. We began by conducting an economic assessment of the community, (*published under separate cover*). In addition to this quantitative analysis, our work was informed by interviews with local businesses and community leaders, as well as with developers and others in the Twin Cities region. The findings from this phase, refined based on input from stakeholder meetings held in November 2005 and January 2006, provided the foundation for this plan.

The following table highlights Northfield's strengths, weaknesses, opportunities, and threats, commonly referred to as a SWOT analysis. Broadly speaking, economic development strategies emerge directly from the SWOT analysis. Weaknesses – even if not directly related to economic development – must be addressed, and strengths must be supported and reinforced. Similarly, threats to the economic well-being of the community must be anticipated and responded to before they become crises. Opportunities, on the other hand, should be acted upon aggressively and, if possible, collaboratively.

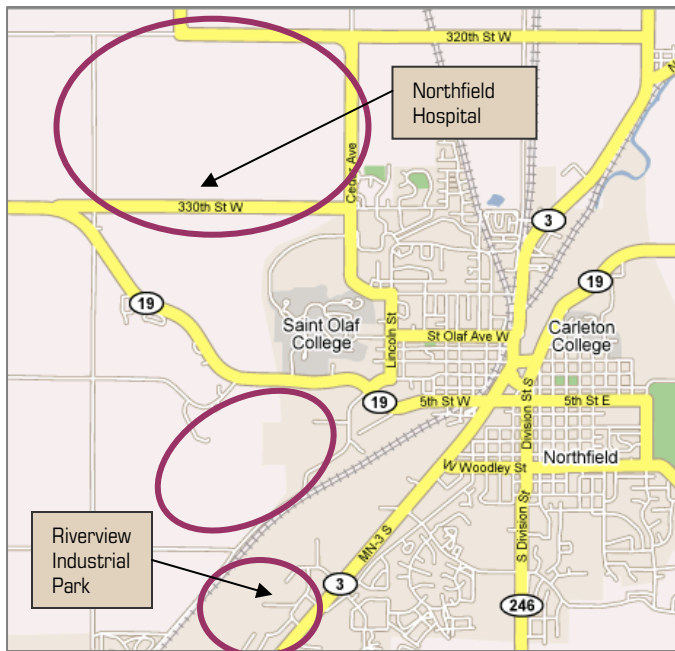
| STRENGTHS | OPPORTUNITIES |
|---|--|
| <ul style="list-style-type: none"> - Highly educated workforce - Authentic downtown - Presence of St Olaf and Carleton Colleges - Growing healthcare sector | <ul style="list-style-type: none"> - Riverfront development - Medical and related industries - Business expansion out of Minneapolis-St. Paul - Expansion of existing businesses |
| WEAKNESSES | THREATS |
| <ul style="list-style-type: none"> - Lack of industrial space and land resources - Low rates of retention of graduates | <ul style="list-style-type: none"> - "Suburbanization" of Northfield - Loss of independent retail downtown |



These existing industries provide a degree of security that is rare in similar sized communities. The ability to expand these sectors – and to ensure an on-going level of financial and economic stability – faces formidable barriers. *Among these barriers, none is as serious as the availability of land.*

Partially a result of zoning, and partially a result of annexation policies, the expansion of Northfield's tax base has relied largely on residential development. In the absence of favorable industrial land, expanding local businesses (as well as companies who might relocate to Northfield), have begun looking to surrounding communities. Dundas, Lakeville, and Faribault have benefited as a result of their lower land and housing costs, larger variety of readily available sites, and their greater availability of services.

Priority Business & Industrial Areas



Without specific commitments to offer land suitable for industrial and technology-related expansion, it is reasonable to expect that future growth will be dominated by housing. And continuing pressure for major residential development will almost certainly continue to drive up land costs, making non-residential development less attractive. These predictions have important implications for Northfield. Residential property taxes form an increasing proportion of the city's overall revenue. Housing developments themselves take up considerable land – land that is already restricted by annexation agreements.

priority strategy: INDUSTRY

→ Increase the availability of business and industrial land. The availability of land for business expansion and recruitment continue to be at the forefront of community discussions. Strong residential demand and limited annexation powers have combined to drive up land costs, making even available property unattractive. If this situation is to be resolved, given the competitive environment, public sector involvement will need to be a factor.

TIP recommends that the EDA explore alternatives for public involvement in the development of an industrial center. Priority should be given to property surrounding the Northfield Hospital site and land to the west of the existing industrial area.

Given the competitive environment and the potential for negative impacts we recommend a site of no more than 120 acres.



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These two factors – limited total land and the proportion of tax revenue from housing – can create a downward spiral: longer commute times (because residences and businesses are further apart), an aging population (with the related effect on school budgets), and declining industry expansion. For this reason, increasing the availability of business and industrial land (*see box, previous page*) should be the EDA's highest priority. Accommodating the expansion needs of existing business should be the initial focus. Subsequent marketing of industrial properties should be targeted to the industry sectors outlined in this plan.

Place > Northfield *embodies* quality of place. A tour of similar-sized cities surrounding Minneapolis quickly dispels the notion that the Northfield experience can be easily replicated. Indeed, on a national level, the city can justifiably be ranked in the top tier of small towns. It has already been named one of "The 20 Best North American Districts, Downtowns and Neighborhoods" by the Project for Public Spaces in 2004. The downtown has vibrancy and a youthful feel. Cultural opportunities abound. The Cannon River adds a distinctive natural feature, with amenities in the form of parks, bridges, and promenades.

Few would disagree that maintaining the downtown is essential to Northfield's sense of place. Or that the health of downtown retail is critical to the health of the downtown. On this point, Northfield's story is no different than that of many other communities. Independent retailers, most of whom are working with the thinnest of profit margins, are often unable to absorb rising costs or to offset even a small amount of competition from national chain stores. Faced with dramatic increases in property taxes and competition from larger retailers locating on Highway 3, the future of Northfield's independent retailers is precarious.

For this reason, it may seem somewhat surprising to talk about the downtown in terms of additional growth, but conversations with developers and retailers suggest that this opportunity has gone unrealized. Specifically, downtown Northfield has failed to capitalize fully in two important areas. The first is the recruitment and attraction of professional services to the downtown. Competition from the Twin Cities makes recruitment of large professional services firms impractical. However, expanding the mix of commercial options can play an important role in drawing professional services to the downtown. Broadening the definition of "mixed use" projects to allow for more flexible development is one aspect of this strategy.



Cannon River Opportunity Area



The second opportunity revolves around the Cannon River. Recent development proposals, including the Q-Block development initiative and the Riverfront Redevelopment project, can set the tone for additional redevelopment and infill projects along the river. Emphasis should be placed on orienting new development to the river. By this we mean ensuring that buildings have access to the river as well as to the street, creating additional pedestrian areas along the riverfront, requiring common architectural elements and adequate lighting — and encouraging uses that relate to the riverfront. These uses could include sporting goods stores (with rental options), cafés, and offices with river views.

Addressing the city's rising housing costs is another important aspect of quality of place. Anecdotal evidence suggests that housing costs limit the city's ability to accommodate workers, particularly young people. A simple index comparing median home prices to median household incomes illustrates Northfield's housing affordability relative to the US. Anything above 100 is less affordable than the U.S. average; anything below is more affordable. The index reveals that housing affordability in Northfield in 2000 was comparable to the U.S., but less affordable than in the state as a whole or the Twin Cities metro area. Rising land costs coupled with expansion out of the metropolitan area has driven the price of new housing even higher than at the time of the 2000 Census.

Strengthening the local retail environment, increasing the range of professional services, and providing a range of housing options can all be accomplished through the expansion and

priority strategy: PLACE

→ **Leverage the Cannon River.** Once pivotal to the city's existence, the river has faded in importance from an economic development standpoint. Despite recent developments, linkage to the downtown is still unfocused. Activating the entire riverfront — by orienting development to it and encouraging uses that maximize a riverfront location — can help invigorate the downtown and integrate it with other areas of the city. Development plans for this area (*see map*) have tremendous potential.

Housing Affordability Index, 2000

| | Median Household Income | Median Home Value | Housing Affordability Index |
|-------------|-------------------------|-------------------|-----------------------------|
| USA | \$41,994 | \$119,600 | 100.0 |
| Minnesota | \$47,111 | \$122,400 | 91.2 |
| Twin Cities | \$54,370 | \$141,400 | 91.3 |
| Rice County | \$48,651 | \$123,600 | 89.2 |
| Northfield | \$49,972 | \$142,900 | 100.4 |

Sources: U.S. Census Bureau, TIP Strategies, Inc.



revitalization of the entire riverfront. For this reason, we believe leveraging the Cannon River (see box) should be an important focus for the EDA.

Talent > From an economic development standpoint there is no doubt that Northfield benefits from being home to Carleton and St. Olaf Colleges. These institutions of higher learning have provided the community with a degree of stability that has largely shielded Northfield from larger macroeconomic forces. During the last quarter decade, for example, the area has not experienced a single year of employment declines. In addition, the large number of students living in Northfield has helped sustain local retail spending.

Collectively, the colleges enroll nearly 5,000 students. They rank among Minnesota's best and brightest. Yet it is clear that the community has not been entirely successful in realizing the benefits of their presence. Given their institutional missions as four-year liberal arts campuses, Northfield has not greatly benefited from additional public and private investment. The research and development or startup enterprises often associated with university-related economic development are not readily apparent. In addition, few of these schools' alumni have remained in the community after graduation or have returned upon completing their post-graduate studies elsewhere. The fact that Northfield can be considered a potential residence for a large pool of talented individuals should work to the community's advantage throughout the Midwest.

Northfield Commuting Patterns, 2001 Q2

Question 1: Where do people who live in Northfield work?

| | Tracked Commuters | | % of Tracked Commuters Earning | | | Ave. Annual Earnings (2001 est.) |
|--------------------------------|-------------------|---------------|--------------------------------|-----------------|------------------|----------------------------------|
| | Number | % | less than \$12,000 | \$12,000-34,999 | \$35,000 or more | |
| Northfield | 2,717 | 48.6% | 21.4% | 36.7% | 41.9% | \$36,637 |
| Minneapolis | 327 | 5.8% | 18.7% | 35.5% | 45.9% | \$36,939 |
| Lakeville | 250 | 4.5% | 20.8% | 44.0% | 35.2% | \$32,695 |
| St. Paul | 216 | 3.9% | 19.0% | 38.0% | 43.1% | \$36,280 |
| Faribault | 185 | 3.3% | 18.4% | 38.4% | 43.2% | \$35,348 |
| Other MN Cities* | 1,895 | 33.9% | 15.9% | 37.0% | 47.1% | \$35,847 |
| Total Tracked Commuters | 5,590 | 100.0% | 19.2% | 37.2% | 43.7% | \$35,855 |

Question 2: Where do people who work in Northfield live?

| | Tracked Commuters | | % of Tracked Commuters Earning | | | Ave. Annual Earnings (2001 est.) |
|--------------------------------|-------------------|---------------|--------------------------------|-----------------|------------------|----------------------------------|
| | Number | % | less than \$12,000 | \$12,000-34,999 | \$35,000 or more | |
| Northfield | 2,717 | 43.9% | 21.4% | 36.7% | 41.9% | \$36,637 |
| Faribault | 486 | 7.9% | 21.2% | 46.1% | 32.7% | \$27,982 |
| Bridgewater Township | 393 | 6.4% | 20.6% | 34.4% | 45.0% | \$37,849 |
| Webster Township | 158 | 2.6% | 18.4% | 36.1% | 45.6% | \$36,686 |
| Northfield Township | 128 | 2.1% | 22.7% | 37.5% | 39.8% | \$35,774 |
| Other MN Cities* | 2,302 | 37.2% | 13.2% | 32.7% | 54.2% | \$40,741 |
| Total Tracked Commuters | 6,184 | 100.0% | 18.2% | 35.8% | 46.0% | \$38,850 |

Source: Excensus LLC based on the U.S. Census Bureau's Local Employment Dynamics data series. Data are based on survey and should be used as an indication of general trends.

*NOTE: Other Minnesota cities includes places and townships that do not rank as one of the top five destinations or sources for workers and were, therefore, unavailable from this dataset.



Despite Northfield's difficulty in retaining former students, area employers still enjoy access to a highly educated workforce. For example, educational attainment data reveal that 43 percent of Northfield residents (25 years of age or older) are college graduates, compared to 27 percent statewide and 24 percent nationally. Undoubtedly, access to such a large number of talented workers raises the competitiveness of firms operating in Northfield—especially “white collar” enterprises.

Northfield's relative abundance of highly educated residents and modest population growth notwithstanding, strains are evident in the labor market. For example, demographic groups that are typically employed in entry level positions, or are in their most productive years (20-40 years of age), are not growing locally. As a result, Northfield's workforce is aging at a rapid rate. In addition, the labor force is not growing in Northfield or Rice County. This results in tight labor market conditions, as evidenced by extremely low unemployment rates. It may become increasingly difficult for Northfield employers to attract workers from other areas—except through higher wages—as unemployment rates continue to fall throughout the greater Minneapolis/St. Paul region.

Commuting patterns reveal that Northfield is already highly reliant on communities throughout the area to supply much of its labor force. For example, more than half of workers at local companies commute from outside the community. While many of these commuters undoubtedly work for companies within the traditional industrial sector, it is also interesting to note that Northfield's most highly paid workers commute from Dakota and Hennepin Counties. The relatively high cost of housing contributes to these commuting patterns and to the city's inability to attract and retain young people.

Finally, the influx of Hispanics during the last decade has created disparities that the city should address. These disparities — most notably, educational attainment (54 percent of adults in this group have not completed high school) and language barriers (44 percent of Hispanics 5 years or older speak English “not well” or “not at all”) — are not unique to Northfield. However, they bear directly on the city's economic future. Anecdotal evidence suggests that this group is not well-integrated in the community, with particular concerns raised in connection with K-12 education. While integration is important in all age groups, failure to integrate children and young people has the greatest impact in terms of the city's

priority strategy: TALENT

→ **Re-capture alumni.** The colleges provide a steady stream of talent to the community. A lack of graduate programs and the lure of metropolitan areas, including the Twin Cities, means that students typically leave the area upon graduation. A focus on alumni — those that have completed their graduate studies and may be looking to start a family or a business venture — could be a winning strategy for Northfield on the talent front.

This would include compiling alumni databases, conducting e-mail surveys, and developing promotional materials to keep the “Northfield brand” fresh in the minds of former students.



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future employment base. Continued growth of this ethnic group has economic consequences that will increasingly influence housing, employment, and the social fabric.

The growing relationship of higher education to economic development and the opportunity presented by the graduates of St. Olaf and Carleton make the attraction and retention of alumni the most promising strategy for developing Northfield's talent base (*see box*).

Conclusion > TIP has made an effort to highlight significant threats to Northfield. These threats begin with the lack of available industrial land and extend to the loss of talented workers. There is a direct relationship between the needs of that workforce and the industries Northfield must target in order to stay competitive. This relationship is further complicated by what the community has to offer young professionals, and the barriers it (inadvertently) erects. These barriers range from housing costs to available amenities to entrepreneurial opportunity.

For this and other reasons, a new wave of practitioners now recognize the economic potential of communities that embody a sense of place. This potential, however, is not always easy to capture. And when it is not captured, the long-term sustainability of the community can become an issue.

The strategies outlined in this plan are designed to build on the city's existing assets, while recognizing that change is an inevitable part of growth. We recognize that the growth that Northfield will experience should be both manageable and sustainable. What is called for is a plan that is candid in its assessment of risks and ambitious in its goals. We have tried to meet that challenge.



comprehensive economic development plan:

TARGET INDUSTRIES



The challenges and actions set forth in this plan take a broad view of economic development. We remain sensitive, however, to the primary purpose of economic development: to generate interest from companies with expansion or relocation plans. Towards that end, we have prepared a list of target industries for the City of Northfield.

Despite the considerable time, money, and people dedicated to a community's financial well-being, industry recruitment remains the linchpin for economic development. Choosing the appropriate target industries can make or break a plan.

Our approach to identifying industries that provide the greatest potential for success begins with the economic assessment. This assessment (*published under separate cover*) analyzed demographic and economic factors affecting the region. Our understanding of Northfield's strengths and potential opportunities was then filtered by our knowledge of economic development trends at the global, national, and regional level. These trends include the continued downsizing and off-shoring of traditional manufacturing jobs, continued growth of the service sector, and the approaching deficit of workers in the U.S.

A review of Northfield's employment location quotients reveals that the city's economic base is more diversified than most communities of its size, with concentrations in manufacturing, education, and health services (*see box at right and graphic on next page*). These *core industries* represent the first tier of economic opportunity. This is due to the fact that the community typically already has the necessary components in place (including workforce and infrastructure) to begin effective targeting of the industry. Northfield's concentration of employment in these sectors suggests a competitive advantage that could be exploited by targeting additional expansion and recruitment of firms in these areas.

Other sectors may be viable targets *despite* relatively low employment concentrations because they represent opportunities that have not yet been tapped. In other words, sectors that are underrepresented in a region suggest that there may be room for growth. Naturally, there are exceptions. These may involve the competitive challenge posed by neighboring communities or by the Twin Cities. Professional and technical services are one example. Northfield has a much lower concentration of employment in this sector than would be expected based on national

definition: LOCATION QUOTIENTS

A location quotient (LQ) is calculated as a local industry's share of total local employment divided by the same industry's share of employment at the national level:

$$LQ = \frac{\text{Local jobs in industry} / \text{Total local jobs}}{\text{U.S. jobs in industry} / \text{Total U.S. jobs}}$$

If the local industry and national industry are perfectly proportional, the location quotient will be 1.0. If an industry is heavily concentrated at the local level (e.g., automotive industry in Detroit, technology in Silicon Valley, gambling in Las Vegas), then the location quotient will be higher than 1.0. Conversely, if the industry is sparsely concentrated at the local level (e.g., farming in New York City, convention tourism in North Dakota), the location quotient will be lower than 1.0.



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patterns. Because this sector is an important source of high wage jobs and provides support services to manufacturing and other industry sectors, it represents a desirable target for additional employment.

Clearly, economic development can no longer be thought of as simply a competition for recruiting industrial employers. The future of a community or a region also lies in its ability to retain and attract workers and their families. In light of this, economic development practitioners must encourage opportunities with roots in *non-traditional sectors* that highlight quality of place. Communities must ensure their survival in the war for talent. Our list of target sectors was expanded to reflect this thinking.

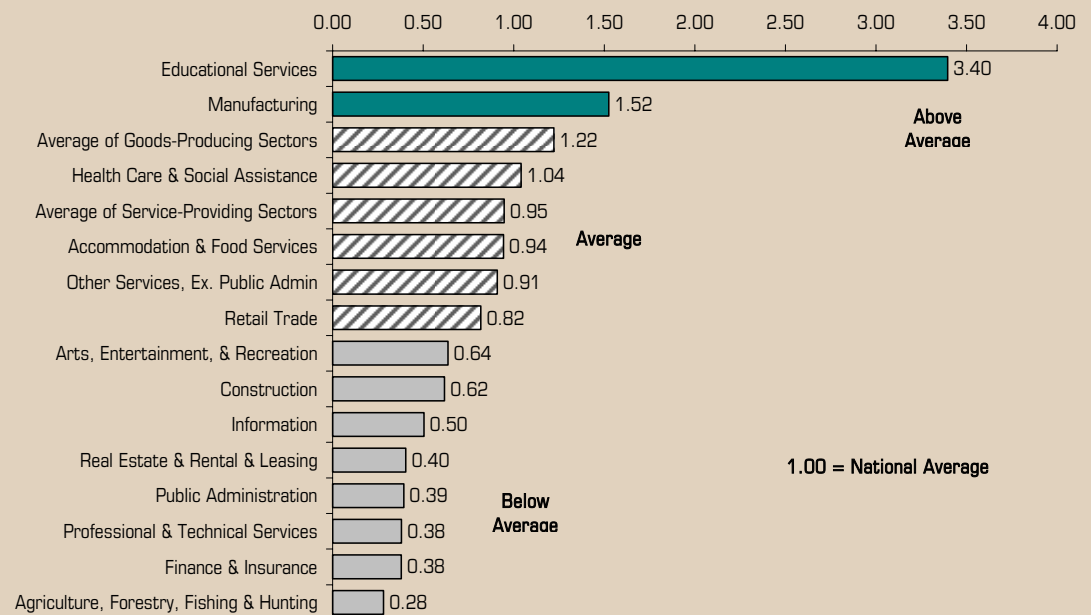
The following list presents Northfield with immediate opportunities for economic growth. It is also designed to withstand the fundamental shift in the nation's economy toward consumer services.

- Logistics
- Specialty manufacturing
- Environmental technologies
- Healthcare/medical
- Professional/technical services
- Information technology

A summary of the targets is presented on the next page. Additional detail for each industry is provided on the following pages.

Location Quotients for Northfield

Selected Two-Digit NAICS Sectors



Source: Minnesota Department of Employment Security, QCEW series 2004



TARGET INDUSTRIES

target industries: AT A GLANCE

| | LOGISTICS | SPECIALTY MANUFACTURING | ENVIRONMENTAL TECHNOLOGIES |
|------------------------|---|--|--|
| Description | Firms involved in moving goods from producer to consumer in the most efficient manner. More sophisticated than warehousing and trucking activities of the past. | Various firms requiring IT capacity for manufacturing and paying above average wages for technical skills. Markets are specialized and emphasis is on design over production. | Products and processes which are environmentally beneficial or benign. A wide range of industries is often encompassed under this heading, including renewable energy, sustainable building products, pollution control equipment, waste management, and remediation services. |
| Rationale | <ul style="list-style-type: none"> ▪ Presence of other logistics-oriented firms (e.g., McLane, Taylor Trucking, and College City Beverage), as well as prospect inquiries suggests competitive advantage. ▪ Transportation network (I-35 and Hwy 52) provide access to major markets in all directions. | <ul style="list-style-type: none"> ▪ City's existing manufacturing base provides a pool of companies and workers. ▪ Links to engineering and design-based product approach. | <ul style="list-style-type: none"> ▪ Long-term growth trends for the industry are positive nationwide. ▪ Minnesota has a strong base of companies in this area and progressive policies. ▪ Both Carleton and St. Olaf have sustainability-related programs. |
| Priority sector | Emphasis should be given to firms using sophisticated supply chain management technologies. Inter-modal capacity is beneficial. Reverse logistics represents a growing segment of the industry. | Focus on firms dominating a niche; relationship to production-based manufacturers; connection with technical applications; access to national and global markets | Green building and wind power are on the verge of becoming established industries. The construction industry draws upon a wide variety of individual companies, ranging from materials to smart building systems. |
| Considerations | Logistics firms generally consume large tracts of land. Also can be downside to some aspects of logistics (e.g., truck traffic, truck-oriented businesses). | Twin Cities competition, access to patents and other proprietary manufacturing processes, workforce retention, pressures of off-shore and out-sourcing by major customers, emphasis on quick turn-around and market feedback | Skill sets in materials design and IT are critical to green buildings. Wind power requires extensive land for placement. Current design and manufacturing is conducted in Europe, with limited opportunity in the U.S. |



TARGET INDUSTRIES

target industries: AT A GLANCE

| | MEDICAL/HEALTHCARE | PROFESSIONAL & TECHNICAL SERVICES | INFORMATION |
|------------------------|--|--|--|
| Description | Activities covered under this target range from direct patient care to diagnostic services to medical research. | Includes a variety of occupations: attorneys, accountants, marketing and advertising, architects and engineers, testing and R&D. | Includes firms that produce, transmit, or process data. Examples include publishing, software, broadcasting |
| Rationale | Proximity to Twin Cities, University of Minnesota Medical School, and Mayo Clinic. Presence of key healthcare/medical employers in the region (e.g., Medtronic) and strength of St Olaf's science and math programs suggests there is a pool of workers in the area. | Strong pool of educated workers and major employers creates base for support of these industries. Presence of colleges. Minimal land use needs. | Strong pool of educated workers and major employers creates base for support of these industries. Presence of colleges. Minimal land use needs. |
| Priority sector | Medical research opportunities connected to college graduates (St. Olaf) and regional organizations (e.g., MN Partnership for Biotechnology and Medical Genomics). | Opportunity to go "upstream" from existing employers (e.g., testing and R&D activities). Also micro-suite workspaces targeted toward spouses of college staff. | Potential for digital and media arts activities related to colleges (particularly Carleton) |
| Considerations | Lack of existing cluster; positioning of state of Minnesota; relationship to regional health care | Proximity to Twin Cities. Low LQ (0.38) suggests some regional disadvantage, but more likely reflection of city's growth curve. | Proximity to Twin Cities, perception of cultural, recreational, and economic opportunities available for younger workers. Low LQ (0.50) suggests some regional disadvantage, but also room for growth in the sector. |



TARGET INDUSTRIES

Logistics

Description

Once known as “warehousing and distribution,” the process of moving goods to market has evolved significantly in recent years. What was once a matter of simply storing large quantities of goods and shipping them in bulk (when end-users placed orders) is now an increasingly sophisticated science. This process seeks to minimize inventories and respond to the growing demand for next-day – or even several-times-a-day – delivery. Competitive shifts within the industry have been accelerated by global trade, containerization and standardized packaging, just-in-time (JIT) inventory management, outsourcing of delivery services, and increased technological capabilities.

Rationale

Despite its distance from Interstate 35, Northfield is home to McLane Minnesota, a division of one of the country’s leading logistics operations. Other distribution-related companies in the area include Taylor Trucking and College City Beverages. In addition to these existing businesses, the city continues to attract interest from logistics firms. Highway 52 has been cited as a competitive advantage for distribution activities in Northfield. It creates a link to Interstates 90 and 94, allowing local companies to serve other Midwestern markets, including Chicago and Milwaukee.

With the decline of manufacturing jobs nationwide, logistics has become an attractive target for many communities because it provides some of the advantages once inherent in manufacturing employment. Most notable among these is the presence of well-defined skill ladders with opportunities for advancement based on experience and on-the-job learning. The industry’s ability to provide relatively good paying jobs for unskilled workers, coupled with the city’s locational advantages makes logistics a logical target for Northfield.

Priority sector

Within the logistics and distribution sector, Northfield should focus on firms using the most sophisticated *supply chain management* technologies. Supply chain management (SCM) companies oversee the flow of materials, information, and finished goods as they move from supplier to manufacturer to retailer and final consumer. These companies typically have a large information technology component designed to enhance inventory control and just-in-time

niche opportunity: REVERSE LOGISTICS

Reverse logistics is an increasingly important segment of logistics and distribution activities. Reverse logistics focuses on the movement and management of products and resources after the sale and after delivery to the customer. The concept includes product returns for repair and/or credit, as well as the growing trend towards re-manufacturing and recycling.

Like traditional, “forward” logistics activities, reverse logistics can be handled by the manufacturer or by third-party firms. Services provided by reverse logistics firms can include repair and warranty services, and product reclamation and recycling. Other related practices include reusable transport packaging.

The US has trailed other developed countries in requiring manufacturers to take responsibility for their product throughout its life cycle, sometimes referred to as managing products from “cradle to grave.” However, as companies face rising production costs and growing pressure from consumers to employ more environmentally friendly practices, the concept of product lifecycle management will gain ground.



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manufacturing to help control costs. Specialized logistics software and inventory control systems, such as radio frequency identification (RFID), are becoming standard tools within the industry. Depending on the industry or client base, SCM firms may offer more specialized services, such as multi-temperature warehousing or certified food-grade facilities or reverse logistics (*see box*).

Logistics operations can be a subsidiary of a larger company or an independent, third-party operator. Third-party logistics, or 3PL, is a growing segment of the logistics industry. 3PL firms provide a variety of services, including assembling and repackaging materials, consolidating orders and shipments, and physically delivering goods to customers. 3PLs typically serve a number of clients from a single facility.

E-commerce fulfillment centers are another aspect of logistics that is growing rapidly. These firms provide distribution-related functions for goods purchased via the Internet by consumers and/or businesses, providing a cost-effective means for “unit of one” shipping to consumers who make purchases online.

Finally, the ability of a firm to anticipate trans-shipment of goods and the relationship to intermodal capacity is especially important in targeting specific companies.

Considerations

Logistics firms generally consume large tracts of land, which limits the city’s ability to accommodate these operations. While requirements vary widely, a minimum lot size of 50 acres is not unusual, due to the size of facilities (buildings can range from 250,000 to well over 1 million square feet), as well as the need for parking and traffic circulation within the site. In addition, increased truck traffic and an influx of truck-oriented businesses (truck stops), can have a negative effect on the image of a community. Northfield’s distance from I-35 may help to minimize this aspect, as truck-related businesses would be more likely to cluster along the interstate.



comprehensive economic development plan:

TARGET INDUSTRIES

Specialty Manufacturing

Description

In large part, this target can be described as “non-manufacturing” manufacturing. This target identifies firms less interested in production than in limited series or prototype activity. The companies typically require significant IT capacity and technically skilled labor. They provide testing, R&D, and engineering expertise to production companies and offer consulting services as part of their manufacturing capacity.

Companies that fit this profile are typically small (under 100 employees), have existing relationships with major manufacturing companies, and are able to provide quick through-put on engineering assistance.

Rationale

Northfield’s strong manufacturing base, with a large pool of companies and workers, as well as proximity to the Twin Cities, make this a logical and desirable target. Testing and R&D are integral to this target, so it is logical to begin by looking at those specific needs in relationship to existing manufacturers (Malt-o-Meal in particular).

Priority sector

Focus on firms with a niche relationship to food processing, medical R&D and other technical applications. Since these companies do not occupy a convenient NAICS category, more emphasis will need to be placed on establishing a formal database of prospects.

Considerations

In order to make this a viable target, the following due diligence will be required before any marketing efforts:

- *Twin Cities competition.* The EDA should develop a database of specialized manufacturing companies in the Twin Cities. This database can be used both as a recruitment target and (through interviews) as a way of determining the barriers to a Northfield location.

case study: INCODEMA, INC.

Incodema is a prototype and short run sheet metal stamping provider based in Ithaca, New York. The company uses state-of-the-art technology to produce high quality prototype sheet metal stampings and intricate metal formings in five business days or less. This represents a fraction of the time required using conventional processes.

A sophisticated web-based system allows customers to place orders, store the necessary drawings and documentation online, monitor the status of their projects and collaborate with Incodema engineers in real-time. Finished products, as well as most supplies, are moved via courier.

Formed in 2000, the company has expanded rapidly and currently employs 50 people. Demand for rapid prototyping is expected to continue due to pressure on manufacturers to innovate while holding costs down.

Because of their use of web-based ordering and their reliance on courier services, companies like Incodema are a fit for many communities.



comprehensive economic development plan:**TARGET INDUSTRIES**

- *Access to patents and other proprietary manufacturing processes.* Suitable targets have intellectual property and specialized capabilities that distinguish them from traditional manufacturing firms. Since “contract manufacturing” partially encompasses this target, it is important to make the IP distinction in seeking suitable companies.
- *Workforce.* A technically skilled workforce is essential for this sector. This need can serve as a way of refining the target, but it also represents a potential barrier. If the company has employees unwilling to relocate, the EDA must ensure that there is adequate training capability in the region. The reference to training in the organizational recommendations is especially relevant.
- *Emphasis on quick turn-around and market feedback.* The pressures of off-shore and out-sourcing by customers is a major factor in addressing this concern. Companies that can ensure quick and reliable feedback have a clear competitive advantage. This is often not the case with specialty manufacturers located in places like Taiwan or India.



comprehensive economic development plan:

TARGET INDUSTRIES

Environmental Technologies

Description

The International Trade Administration's Office of Environmental Technologies Industries (ETI) defines environmental technologies as goods and services that "advance sustainable development by reducing risk, enhancing cost effectiveness, improving process efficiency, and creating products and processes that are environmentally beneficial or benign." This sector includes: air, water, and soil pollution control; solid and toxic waste management; site remediation; and environmental monitoring and recycling.

The ETI definition organizes environmental technologies into four major categories:

- Monitoring and assessment: Technologies used to establish and monitor the condition of the environment.
- Pollution avoidance: Equipment and processes used to prevent or minimize the generation of pollutants.
- Pollution control: Technologies that render hazardous substances harmless before they enter the environment.
- Remediation and restoration: Technologies used to render hazardous substances harmless.

Rationale

The market for environmental technologies (ET) is rapidly expanding worldwide. Growing concerns about sustainability, coupled with rising production costs, and increasingly complex regulations, have made ET an important concern for U.S. businesses and consumers. The U.S. ET industry produced \$220 billion in revenues in 2002 supporting more than 1.6 million jobs. The United States is the largest, single market for ET in the world, and US companies and research centers are the source of some of the most innovative environmental technologies.

ET is an attractive target for Northfield for a number of reasons. First the region has an active environmental community including ReNew Northfield, the Northfield Biodiesel Buyers' Club, the Southeastern Clean Energy Resource Team (Southeastern CERT). Both colleges



comprehensive economic development plan:

TARGET INDUSTRIES

incorporate environmental and sustainability principles in their offerings Carleton College has National Network for Environmental Management Systems

Priority sector

The rapid expansion of green building technologies and wind power make these sectors especially viable. The presence of the colleges and the link (even on the undergraduate level) to research is a natural one. Demonstration projects are still widely sought after and it follows that Northfield's ability to gain regional (or national) recognition for strength in these sectors depends on that. For example, small scale wind power generation is of growing interest. Determining whether it is feasible for a community like Northfield to put turbines in place (especially second generation blade design) would quickly attract interest.

Considerations

Northfield has no research and development background and no existing cluster in these sectors. This is a significant barrier. Similarly, demonstration projects that are occurring across the nation are not slated for Northfield. Those kinds of projects (corporate and public) are helping set the standard for new building and energy approaches.

For Northfield to gain traction with this target, one of the following actions will have to occur:

- the recruitment of a company with national visibility in environmental technologies
- a major demonstration project, almost certainly by one of the colleges
- an R&D initiative, funded by either the state or a federal agency



comprehensive economic development plan:

TARGET INDUSTRIES

Medical/Healthcare

Description

This target covers a range of activities from direct patient care to diagnostic services and medical research. The sector includes many occupations that offer relatively high wages and abundant career-ladder opportunities. We recognize that the broadness of this sector complicates the targeting effort. Nevertheless, Northfield has the potential to tie traditional health care to more sophisticated research capability. Attracting medical and diagnostic labs in support of the hospital represents this connection (*see box*).

Rationale

National trends indicate continued expansion of healthcare and related industries. Access to healthcare is viewed as both a quality of life issue for residents and an economic issue for communities. The presence of healthcare facilities is seen as an important factor in location decisions for most industries. With the continued loss of manufacturing jobs, once the most critical driver in local economic development, communities are becoming increasingly reliant on the healthcare industry as a source of employment and tax revenue.

This growing reliance on healthcare employment holds true for Northfield. While education accounts for approximately a quarter of Northfield's economic base (as measured through employment), recent indicators suggest that healthcare has exerted a greater influence on job growth in the community. Northfield is home to several healthcare related establishments, including Northfield Hospital, Allina Medical Clinic, and a number of nursing care facilities. Growth in the community's medical community can be seen by recent, on-going, and planned expansions at Northfield Hospital.

Demographic trends also point to increasing needs for healthcare and medical services. As the baby boom generation approaches retirement age, a larger share of all consumer spending in the nation is being spent on healthcare related expenses. Northfield's age structure is skewed by the presence of college students. However, the city's baby boom and senior population grew at a much faster rate than the county or the state between 1990 and 2000. This fact, coupled with Northfield's relatively high household income levels in Northfield (\$49,972 was the median in 2000), point to a strong demand for healthcare and related services in the region in the future.

niche opportunity: MEDICAL & DIAGNOSTIC LABORATORIES

As in the professional and technical services sector, a focus on the upper end of the target is warranted.

- Medical and diagnostic laboratories (NAICS 6215) comprises establishments primarily engaged in providing analytic or diagnostic services, including body fluid analysis and diagnostic imaging, generally to the medical profession or to the patient on referral from a health practitioner.
- Research and development in the life sciences (NAICS 5417102). Technically part of the professional & technical services sector, this industry (a subset of NAICS 5417) includes establishments primarily engaged in conducting research and experimental development in medicine, health, biology, botany, biotechnology, agriculture, fisheries, forests, pharmacy, and other life sciences including veterinary sciences.



comprehensive economic development plan:

TARGET INDUSTRIES

The strength of the science and math offerings at St. Olaf and Carleton also provides indirect support for this target. St. Olaf was first among baccalaureate colleges in mathematics, fifth in chemistry, and sixth in life sciences as an undergraduate supplier of Ph.D.s. The institution has received five consecutive grants from Howard Hughes Medical Institute. Carleton ranked first in the number of students receiving National Science Foundation Fellowships among primarily undergraduate institutions from 1996 through 1999 and has above-average acceptance of its graduates who go on to medical school. Seventy percent of Carleton alumni who apply to medical school and maintained a grade point average of 3.0 or higher while at Carleton are accepted; the national acceptance rate is 40 percent. Bringing these alumni back would be part of the strategy for recruiting companies in the healthcare and medical industries.

These factors, coupled with Northfield's proximity to important players in the medical and healthcare arena — including the University of Minnesota Medical School, the Mayo Clinic, and private companies such as Medtronic — make medical and related industries a logical target for the city.

Priority sector

Medical research opportunities connected to area universities and regional organizations (e.g., MN Partnership for Biotechnology and Medical Genomics) should be emphasized. Understanding the long-range plans of Northfield Hospital should also drive prioritization of the targets. Developing a network of primary care clinics is among the hospital's highest priority, according to plans posted on the hospital's website. Increasing the base of services available in the community will help to support this effort.

Considerations

From the standpoint of patient care, Northfield Hospital is working to extend its service area, raising Northfield's profile as a regional medical destination. The hospital is also building partnerships with care providers in the region, including the Mayo Health System. In order to capitalize on these services from an economic development standpoint, research and education should be more integrated into the sector. A medical cluster gains momentum when it goes beyond patient care. Successful approaches integrate clinical research and related medical product development.



comprehensive economic development plan:

TARGET INDUSTRIES

Professional & Technical Services

Description

The professional and technical services sector comprises establishments that specialize in performing professional, scientific, and technical activities for clients in a variety of industries and, in some cases, households. These activities require a high degree of expertise and training. Activities include professional occupations, such as legal services, accounting, marketing and public relations, as well as more specialized activities such as research and testing, engineering, and design.

Rationale

This sector, along with general business support services like document reproduction and data processing, is dramatically underrepresented in Northfield. In addition to providing a source of relatively high-wage employment, the presence of a well-rounded professional services sector is key to the retention of existing businesses and the recruitment of new industries of all types. Also, the growth of this sector, which is heavily dependent on Class A office space, creates an important opportunity for real estate development and redevelopment. Because office jobs typically require less space per worker than does manufacturing, office uses also consume significantly less land than industrial development.

Northfield's strong pool of educated workers and existing base of major employers makes this sector a logical choice. The presence of Carleton and St Olaf presents opportunities for growth due to a demand for services created by employees of the colleges and serves as a source of workers. Increasing employment opportunities in this sector also provides the community with options for the "trailing spouse" of college faculty and executives of local companies.

Priority sector

Within this sector, emphasis should be placed on targets that are "upstream" from existing employers. By "upstream" we are referring to those industries that focus on the value added to a product rather than on the product itself. One example is testing and research and development activities in support of major employers or key industries in the area, such as food processing. In addition to Malt-O-Meal, Minnesota is home to five of the country's top 50 U.S. food producers according to a ranking of food sales in 2004 prepared by the Food Marketing Institute (September 2005): #11 General Mills (Minneapolis), #18 Cargill

niche opportunity: RESEARCH & TESTING

Minnesota's strength in food processing, coupled with the presence of Malt-O-Meal, makes food testing a niche opportunity for Northfield. The strength of the science and math programs offered at the colleges, along with the growing number of medical and life sciences establishments in the Twin Cities suggests scientific research & development and testing laboratories as additional opportunities.

- Testing laboratories (NAICS 54138) comprises establishments primarily engaged in performing physical, chemical, and other analytical testing services, such as acoustics or vibration testing, assaying, biological testing (except medical and veterinary), calibration testing, electrical and electronic testing, geotechnical testing, mechanical testing, nondestructive testing, or thermal testing. The testing may occur in a laboratory or on-site.
- Scientific research and development services (NAICS 5417) comprises establishments engaged in conducting original investigation undertaken on a systematic basis to gain new knowledge (research) and/or the application of research findings or other scientific knowledge for the creation of new or significantly improved products or processes (experimental development).



comprehensive economic development plan:

TARGET INDUSTRIES

(Wayzata), #23 Hormel Foods (Austin, MN), #26 Land O' Lakes (St. Paul), and #44 Schwan Foods (Marshall).

Two related targets are also worth mentioning. The first is companies that provide flexible workspace to individuals or businesses. These executive suites are fully furnished and staffed and can typically be rented for periods ranging from hours to years. So-called "instant offices" are gaining popularity in major metropolitan areas through giants such as UK-based Regus Business Centres which has more than 250 locations in 45 countries. While most providers are concentrated in urban areas, the practice has begun to move to high growth suburban areas. Such a facility could be targeted toward spouses of college staff and area executives, as well as telecommuting centers for Twin Cities employers.

Call centers and other "back office" activities represent an additional opportunity. However, emphasis (support and incentives) should be given to *inbound* operations, such as customer service functions, rather than *outbound* call centers, like telemarketing, which typically consist of lower wage jobs. College towns are often high on the list of call center companies due to the availability of a student workforce. Call center jobs are popular among many college students as they offer flexible scheduling and an office-like working environment. However, the academic rigor of St. Olaf and Carleton Colleges may limit the size of the student workforce that would be available.

Considerations

With the exception of technical services, which typically follow a specific customer base, this industry cluster is driven largely by access to an educated workforce, proximity to a diverse customer base, and quality of life considerations. Other considerations include broadband access, availability of Class A office space, tech/flex space, and research and technology parks. For larger firms, high visibility or "prestige" development sites may be an issue.

Northfield's proximity to the Twin Cities is a double-edged sword. While it provides a major market for the services offered by firms in this category, it also creates competition for those firms from a site selection standpoint. Double-digit vacancy rates in the metropolitan office market, coupled with the presence of amenities typically sought by professionals, increases the challenge for Northfield. Furthermore, a location quotient of 0.38 implies some regional disadvantage. However, it suggests that there is room for additional growth in the sector.



comprehensive economic development plan:**TARGET INDUSTRIES****Information****Description**

This sector includes firms that transform information into a commodity that is produced and distributed by a number of growing industries. The main components of this sector are the publishing industries, including software publishing, the motion picture and sound recording industries, the broadcasting and telecommunications industries, and the information services and data processing industries. SpeechGear is local example of companies in this sector.

Rationale

The presence of a well-developed information sector is critical to the development of other industries, as technology and information comprise an increasing share of the value of all products and services. This trend will only increase as technological advances continue to revolutionize both “high tech” and traditional industries alike.

Dissatisfaction with “offshoring” of information technology jobs to India and other emerging markets — stemming from a range of issues including language barriers, intellectual property protection, travel, time differences, political risks, infrastructure vulnerability, and increasingly high employer turnover — has led an increasing number of firms to consider “homeshoring” facilities in mid-size American cities and rural areas as a low-cost domestic alternative to both large US metro areas and remote offshore locations.

Northfield offers several advantages to small or start-up firms in this sector. First, the pool of educated workers and existing businesses present a potential customer base for data processing services. The technological capabilities of the local colleges and the pool of students could provide a base for expansion of this sector. Like professional services, the land use requirements of this sector are typically lower than industrial uses.

Broadband access is also a factor for the IT sector. Northfield has a ring of Internet-2 (ultra-broadband fiber optic cable) that can be extended beyond the service provided to the colleges. This capacity can serve software and engineering companies – or any companies that require rapid transmission of large data packets.

**niche opportunity: DIGITAL MEDIA/
DIGITAL ARTS**

The emerging field of digital media/digital arts consists of “the production of content for existing media such as the Internet, radio and TV, digital cinema and video, computer games, cinematic special effects and animation, as well as for emerging media such as:

- mobile computing (GPS, personal digital assistants, cell phones)
- ubiquitous computing (“smart houses”, “information appliances”)
- interactive television
- online role-playing games
- virtual reality
- distributed collaborations”

International Digital and Media Arts Association
<http://www.idmaa.org/>



comprehensive economic development plan:**TARGET INDUSTRIES****Priority sector**

Digital media and digital arts have attracted interest in the community, fueled by events such as Carleton's 2003 Digital Arts Festival. The strength of Carleton's Cinema & Media Studies program, coupled with art and computing programs at both colleges, opens the door for a niche in this area.

Ultra-broadband is especially valuable to the digital arts. These typically involve video and music transmission that benefit from high speed access.

Considerations

Like the professional and technical services sector, competition from Minneapolis/St. Paul presents a significant challenge to this target. Many industries in the information sector are still dominated by younger workers for whom the Twin Cities are likely to hold a stronger appeal. The perception of opportunities available (cultural, recreational, and economic) for younger workers, coupled with Northfield's higher housing costs, may limit the city's ability to attract many of the cutting edge firms. However, entrepreneurs who are looking for an alternative to metropolitan living may find Northfield's offerings preferable. As with professional services, the information sector's low LQ (0.50) suggests some regional disadvantage, but also room for growth in the sector.



STRATEGIES



Several factors have shaped this plan. First and foremost is our definition of economic development. While most definitions focus on indicators, such as jobs or wealth creation, we have distilled the practice to its essential goal: *economic development is the application of public resources to stimulate private investment.* With this in mind, the role of the public sector gains a clarity that other definitions obscure. Public officials and local government employees do not create jobs or generate wealth. But they do control significant resources. Directing these resources effectively and efficiently is their paramount duty. Effective programs should be judged by how well public resources can create a response from private investors.

Our work is also shaped by our understanding of trends affecting the practice of economic development across the U.S. As a result, the plan is presented in terms of the challenges that most directly compromise economic vitality: **diversifying the economic base, creating a sense of place, and attracting and retaining talented workers.** These challenges are not unique to Northfield, they are the concern of literally every community in the country. The response to these challenges, however, must be tailored to Northfield's specific circumstance. The strategies outlined in this section, supported by discrete action items, provide a specific road map around which the City of Northfield can energize its economic efforts. We feel that this approach more directly engages the community and shows a clear rationale for the recommended strategies and actions.

Organizational issues arise in virtually any planning effort, particularly with a subject as far-reaching as economic development. This plan is no exception. Its purpose is to provide the city and the EDA with specific guidance regarding the *commitment of resources for enhancing Northfield's economic vitality.* However, some issues raised in the plan affect other organizations and will require a coordinated approach. These issues are raised here—even though they may be outside the direct purview of the EDA—because we view them as central to the city's economic future. Failure to address these concerns will dramatically decrease the EDA's ability to conduct an effective retention and recruitment effort. Organizational considerations are reviewed in greater detail in a separate section of the report.

vision

Our work was informed by the vision and guiding principles laid out in the city's comprehensive plan.

The vision of the City of Northfield is to preserve and enhance the city's unique "small town" heritage, preserve its historic and environmental character, and provide a high quality of life through a sustainable development pattern. Northfield will engage in collaborative planning with other political jurisdictions and participate within the broader global community.

The community is committed to preserving and enhancing the quality of its neighborhoods, the quality of education, the diversity of employment opportunities, and a diversity of arts, cultural and recreational pursuits. Northfield is dedicated to maintaining downtown as the focal point of the community, maintaining a prosperous economic base, protecting its extensive natural environment, and promoting public participation in civic, social and cultural endeavors.

Comprehensive Plan, Northfield, Minnesota
December 2001, pages 3-1 to 3-2



comprehensive economic development plan:
STRATEGIES

A final note must be made about the plan's orientation. It will become apparent that the same, or similar, ideas appear in different strategies. This is intentional. The issues facing communities today do not fit neatly into boxes and there are overlapping concerns. The willingness to address the Northfield's future in a holistic manner will go far in determining success.



STRATEGIES

Opportunity 1: Diversifying the Economic Base



Economic diversification is a common goal of economic development organizations, despite the fact that it means different things to different people. For some, diversifying means increasing the level of industrial employment; for others, a reduced reliance on manufacturing is the key. Diversification of a community's revenue stream is yet another aspect of this concept, with "bedroom communities" searching for alternatives to property tax to fund city services.

By some measures Northfield's economy is already fairly diversified. With strengths in manufacturing, education, and health services, the city's *employment base* is more evenly dispersed than many other non-metropolitan communities. Major employers such as Malt-O-Meal, Cardinal Glass, Sheldahl/Multek, and McLane provide a strong foundation for the local economy and offer employment opportunities for skilled and un-skilled workers in the area. While several of these firms have expanded in recent years, Northfield's businesses are subject to the same pressures as manufacturers across the U.S. This is evidenced by the estimated net loss of over 200 manufacturing jobs in Northfield from 2000 to 2004.

In addition to global pressures, site constraints in Northfield make it increasingly difficult for local businesses to expand. The lack of readily developable industrial land — the result of housing development and annexation limitations — threatens the area's ability to maintain and expand its existing base. Affordable land for business expansion was a recurring theme throughout the planning process. High cost and limited availability were repeatedly cited as reasons for businesses relocating to neighboring communities such as Dundas and Lakeville. This was confirmed by industry interviews.

Developers in the Twin Cities reinforced the view that land costs make housing a more feasible financial investment, driven by higher demand and by the remaining supply of industrial/commercial properties in the metropolitan area. And while this does reflect current market conditions in the region, *it does not suggest that Northfield should compromise on its economic development goals.* Merely acceding to the real estate market is not in the

Redefining INDUSTRY

The U.S. manufacturing industry continues a transformation that has profound effects on the practice of economic development. It is forcing us to rethink what we mean by a primary job, how we measure economic impact, and how we design incentives. This is due, in large part, because manufacturing employment continues to decline. It is no overstatement to say that you cannot build an economic strategy around manufacturing jobs.

For this reason, our understanding of *industry* considers the full complement of economic activities—ranging from traditional industrial employers to advanced research to entrepreneurship—as well as the physical infrastructure (industrial parks, sites, transportation etc.) and business climate to support those activities.

Understanding the role of innovation, the opportunities for expansion of existing companies, and the best targets for recruitment is an important building block of the plan.



STRATEGIES

community's long term interest. Therefore, an economic diversification strategy must include the preservation of industrial land.

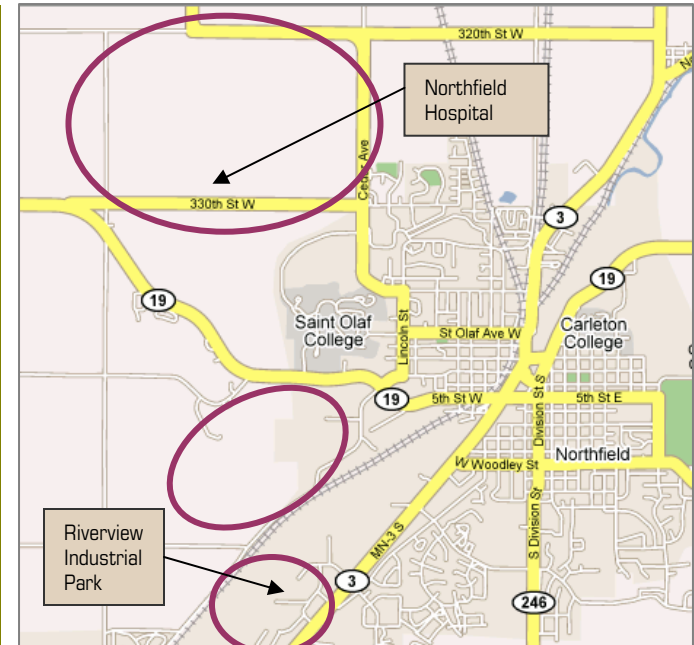
This plan recommends that the EDA make increasing the availability of land for business and industry its highest priority. In light of the opportunities presented by the colleges and the increasingly regional approach of Northfield Hospital, we recommend that the city focus its efforts on development of property surrounding the hospital. This effort should think beyond the creation of a traditional industrial center. By this we mean that the city should encourage the development of a mixed use project that could meet the expansion needs of local business, as well as providing a catalyst for addressing other concerns including professional services growth and increasing the options for housing.

Along with the hospital-area site, the city should also take steps to preserve the land to the west of the city's existing industrial area. This area, which lies just northeast of the site identified as "Site B" in the 1997 *Industrial Land Physical Site Analysis*, is zoned residential under the city's current comprehensive plan. Given the importance of preserving industrial land to Northfield's future, we recommend this area be re-zoned for industrial/mixed use development.

In light of the city's interest in preserving its character and the competitive environment in the region (see box, page 32), we recommend that a site of not more than 120 acres be considered. Large-scale developments, such as the mixed use project planned along I-35 in Rice County, would not be in Northfield's interest for a number of reasons. First, a project of this size would likely fall largely outside the city limits due to land constraints. In such a case, Northfield would realize little of the direct fiscal benefit, but would still experience some of negative impacts associated with major developments. These impacts include traffic congestion, as well as increased pressure on the local labor force and housing supply.

Diversification of the *tax base* is also a concern. Rising property values have led to a cry for tax relief from homeowners and concerns about over-reliance on residential property tax. According to the city's *Comprehensive Annual Financial Report (for the year ended December 31, 2004)*, general property taxes comprised one-third of general fund revenues in 2004. Data on city revenues compiled by the State Auditor's Office suggests this figure is only slightly above average. Of the 849 cities for which data were available, property tax revenues averaged 29% of total revenues in 2004.

Priority Business & Industrial Areas



STRATEGIES

The other major category of revenues for Northfield was intergovernmental revenues (e.g., local government aid, highway maintenance aid, fire relief aid and police aid; as well as federal and county grants), which accounted for 40% of total general fund revenues in 2004. Charges for services (12%) and licenses and permitting fees (8 %) accounted for the bulk of the remainder.

Minnesota's centralized approach to government financing complicates tax analyses at the local level. A review of tax capacity (*see box*) data prepared by the League of Minnesota Cities sheds some light on the question of Northfield's reliance on residential property tax. Figures on total tax capacity (the aggregation of all tax capacities in a jurisdiction) from the League's August 2005 report reveal that the composition of Northfield's tax capacity is more reliant on residential property taxes than other similarly situated cities. Within Northfield's city cluster (*see box, next page*), the average percent of tax capacity represented by commercial or industrial property is 30.77%, with residential (both homestead and non-homestead) accounting for 62.49%. For Northfield, these figures are 22.68% and 75.14%, respectively. Northfield's tax capacity is less reliant on residential property than some of its neighbors (Lakeville, Farmington), but more dependent than others (Dundas, Owatonna).

Total Tax Capacity for Selected Cities, 2005

| City | Total Tax Capacity | Tax Capacity Composition (%) | | | | |
|----------------------------|------------------------|------------------------------|----------------------|--------------|-----------------------|--------------|
| | | Homestead | Non-Hstd Residential | Farm | Commercial/Industrial | Other |
| Apple Valley | \$47,109,350 | 73.51% | 8.05% | 0.18% | 16.09% | 2.17% |
| Dundas | \$889,470 | 49.14% | 3.31% | 1.93% | 43.38% | 2.23% |
| Faribault | \$12,309,699 | 65.23% | 10.37% | 0.47% | 20.49% | 3.45% |
| Farmington | \$13,664,564 | 81.20% | 7.44% | 0.75% | 7.42% | 3.19% |
| Lakeville | \$48,222,710 | 73.67% | 6.39% | 1.06% | 16.38% | 2.50% |
| Mankato | \$24,695,701 | 37.00% | 13.62% | 0.17% | 44.69% | 4.52% |
| New Ulm | \$7,094,326 | 62.30% | 6.57% | 0.19% | 30.51% | 0.43% |
| Northfield | \$11,615,943 | 64.81% | 10.33% | 0.24% | 22.68% | 1.95% |
| Owatonna | \$15,353,694 | 61.89% | 8.52% | 0.38% | 28.09% | 1.11% |
| Red Wing | \$19,448,593 | 35.14% | 5.89% | 0.72% | 18.93% | 39.33% |
| GMN Regional Centers Total | \$215,921,864 | 52.03% | 10.46% | 0.43% | 30.77% | 6.31% |
| All MN Cities | \$3,639,301,148 | 57.76% | 11.19% | 0.54% | 26.74% | 3.76% |

Source: League of Minnesota Cities

definition: TAX CAPACITY

The market value of a given taxable parcel multiplied by its property class rate

$$\text{parcel market value} \times \text{class rate} = \text{parcel tax capacity}$$

Example: A \$75,000 home classified as a residential homestead has a class rate of 1.0 percent, and therefore has a tax capacity of \$75,000 x .01 or \$750.

League of Minnesota Cities

"Clustering Minnesota's Cities"

The League of Minnesota Cities divides cities into "relatively homogeneous groups based on four characteristics: population in 2000, population change 1990 to 2000, median household income in 1999, and commercial/industrial tax base per capita in 2002." Under this methodology, Northfield is part of the "Greater Minnesota (GMN) Regional Centers" cluster.

Additional information regarding the methodology is available in *Clustering Minnesota's Cities: 15 City Cluster Methodology* on the League's website at www.lmnc.org.

League of Minnesota Cities



STRATEGIES

To better understand the tax burden on homeowners we turned to the League of Minnesota Cities' property tax calculator. Using this tool, we compiled the estimated tax burden for a hypothetical \$200,000 homestead in selected cities in 1997 and 2005. Due to changes in the property tax law, residents in each city experienced reductions in their *total* property tax bills. However, changes in the *city portion* of the tax bill varied widely between 1997 and 2005 in the cities analyzed.

Northfield homeowners experienced a reduction in the property taxes paid to the city in real terms, with the city tax on a \$200,000 homestead falling from \$983 in 1997 to \$715 in 2005, including the market value homestead credit (MVHC) enacted in 2002. In contrast, the local share of property tax on a \$200,000 homestead in Dundas rose by \$440 during the period. The share that city taxes represent of the total tax bill increased for all of the cities.

Estimated Tax Burden for \$200,000 Residential Homestead in Selected Cities *(Ranked by City Tax as Share of Total Tax in 2005)*

| City | Population <i>(as of 2000 Census)</i> | Total Tax | | | | City Tax | | | | City Tax as Share of Total Tax | |
|-------------------|--|----------------|----------------|---|--|--------------|--------------|---|--|-----------------------------------|---|
| | | 1997 | 2005 | 2005 <i>(with MVHC tax credit)</i> | Change 1997–2005 <i>(with MVHC tax credit)</i> | 1997 | 2005 | 2005 <i>(with MVHC tax credit)</i> | Change 1997–2005 <i>(with MVHC tax credit)</i> | 1997 | 2005 <i>(with MVHC tax credit)</i> |
| Dundas | 547 | \$4,181 | \$3,130 | \$2,938 | -\$1,243 | \$973 | \$1,516 | \$1,413 | \$440 | 23.3% | 48.1% |
| New Ulm | 13,594 | \$4,304 | \$2,895 | \$2,703 | -\$1,601 | \$1,105 | \$1,266 | \$1,175 | \$70 | 25.7% | 43.5% |
| Red Wing | 16,116 | \$3,687 | \$2,950 | \$2,757 | -\$930 | \$939 | \$1,167 | \$1,083 | \$144 | 25.5% | 39.3% |
| Farmington | 12,365 | \$4,229 | \$2,341 | \$2,148 | -\$2,081 | \$1,145 | \$875 | \$800 | -\$345 | 27.1% | 37.2% |
| Mankato | 32,427 | \$3,937 | \$2,060 | \$1,868 | -\$2,069 | \$895 | \$750 | \$673 | -\$222 | 22.7% | 36.0% |
| Apple Valley | 45,527 | \$4,052 | \$2,197 | \$2,005 | -\$2,047 | \$989 | \$774 | \$700 | -\$289 | 24.4% | 34.9% |
| Northfield | 17,147 | \$4,109 | \$2,376 | \$2,183 | -\$1,926 | \$983 | \$785 | \$715 | -\$268 | 23.9% | 32.8% |
| Faribault | 20,818 | \$4,641 | \$1,787 | \$1,594 | -\$3,047 | \$879 | \$548 | \$488 | -\$391 | 18.9% | 30.6% |
| Owatonna | 22,434 | \$4,136 | \$2,691 | \$2,499 | -\$1,637 | \$727 | \$826 | \$758 | \$31 | 17.6% | 30.3% |
| Lakeville | 43,128 | \$3,702 | \$2,127 | \$1,935 | -\$1,767 | \$633 | \$639 | \$572 | -\$61 | 17.1% | 29.6% |

Sources: League of Minnesota Cities, shaded areas calculated by TIP Strategies, Inc.

Note: Beginning in 2002, the education homestead credit was replaced with the market value homestead credit (MVHC). The 2005 total tax burden reflects \$192 reduction for the MVHC. Within this total, the reduction in the city portion of the tax bill ranged from a low of \$60 (Faribault) to a high of \$103 (Dundas).



comprehensive economic development plan:

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The two issues discussed here — the changing nature of manufacturing and continued demand for residential development — are crucial to a discussion of economic diversification. These issues matter because they are intricately linked to the shortage of available land and to future population growth. Without preservation of industrial land, existing companies will be unable to expand in Northfield and new companies will look elsewhere. If this occurs, Northfield will be unable to maintain its role as a regional employment center.

Residential development, on the other hand, requires no economic stimulus. While it may be seen as encroaching on industrially zoned land, it does not represent an “either/or” for the city. If the housing supply is not increased, then continued demand can further drive up home prices. Accommodating population growth is an essential element of successful economic development. The simple reality of urban growth into suburban communities requires a willingness to rethink Northfield's overall position. The choice is whether or not to restrict new housing developments and force growth into adjoining cities. Restricting residential development has almost certain negative consequences: commutes times increase; employers may relocate to be closer to their workforce; retail in Northfield is less likely to occur.

It is TIP's view that Northfield needs to accommodate both industrial expansion and housing growth. While this will require careful planning beyond what this plan can address, the housing issue has clear economic implications.

Northfield is still far from becoming a bedroom community to the Twin Cities. In addition to the existing employment base, the community has advantages which, if strengthened, provide the city with the assets to maintain its freestanding status. This is why we emphasize the opportunities presented by the downtown, the colleges, and the existing base of companies. The following strategies serve as guidance in the continued diversification of the city's economic base.



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OPPORTUNITY 1: DIVERSIFYING THE ECONOMIC BASE

Strategy 1A: Make land available for business expansion > The EDA should focus its efforts within this challenge on assembling land for an industrial development. Priority should be given to 1) the property surrounding Northfield Hospital, including lands owned by St. Olaf, and 2) the area west of the existing industrial area (*see map, page 28*). The focus of this work should be on development of a mixed-use, “blue ribbon” project that can help diversify the city’s economic base while advancing Northfield’s image in the region.

Actions:

1A.1: Update information on preferred development sites. The area adjacent to Northfield Hospital was studied as part of the city’s *Industrial Land Physical Site Analysis*. However, conditions have changed since the study was published in May 1997. Updating information on the two priority sites is the first step in this strategy.

- Purchase price. Assemble/update information on number parcels, ownership, and current asking price.
- Zoning. Ensure that properties are zoned to allow a mix of uses, including light industrial, office, residential, and retail. The property west of the existing industrial area is currently designated as residential in the city’s comprehensive plan. Action should be taken to re-zone this property as soon as possible.
- Infrastructure. Determine the status of infrastructure and transportation-related improvements. The city has recently completed a study of alternatives for extending infrastructure

the competitive environment

- Minneapolis/St. Paul. Like much of the US, the Twin Cities have experienced significant declines in manufacturing in recent years. While the outlook is improving, the region’s more than 19 million square feet of vacant industrial space (Grubb & Ellis 3Q2005) suggest that a significant number of industrial jobs could be accommodated in the metropolitan area before Twin Cities firms would need to look elsewhere.
- Existing projects. City-owned industrial property in communities like Farmington, Cambridge, Monticello are just a few of those that would compete with Northfield. Cheaper land (as little as \$1/SF for “qualified businesses” is being touted by Monticello) may provide these developments with a cost advantage.
- Planned projects. Rice County’s plans to rezone a major mixed use commercial/industrial complex on Interstate 35 paints an entirely new picture for the area. Any Northfield project must be undertaken with a complete understanding of the nature of this development and its target market to avoid competing head-to-head.

These caveats do not mean Northfield should not consider an industrial development. Rather, they present the case for developing a product that is targeted to a specific opportunity (such as health sciences) or that is not currently available in the market.



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to the areas adjacent to the hospital. This information should be incorporated in the planning process.

- JOBZ designation. Northfield currently has 26 acres designated under the state's JOBZ program. This tool offers state and local tax exemptions to qualified companies for up to 12 years. Under the city's Business Subsidy Policy, to be eligible for JOBZ incentives, qualified companies must create and retain a specific number of jobs that pay a "living wage" (defined as 100% of the median wage paid within the applicable industry category) and offer benefits, including health insurance. The number of jobs to be created or retained is 5 jobs for businesses relocating within Northfield and 10 for those moving into the city from outside

The city has recently gained the ability to shift this important incentive to other sites within the city. As part of this task, the EDA should consider whether these sites are eligible for JOBZ designation.

1A.2: Determine level of city involvement. There are several different development options available requiring varying levels of public sector involvement. These can be broadly outlined along two paths based on ownership of the land:

- City ownership. In general terms, city ownership of the chosen property would improve the city's ability to attract a developer and provide significant flexibility in negotiating terms. If it is decided that the public sector should take an active role in developing specific properties, a long-term horizon for development is necessary. This typically occurs using one of two approaches (see box): a *master developer* strategy or some form of *public-private partnership*.

approaches to city ownership

Under a *master developer scenario*, the city serves as a primary participant. The city acquires land, and then leases or sells land to a private developer and allows that party to develop the land according to pre-approved guidelines. In return, the developer is allowed to realize the long-term revenue streams. Under this approach, Northfield would purchase the property, then set forth specific standards for the development and invite developers (through a competitive bidding procedure) to meet those standards. The community (including existing companies) could then serve an advisory role to the city and developer. Additional funding (state or federal) could be sought if the development were designed to include research-related facilities.

Formation of a *public/private partnership* is another option. In this case, the city serves as both a participant and a facilitator. The city could choose to develop a portion of a development on its own or could confer the rights to a property in exchange for certain improvements. This is similar to the approach employed by the city in "The Crossings" project.



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- *Private ownership.* In this scenario, the city serves primarily as a facilitator. For example, a developer agrees to make an investment in a property in return for city-financed improvements. While the level of cooperation varies dramatically, this approach is most successful when the city has a clear vision of how it wants the property to develop and uses public improvements to guide private investment. This can be accomplished by zoning and codes, by design standards, and by the scale and location of physical improvements – from roads to water and sewer.

Recommendation. TIP recommends that the EDA gain ownership of one or both of the priority sites. Gaining ownership can be accomplished through various means, ranging from direct purchase to land transfer to lease arrangements. TIP further recommends the formation of a public-private partnership with a master developer.

1A.3: Engage development community. Engaging the development community early in the process can help ensure that the project incorporates the most current thinking on business and industrial development. TIP recommends the EDA consider pursuing one or both of the following:

- *Developer’s forum.* Hosting a developers’ forum to discuss relevant issues regarding the design, construction, or positioning of the project can provide guidance in the planning process. The event could be organized using a round-table format, with developers leading the discussion, or a charrette approach (*see box*), which emphasizes public input in the design of a specific project.
- *Request for proposal (RFP).* Issue a formal RFP to local and regional developers for a site plan for one of the preferred development sites. We recommend that the RFP be focused on the hospital-area site. The RFP should ask developers to provide a

definition: CHARRETTE

A *charrette* (often spelled charette and often called design charrette) is an urban planning technique for consulting with all stakeholders. Charrettes are typically intense, possibly multi-day meetings involving municipal officials, developers and local residents. A charrette promotes joint ownership of the solution and attempts to defuse traditional confrontation between residents and developers.

However, charettes tend to be small groups and the resident representatives may not represent all the residents nor have the moral authority to represent them. Residents do get early input into the planning process. For developers and municipal officials charrettes achieve community involvement and hopefully avoid costly legal battles.

Wikipedia entry



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detailed concept plan that accommodate both industrial expansion and mixed use projects.

1A.4: Develop area plan. Once a concept is established for the development, the city should prepare and implement a specific plan for the area to guide development of the project. The planning process should include a broad range of stakeholders, including the leadership of the colleges, other economic development organizations, and local employers, including those who may be prospective tenants of the development. The following elements should be considered in the plan:

- *Barriers.* Identification of barriers to development and, where possible, actions for alleviating them prior to marketing the property.
- *Market.* A market-driven approach that considers the competitive environment and helps determine the appropriate mix of uses at the time of construction.
- *Funding.* The full array of financing tools should be brought to bear on this project. This includes the creation of a tax-increment financing district to bond issues to general fund appropriations. Additional details on options must be linked to specific projects.
- *Linkages.* Consideration should be given to understanding the project's relationship to the rest of the city. Development plans must be coordinated with other relevant plans, including the downtown, campus master plans, and the city's comprehensive plan.
- *Impacts.* Performance standards should be developed for the project, including an analysis of traffic impacts associated with the project, provisions for buffering of uses, as well as the protection of any natural areas. The plan should consider how these natural elements can be integrated into the development to



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create a “green” feel and provide an amenity for tenants. Northfield has demonstrated leadership in the area of environmentally sensitive industrial development which should be brought to bear on this project.

1A.5: Position property as “blue ribbon” project. The resulting project should be viewed not simply in terms of its ability to generate employment and tax revenues, but also as a project that can showcase Northfield throughout the region and serve as a catalyst for additional development. This can be accomplished through the following tasks:

- *Mixed use.* The creation of a mixed-use development, one that includes workforce housing (*see box, page 66*), retail, office, and flex space can position the project to compete with other sites in the region. The inclusion of uses that generate income quickly, such as housing or retail, can help cover “carrying costs” in the short-term, making the project more feasible from a financing standpoint (*see box*).

Furthermore, by positioning Northfield as a development-friendly community, this project could spur additional activity in other parts of the city, including the downtown.

- *Existing business.* Emphasis should be placed on creating a space that could meet the expansion needs of existing businesses. The first tier of this effort would concentrate on accommodating suppliers or expanded operations of existing businesses. By helping to retain employers, the industrial center can send a message that Northfield is committed to accommodating existing businesses (versus the message sent by the relocation of the business to another community).

definition: CARRYING COSTS

Also known as “holding costs,” carrying costs are the total expenses associated with property ownership. The term is generally used during that period when the property is not producing income.

Since all properties have a variety of expenses associated with them (from tax payments to debt service to maintenance costs), this is a critically important issue for real estate developers.

Without an income-producing development option (typically housing or retail), the costs associated with a long-term build-out scenario can be prohibitively high.



comprehensive economic development plan:

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- *Second-tier opportunities.* A high-end business and industrial center could encourage support facilities of existing businesses, such as R&D or training facilities that are currently utilized outside the city, to relocate to Northfield. With the proper positioning and amenities, corporate headquarters for small to medium-sized enterprises could also find the center attractive.
 - *Opportunity.* In addition to a focus on existing employers, the development should build on other opportunities in the community. For example, linkages with the colleges, the hospital, and other regional initiatives could provide a basis for positioning the project.
- 1A.6: Develop marketing and recruitment strategy.** While recruitment of new business is a viable option, the city should focus on the site as a means to encourage the expansion of existing businesses. The industrial center should be viewed as a way to create a “move-up” opportunity for existing employers and their supplier network. Once the needs of existing business have been met, marketing efforts should focus on companies in the industries outlined in Strategy 1C below.
- *Strategy.* Based on the recommendations of the specific plan and the expansion and recruitment targets outlined in this plan, the city and/or the master developer should prepare a strategy for marketing the selected site. The city should consider the preparation of marketing materials, including a brochure and website or webpage on the city’s existing site, specifically for the proposed development. Although it is much larger in scale (700 acres), the website created by the City of Tustin, California for the Tustin Legacy redevelopment is a good example of how this approach could be implemented. (<http://www.tustinlegacy.com/>).



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- *Promotion.* Promote the site creatively. The development should be positioned as more than another industrial park. The Tustin Legacy mentioned above accomplishes this through its mixed-use approach, its excellent website, and its vision of a master planned property.

Strategy 1B: Concentrate on the needs of existing businesses > In the context of the private sector, a business retention program is like the adage that says you must attend to your existing customers first. If you don't do that, you jeopardize your base. Focusing on existing business should be the heart of any economic development program. The EDA should continue to be an active partner in this task and should work closely with the Northfield Chamber to ensure that efforts are complementary.

Actions:

1B.1: Enhance business retention and expansion (BRE) program. Having a clear understanding of the businesses already in the community, in addition to keeping tabs on new locations, is critical to on-going economic development efforts. Creating formal mechanisms for gathering information on a company-by-company basis is recommended, where possible.

- *Inventory.* Maintain inventory of existing businesses and available properties. Publicly available business records, such as tax records, utility hookups, and ownership transfers, can be good sources for information.
- *Survey.* A BRE program has two objectives: to determine which companies are at risk of leaving the community (for whatever reason) and those that are expanding. Being able to identify those targets quickly and accurately requires some form of survey. This is different from visitations, which may (or may not) gather that information. TIP recommends an annual employer survey

a bird in the hand

The expansion and retention of existing businesses should be at the heart of any economic development strategy. Existing businesses form the backbone of a thriving economy. They typically represent the best opportunity for increasing the employment and tax base of a community and the greatest economic threat if they close or relocate. But local firms are often overlooked in a community's enthusiasm to recruit new, headline-generating businesses.

Given the fiercely competitive environment for business attraction and the myriad of issues facing most communities with regard to the recruitment of new business, business retention should be a **baseline** activity for economic development organizations. In other words, all other initiatives, including business recruitment, should be considered in light of their ability to *complement and support* the existing business network.



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addressing those two questions specifically. The survey could be conducted as a paper survey or via the Internet. The “Valuing our Corporate Neighbors” on-site visitation form currently used by the city provides a starting point for this effort. However, consideration should be given to shortening the survey or dividing it into a series of shorter surveys to facilitate participation.

- *Visitation.* The EDA’s proposed BRE program has a target of 3 business visits per quarter. Pulling in additional resources for these visits, such as EDA members, chamber officials (under the Grow Minnesota effort), and Ambassadors, could allow this target to be greatly expanded. The post-visit procedures outlined in the BRE workplan (dated June 6, 2005) are an important part of the process. Visitations should, however, serve a specific purpose. That purpose must link to the needs of the company. Those needs can relate to expansion or to the ability to operate in Northfield.
- *Forum.* Provide opportunities for local businesses to meet regularly with economic and community development staff. The purpose of these meetings is similar to that of the employer survey, but the face-to-face approach often stimulates discussion that a survey cannot. This could be accomplished by holding quarterly forums or in conjunction with an existing event, such as is typically offered by local chambers of commerce.
- *Benchmarking.* Benchmarking can provide an important source of information for economic development programs, particularly with regard to the identification of strategies for business retention and recruitment. Communities or regions with similar economic conditions should be selected. If possible, local leaders should schedule at least three visits to benchmark communities annually.
- *Intervention.* Northfield should develop a “rapid response” strategy for dealing with potential layoffs or plant closures. Under



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the Federal Worker Adjustment and Retraining Notification Act (WARN) of 1989, companies with 100 or more employees must notify local governments and state workforce organizations about plant closings or mass layoffs at least 60 days in advance of the event. However, at this point, it is frequently too late to do anything. A strong BRE program should focus on identifying “at-risk” companies and developing an aggressive intervention strategy.

As part of this effort, the EDA should be aware of the tools available to help avert such actions or ameliorate their impact. Examples of these tools include:

- Understanding the role of financial tools, such as Employee Stock Ownership Programs (ESOPs).
- Identifying companies who can benefit from customized assistance, such as the manufacturing modernization services offered through the U.S. Department of Commerce’s Manufacturing Extension Partnership (MEP) program.
- In the event of a layoff or plant closing, helping to coordinate services for affected workers, including re-training and career counseling.

To be truly effective, intervention must occur early. As such, this strategy relies heavily on the information-gathering steps outlined above.

1B.2: Support small business development. Promoting and ensuring that small businesses are connected with available technical and financial assistance is an appropriate part of a business retention program. This task should be led by the Northfield Enterprise Center, which has recently been certified as part of the state’s small business development center network.



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- *Tools.* In addition to offering business plan assistance, the NEC should promote the available programs for small businesses. This could be accomplished by providing links on the NEC website to state programs (such as the Small Business Development Loan Program offered by the Minnesota Department of Employment and Economic Development) or by providing fact sheets on areas of interest. Examples include how to get on the state’s vendor list, how to participate in export trade events, and how to improve business processes.

- *Networking.* Establish a regular meeting schedule, such as a quarterly business and industry meeting hosted jointly by the local chamber or trade association, where small business owners can discuss issues on a topical basis (such as workforce, supplier networks, start-up resources). Joint sponsorship of existing events held by organizations such as the NEC and the chamber could accomplish this task. Thought should be given to providing support on a regional basis and the relationship with entrepreneurship. *(See Strategy 3D for more on entrepreneurship.)*

- *Barriers.* Taking steps to ensure that local governments are “business-friendly” can go a long way to enhancing the environment for small business owners. This could include:
 - Conducting a review of development regulations, ordinances and approval processes to ensure that they do not pose an undue burden on small businesses.

 - Appointing a small business ombudsman to serve as the primary point of contact for new and small business. This person would serve as a liaison between the business community and relevant city departments and commissions



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- *Capital.* Working with the local financial community to improve access to capital should be a top priority of business retention and expansion programs. Examples could include the formation of a capital network (see box), as well as encouraging new lending models in conjunction with banks to meet the technology needs of businesses. Such models would provide loans to companies seeking to implement new technology. As part of this work, contacts should be established with the angel and venture capital community nationally, as well as at the state and regional level.
- *Leverage funds.* Assist private companies in securing government funds relative to innovation, including the Small Business Innovative Research or SBIR program. Identify local recipients of such awards to learn more about the constraints faced in competing. Information on award recipients and other resources is available from the Small Business Administration's website. (<http://www.sba.gov/>).

Strategy 1C: Implement a targeted recruitment strategy > The EDA should undertake a business recruitment campaign focused on the target industries outlined in this report, with an emphasis on the "niche opportunities" identified. Consideration must be given, however, to the land availability issues discussed above.

Actions:

1C.1: Build awareness among decision-makers in target industries. The EDA should initiate a marketing campaign designed around the targeted industry sectors.

- *Database.* Develop and maintain a database of companies in each target industry.

definition: CAPITAL NETWORKS

Capital networks are an important part of small business development. They vary from an informal group of potential lenders – including local banks, foundations, and individual investors – to a highly formal, federally regulated investment consortium. At all levels, however, their purpose is to increase the flow of capital to local businesses who do not readily meet the criteria of traditional lending. As a result, capital networks typically encourage flexible rates for loans, or, in the case of investment, a wide range of indirect assistance (including management expertise).

The formation of a capital network consists of some of the following:

- identifying potential angel investors
- linking with existing loan and investment funds (such as Southern Minnesota Initiative Foundation)
- enfranchising existing lenders in the value of non-traditional investment (banks and REITs)



- Mail campaign. Using these databases, the EDA should initiate a direct mail program to companies in each target sector. The mailings would consist of a one-page marketing letter (*see box*) designed specifically for each target industry that highlights the advantages of a Northfield location. Mailings should occur monthly and continue for at least six months.
- Follow-up. Direct mail campaigns should be followed up with appointment setting campaigns to increase effectiveness. The purpose of these calls is to 1) identify companies with expansion plans, and 2) assess their interest in Northfield as a location for expansion. This telephone campaign can be conducted by staff. However, given the number of calls required to conduct such campaigns, use of a service agency with economic development appointment-setting experience may be preferable.
- Call trips. Based on the results of the direct mail and telephone campaigns, the EDA should conduct four call trips per year (one each quarter) to regions where industry concentration is highest. These trips can be conducted separately or in conjunction with trade shows or other events. Where appropriate, include area business leaders on these trips.

Maximum length of 1 page

Date
Contact
Title
Company
Address_1
Address_2
City, State ZIP

Dear [Name]:

Northfield is a premier location for the [INSERT TARGET] industry. With an abundance of skilled workers and proximity to growing markets, the city has become a significant force in the region. *[Rest of paragraph includes statistics that show strength of industry in region or state depending on availability of data. Examples include industry employment and growth, wage rates, recent location decisions, productivity for mfg. workers, export trends.]*

As a competitor in the [INSERT TARGET] field, you too will find our community to be an ideal site to locate operations. If your company is considering an expansion of operations, I would encourage you to look at what Northfield has to offer. Some of the key factors about our city that companies find attractive include:

- *bulleted list highlighting area's advantages in key site selection factors, such as access to markets, transportation, labor availability, cost of business, available incentives, etc.*

I will be happy to prepare a site location comparison and incentive proposal for your specific project. For more information, fax this letter to xxx or contact me directly xxx or via e-mail at xxx. I look forward to hearing from you.

Sincerely,

Name
Title

P.S. - Please take a moment to visit our web site at www.ci.northfield.mn.us/

I would like more information about Northfield
Please fax this letter to the Northfield Economic Development Authority at 507.645.xxxx



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- *Intelligence.* The EDA should compile and maintain resource information for each target industry sector. This would include identifying associations for each industry sector as well as following industry trends by monitoring trade publications or purchasing industry data and reports from private sources, such as Hoover's, Economy.com, or relevant trade associations. Participation in industry trade events (trade shows) should be part of this effort, as it provides a means for increasing the region's exposure as well as staying current on industry needs.
 - *Metrics.* The EDA should track the success of the target industry campaign using a contact management system. This system should be flexible enough to allow staff to evaluate the effectiveness of each marketing channel (mail-outs, telemarketing, trade events) and adjust marketing activities accordingly. Simple databases can be established for this purpose using off-the-shelf software, such as Excel or Outlook. Customized software is also available, such as Pro-Active for Economic Development: <http://www.proactive-is.com/html/actfored.html>.
- 1C.2: Build awareness among corporate site selectors.** Many businesses (medium to large market) hire site consultants to assist in their evaluation of potential expansion sites. The EDA should create a database of these consultants, target them through direct marketing and a visitation program, and invite them to the city to see specific projects.
- *Database.* Update and maintain a database of site consultants. *(Provided by TIP Strategies under separate cover.)*
 - *Information.* Maintain and update information typically of interest to site selectors and others. To the extent possible, this information should be made available via the city's website. *(A comprehensive matrix of such data standards is available from*

keeping score

Many communities have implemented a point-based system for awarding incentives. Under such a system, development proposals are awarded points for their performance along specific criteria. In addition to traditional economic development measures, such as job creation, capital investment, and wages, consideration is increasingly being given to conformance with community goals, such as use of green building materials and processes, compliance with neighborhood plans, and provision of affordable housing. These criteria are typically based on objectives and principles outlined in comprehensive plans or other significant planning efforts.



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*the International Economic Development Council's website
<http://www.iedconline.org>)*

- *Letter campaign.* Initiate a monthly site consultant letter campaign using material specifically designed for this purpose. The letter should highlight a different opportunity each month.
 - *Visitation program.* To the extent feasible, EDA members and/or city staff should call on site consultants in the Twin Cities as well as other major metropolitan areas (Chicago, Atlanta, Dallas). While a formal program of visits (i.e., quarterly) is most effective, resources may limit this action to visits made in conjunction with attendance at trade shows or other events.
 - *Event.* The EDA should consider holding a “developer’s day” event in Northfield for site consultants and regional industrial and commercial brokers. These events serve multiple purposes. They raise the profile of the community by showcasing desirable development opportunities. They bring fresh ideas to Northfield. And they create connections with investors and developers in the region. This is an ambitious undertaking and should be delayed to the latter stages of the plan’s implementation.
- 1C.3: Establish written incentives policy.** The EDA should develop a formal incentives policy that reflects the goals outlined in this plan. This policy should provide clear guidance on the standards that must be met to qualify for incentives. As a general guideline, the incentive policy should emphasize investment in addition to “jobs created.” Investment should be measured by direct capital investment (machinery and equipment, buildings, and aggregate payroll). Emphasis should be placed on employers that create higher wage jobs (i.e., some percentage above the median wage for the region). “Clawback” provisions, that is those conditions under which an incentive would be withdrawn, should be clearly stated.



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Strategy 1D: Raise awareness of Northfield within the region > In addition to the broader target recruitment efforts described above, marketing should also focus on building regional awareness. The purpose of this approach is to raise the city's profile in the region and position it to capture future business expansion out of the Twin Cities region.

Actions:

1D.1: Develop media strategy. Develop a media strategy specifically for economic development that focuses on submitting stories and press releases to the local and regional media on a regular basis (*see box*).

1D.2: Enhance Northfield Chamber's *Ambassador* efforts. Executives, managers, and others in local firms often travel to meetings with professionals from other firms. These individuals can serve as your best marketing channel. The program would have a two-fold purpose: 1) build an awareness of the community's strengths among area business executives, and 2) provide information for allowing them to spread a more positive image of the region in their business relationships.

- *Assemble candidates.* Identify business leaders most likely to influence decision makers and invite them to establish a *Northfield Ambassadors* program. The Ambassadors Committee of the Northfield Chamber of Commerce could serve as a starting point for this task. In addition to promoting the city during the course of their business interactions, this group could be given a specific charge, such as monitoring trends in target industries. Ambassadors could also be invited to participate in prospect visits.
- *Engage.* Meet regularly with the Ambassadors keeping them up to date on current initiatives, progress, and honing the city's

media relations

Regular contact with local and regional media can generate interest in the community and raise its overall profile. The inclusion of smaller communities in various "best of" lists is often the result of this kind of marketing.

A *press kit* should be developed to promote Northfield's economic development opportunities. Among the materials to be included in the press kit are:

- ✓ Cover letter to answer specific questions or address specific topics the writer is covering, as well as offering to put the writer in touch with potential interviewees.
- ✓ Fact sheet about the area, including list of major employers, unique features of the area, photographs, and a listing of new expansions and locations, if any.
- ✓ Copies of other articles that have been published about the region.

Develop a list of reports with relevant publications and contact them to determine the types of stories they are interested in. Based on these conversations, provide press releases on a regular basis. Press releases should be focused on a particular event or the release of a new report or indicator about the area.



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marketing message. Consider creating a mechanism for the Ambassadors to refer prospect leads.

- *Profile.* Create a brief profile touting the region's positive aspects to be used by the Ambassadors and other area business leaders.

1D.3: Leverage conferences and networking opportunities. Local organizations sponsor a wide range of events. Posting these to a joint calendar can keep stakeholders informed and encourage greater participation. The calendar on the city's website could be used for this purpose, with links to the calendar from relevant organizations, such as the Northfield Chamber of Commerce, the Northfield Enterprise Center, and the colleges. The EDA and other city leaders should identify relevant organizations (such as regional chambers, industry trade associations) and events within the region in which to participate.

This task also includes the promotion of Northfield events — whether hosted by the city, the colleges or other organizations — on a regional basis. When feasible, the EDA and others should consider hosting conferences or arranging networking opportunities on areas of concern to businesses in the region.



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Opportunity 2: Maintaining Northfield's *Quality of Place*



Economic development activities are often undertaken in a vacuum—as if “jobs” were somehow independent of the people who hold them. Workers need places to live, amenities, and educational opportunities. Quality housing, good restaurants and good schools are not luxuries for an educated workforce—they are necessities. Communities that fail to address these concerns will fall behind those that do.

Much has been written about the importance of quality of life to the site selection process. Communities throughout the nation have positioned themselves by touting their advantages in this regard—good schools, safe streets, pleasant weather. We agree these factors are important. We take issue only with the narrowness of the focus. Quality of life assumes that everyone thrives in the same environment and is attracted to the same amenities. It assumes that current residents' view of what makes a community would be shared by all.

By contrast, quality of place considers what is attractive to a range of residents, both old and new. The idea of quality of place accommodates growth and recognizes the benefits of change. It recognizes that one person's “good place to raise a family” might translate into another's “there's nothing to do in this town.” Quality of place is about providing options, not just for current residents, but for those who will be residents in the future.

Once again, Northfield has a distinct advantage over many other non-metropolitan communities. The city's historic downtown provides a sense of character missing in many cities and contributes significantly to Northfield's economic vitality. Existing retailers provide an amenity for residents, generate employment, and add to the city's tax base. Public spaces provide opportunities for social and cultural exchanges. Upper floors of existing buildings offer attractive options for housing and commercial space, helping to diversify the city's economic base. Vacant or underutilized properties create opportunities for infill and redevelopment.

Redefining PLACE

Much has been written about the importance of *quality of life* to the site selection process. Communities throughout the nation have positioned themselves by touting their advantages in this regard—good schools, safe streets, pleasant weather. We agree these factors are important. We take issue only with the narrowness of the focus. Quality of life assumes that everyone thrives in the same environment and is attracted to the same amenities. It assumes that current residents' view of what makes a community would be shared by all.

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City leaders and organizations like the Northfield Downtown Development Corporation (NDDC) have demonstrated a commitment to the downtown through initiatives such as “The Action Squad,” the Downtown Strategies Steering Committee, the downtown directory, and the recently completed *Streetscape Framework Plan*. Supporting these and similar efforts will be important to the future of the downtown.

Even with this support, however, a vibrant downtown is not guaranteed. Independent retailers often end up operating businesses that are “labors of love,” working long hours for small profits. In other words, downtown Northfield must be able to *afford* its own history. A market center in 2006 does not look like one in 1906. Retail, housing, services, amenities, and special events all play into this. In fact, housing and services are among the best vehicles for anchoring retail. They offer a reliable base of customers – from dining to convenience shopping – and they create a critical mass of downtown growth that many communities are actively seeking.

As property values continue to rise and other retail areas form within the city (or in the region), these retailers may find it increasingly difficult to remain downtown. Without a comprehensive approach that looks to increase foot traffic, address tax issues (to whatever extent possible), integrate downtown with newer development, and maximize the opportunities presented by the Cannon River – there is no guarantee the community will continue to protect its position. These are all strategies that can support the continued health of the downtown. Without them, the competitive pressures from Dundas and surrounding communities will compromise the success of downtown.

Integral to this discussion is the health of Northfield’s retail sector. While the city serves as a employment center, drawing in workers from across the region, it is not serving as a hub for retail spending. The lack of a local retail sales tax complicates the discussion of “retail leakage.” However, a recent analysis by the University of Minnesota Extension Service suggests that Northfield is not capturing the full potential of retail spending in the community. The Extension Service study compares per capita spending patterns in Northfield against state averages to determine “gaps” in local spending.

**trade area analysis by merchandise category:
NORTHFIELD 2003**

| Merchandise Group | Expected Sales (\$millions) | Actual Sales (\$millions) | Variance Between Actual & Expected | |
|----------------------------------|--------------------------------|------------------------------|------------------------------------|------------------|
| | | | In Dollars (\$millions) | As % of Expected |
| Miscellaneous retail | \$14.48 | \$35.11 | +\$20.63 | +142.5% |
| Eating & drinking | \$15.18 | \$24.58 | +\$9.40 | +61.9% |
| Amusement & recreation | \$2.27 | \$2.84 | +\$0.57 | +25.2% |
| Furniture stores | \$3.29 | \$3.7 | +\$0.41 | +12.3% |
| Electronics | \$2.20 | \$2.33 | +\$0.13 | +5.7% |
| Leisure goods | \$2.78 | \$2.89 | +\$0.11 | +4.1% |
| Auto | \$42.86 | \$42.91 | +\$0.05 | +0.1% |
| Apparel | \$2.77 | \$2.54 | -\$0.23 | -8.3% |
| Gasoline stations | \$20.00 | \$18.16 | -\$1.83 | -9.2% |
| Repair, maintenance services | \$7.11 | \$6.10 | -\$1.01 | -14.2% |
| Food | \$28.34 | \$22.45 | -\$5.89 | -20.8% |
| Personal services | \$2.42 | \$1.75 | -\$0.64 | -26.3% |
| Hotels | \$2.82 | \$1.95 | -\$0.87 | -30.8% |
| Building materials | \$21.20 | \$8.11 | -\$13.09 | -61.7% |
| General merchandise | \$52.17 | NA | NA | NA |
| Health, personal stores | \$8.75 | NA | NA | NA |
| Total sales⁽¹⁾ | \$240.73 | \$208.16 | -\$32.57 | -13.5% |

Source: University of Minnesota Extension Service, *Retail Trade Analysis Report: Northfield & Rice County, Minnesota*, p. 17.

(1) Total sales includes all retail and service categories, including some categories not shown.



comprehensive economic development plan:

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Based on this study, Northfield total retail sales in 2003 were nearly 14 percent below expected sales.

Some of the difference is probably attributable to Northfield's large student population. This group typically spends less than other city residents in a number of retail categories. More likely, the leakage reflects gaps in the city's current retail mix and competition from metropolitan area counties. Of the 14 merchandise groups evaluated, Northfield's sales were below the expected level in 7 categories: building materials (nearly 62 % lower than expected), hotels (-31%), personal services (-26%), food (-21%), repair and maintenance services (-14%), gasoline stations (-9%), and apparel (-8%). Sales were highest relative to expected levels in miscellaneous retail (143 percent higher than expected) and eating and drinking places (+62%). These findings can provide a guide to the city's retail strategy.

Northfield's retail strategy must also be cognizant of the city's relationship to neighboring communities. It is one thing to say that specialty retail will define Northfield and "big box" development can go outside the city. It is quite another to realize that the viability of locally owned business (and a vibrant downtown) depends upon making Northfield competitive with its neighbors. A mix of retailers that serves both local citizens and draws in students and visitors is essential.

The question of Northfield's relationship to neighboring communities goes beyond retail, however. Northfield's continued position as a "freestanding" community will depend upon re-defining its position in the region. The city is fortunate to have its own newspaper (*Northfield News*), radio broadcasts (KRLX 88.1 FM, KYMN 1080 AM), and an active community website (Northfield.org). These things all contribute to a sense of identity and are an important aspect of quality of place. In the face of continued residential growth in Northfield and surrounding towns, Northfield leaders must continually reinforce this identity. Maintaining a healthy and vibrant downtown; providing adequate retail, services, and cultural amenities for existing residents; and redefining Northfield's relationship with neighboring communities are central to maintaining the city's quality of place and allowing the city to thrive.

Quotable

"All great cities have a history, and Northfield has that too—at least 150 years of it," says [Bardwell] Smith, who is Carleton's John Nason Professor of Asian Studies emeritus. "Compare that to some of the suburbs north of us, places that sprang up out of cornfields. Now they are trying to create downtowns and a sense of character that we already have. Many people move to Northfield and places like it to escape the suburbs, to have a sense of history and community. But the communities to which these people are moving, ironically, become more like the places they left."

Taken from "Boomtown" which appeared in the Fall 2002 issue of *Voice*, Carleton College's alumni magazine



OPPORTUNITY 2: MAINTAINING NORTHFIELD'S *QUALITY OF PLACE*

Strategy 2A: Maintain and enhance the existing downtown > Northfield's historic downtown is one of the community's most significant assets. Ensuring its survival is the highest priority within this challenge.

Actions:

2A.1: Activate the Cannon River. Expanding and revitalizing the entire riverfront should be a pivotal part of Northfield's downtown strategy. Emphasis should be placed on identifying development and redevelopment sites in the area south of 5th Street (*see map*). In addition, current projects that relate to the river, such as The Crossing at Northfield (formerly the Riverfront Redevelopment Site) and the Q-Block, should be reviewed for their orientation to the river and for their ability to spur additional activity in the downtown.

- Design. The Cannon River can serve as a bridge connecting the historic downtown with other parts of the community and should be treated as a corridor for planning purposes. This means that issues such as urban design standards, parking and traffic circulation, and infrastructure planning should be addressed across the area to the extent possible. Examples of corridor planning principles include:
 - Applying distinctive architectural and urban design elements from the downtown *Streetscape Framework Plan* throughout the Cannon River corridor.
 - Linking existing pedestrian areas and ensuring that new development ties into these systems.

Cannon River Opportunity Area



STRATEGIES

- Ensuring that existing zoning and ordinances create the desired feel for the area. For example, set-backs requirements should be minimized to help create a human scale and discourage large surface parking areas in front of buildings; parking standards should be calculated in a manner that considers opportunities for shared parking.
- Reviewing existing regulations to identify any that would hinder redevelopment unnecessarily.
- *Development community.* As part of the planning process for the river, the city should consider including local and regional developers early in the process. This can be done by issuing a formal solicitation of design ideas for a particular site, by inviting developers to the community for a roundtable or forum on development in Northfield, or by hosting a public charrette process. *(See strategy 1A.3.)*
- *Mixed-use projects.* The presence of mixed-use developments, those that combine residential, commercial, and/or office uses in a single project, can help attract talent to the area. In addition to reducing vehicle miles traveled by allowing more people to walk or bike from home to work or by combining trips, mixed-use developments can also provide opportunities to mingle with neighbors, creating a stronger community.

2A.2: Increase density of uses in downtown. A December 2003 report prepared by DSU Research found that downtown Northfield had the strongest base of office users in the city. According to the DSU inventory, four out of five office users in the region were located downtown at that time. The report estimated that as many as 750 workers could be accommodated in downtown Northfield. This finding provides support to the idea of continuing to diversify the mix of commercial opportunities in the downtown. While economic



comprehensive economic development plan:

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developers are accustomed to providing incentives to manufacturing firms, they rarely turn their attention to the service sector. This is both possible and desirable. This recommendation calls for direct recruiting, creative financing, and general support:

- *Recruitment.* The EDA should actively recruit professional services and business support firms in ways similar to traditional manufacturing recruitment. This means identifying gaps, targeting specific firms capable of, and interested in, expanding, and offering incentives, particularly for those firms that locate downtown. The ideal target for this effort would be firms that have high levels of “face time,” such as law firms, medical and dental offices, architects, engineers, and real estate brokers. In addition to being high-wage industries, these kinds of businesses can generate additional foot traffic, benefiting downtown merchants.
- *Creative financing.* Professional service firms who pay wages above the median income and who are in an expansion mode should have access to incentives. These incentives can include low interest loans for building improvement and capital equipment (machinery and equipment ranging from copiers to computers). The city’s Downtown Revolving Loan Fund provides some funding for building renovation. Other creative financing options might consist of favorable lease rates in downtown buildings that are currently unoccupied. The EDA or the city could assist in this effort by subsidizing rents for desired targets.
- *General support.* This would include job training assistance, network events sponsored by the EDA and other organizations, and help in accessing new clients. For example, helping professional service firms access public sector contracts.



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2A.3: Encourage downtown housing. Much attention has been given in recent years to the importance of creating a “24-hour” environment downtown. Increasing options for downtown living plays a significant role in this equation. However, like any housing market, “downtowns must meet at least these two conditions — a safe, quality environment and investor confidence — before they can effectively compete for residents.”¹ Important ingredients for successful downtown residential development include:

- *Neighborhood identity.* Creating an identity for downtown is an important part of attracting residential development. Northfield has an advantage in this regard in that the historic identity already exists. Implementation of the recently completed *Streetscape Framework Plan* will help to further establish downtown’s identity.
- *Conflicting uses.* Balancing the desire for employment-generating uses and entertainment venues against the demands of residential development can be a significant challenge in downtown housing. While these conflicts can be unavoidable, policies should be considered that can help minimize them along with procedures for complaint resolution. Examples include noise ordinances that restrict the decibel level of entertainment venues or incentives for sound proofing enhancements made during renovations.
- *Market analysis.* Understanding the market for downtown housing is also critical. The presence of the colleges and Northfield’s “free standing” status translates into a slightly different market for downtown housing than is the norm (*see box*). DSU Research’s December 2003 study revealed that nearly half (49%) of downtown residents were between the ages of 18 and 24. The

who lives downtown?

Downtown living has typically appealed to two groups, described by World Business Chicago (the city’s non-profit economic development organization) as follows:

There are two types of downtown residents. The first group has always been there: the young and single, the recently married, the dual-income-no-kids group (DINKs). Most of these are under 35. The other group is less well known but growing quickly. These are the empty-nesters — those active adults and seniors who are over 50 and all the kids have left home. The demographic in-between (couples in their 30s to 50s with kids) are mostly in the suburbs.

TIP Strategies phone interview

¹ *Ten Steps to a Living Downtown*, Brookings Institution, 1999, p. 11.



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study also found that only 14% of downtown residents owned their household unit. Increasing the percentage of non-students and raising the level of home ownership in the downtown should be a priority. Mixed use projects specifically address this.

Strategy 2B: Develop coordinated retail strategy > While housing and professional services are an important part of the picture, the health of Northfield's existing downtown will ultimately depend on its continued ability to function as a retail center. Traditional economic development theory sees retail as a spin-off effect from the manufacturing sector. However, many successful communities now recognize that retail is increasingly seen as an amenity without which other economic sectors find it difficult to recruit workers. People want and expect retail, and they have become increasingly refined in their specific interests. Balancing consumer demand for national chains with the needs of downtown is at the heart of this strategy.

Actions:

2B.1: Formalize retail working group. There are several organizations in Northfield whose missions relate to strengthening the city's retail environment. The intention of this task is not to alter existing plans or initiatives, but rather to ensure that gaps and overlaps are identified and existing resources are maximized. This group should meet monthly or quarterly to coordinate planning and marketing initiatives and should include representatives from the Northfield Downtown Development Corporation, the Retail Committee of the Northfield Chamber of Commerce, the Northfield Convention & Visitors Bureau, the EDA, local developers, tourism-related groups, and city staff. Representation by the colleges should also be encouraged to identify opportunities for coordination with college events or special needs.

2B.2: Compile existing data on the downtown retail market. This research should build on existing studies, including the December



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2003 DSU Research study and the retail trade area analysis conducted by the University of Minnesota's Extension Service. Analyze consumer expenditure patterns in the area, documenting the needs of existing retailers (particularly in the downtown), identifying current "gaps" and opportunities for retail development in the region, and providing information on site location factors for existing and potential retailers should all be addressed. This step should include an inventory of existing sites, including redevelopment opportunities, as well as potential barriers to their development, such as the cost of infrastructure rehabilitation in the downtown.

2B.3: Identify appropriate retail targets. Based on the findings of the retail analysis outlined above and the work of the retail working group, appropriate targets should be identified.

- *Integration.* The relationship between downtown retailers and the "big box" development occurring on Highway 3 should be considered in the choice of targets. Currently there is a clear distinction between the offerings downtown (independent, specialty retail) and those available along Highway 3 (mass merchandise). This strategy recommends that Northfield move towards better integrating these two areas. This can be accomplished in two ways. First, explore the feasibility of attracting small, regional chain retail into the downtown. Saratoga Springs, New York is a good example of a community that has been successful at this task. Second, future developments along Highway 3 should be required to meet design standards that reflect those of the downtown, such as repeating specific themes from the downtown palette.
- *Scale.* Targets should focus on higher-end and specialty retail that is of a scale appropriate for the downtown. Efforts should emphasize the ability of those retailers to attract dollars from outside of the region.



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- *Assets.* Retail recruitment should also be linked with the area's assets. Examples include outdoor recreation, arts, and college-oriented retailers.
 - *Developers.* While some recruitment efforts may be aimed at the retailers directly, the core of this strategy should be focused on retail developers who represent these tenants.
- 2B.4: Link retail and tourism.** Retail development must be viewed with an eye towards capitalizing on Northfield's tourism activity. The region has a number of assets in this regard—significant festivals and events, a variety of outdoor recreational opportunities, and the cultural offerings of the colleges and other organizations. In other words, *attracting tourists only benefits the area directly if there is a mechanism for capturing retail sales dollars.*
- *Inventory.* The city and the EDA should participate in the maintenance and promotion of an inventory of local attractions and tourism assets. The "Things to Do" section of the Northfield Convention & Visitors Bureau website could serve as the foundation for this effort. In addition to promoting tourism and raising awareness about local assets, the inventory can illuminate areas where Northfield is lacking. One example is the availability, diversity, and quality of overnight accommodations in the region. Adequate accommodations are a major factor in the success of a tourism-related strategy (and therefore, a retail strategy). An analysis of retail sales potential (*see page 49*), indicates that Northfield is not capturing its full share in this category.
 - *Awareness.* Raising awareness among local retailers of the area's tourism assets helps ensure that local businesses are prepared to capture retail spending associated with specific tourism-



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related activities. While major events, such as Defeat of Jesse James Days are likely to be on the radar screen of local retail and hospitality establishments, lower-profile events, such as regional cycling events or college-sponsored conferences may not be. This may mean offering extended hours of operation to accommodate specific events or designing sales and marketing efforts around a related theme. For large or regularly occurring events, special arrangements may be desirable, such as providing shuttle service to the downtown from the event location. The EDA should work with the Northfield Downtown Development Corporation and others to ensure that retailers are aware of community events. A community calendar, such as that offered on the newly redesigned City of Northfield website can play an important part in this task.

- *Signage.* “Way-finding” signage is designed to make it easy for non-residents to get around. Signs should guide visitors to shopping areas and major attractions. Current public improvement efforts, including the recently completed Streetscape Framework Plan and approval of a Historic Downtown Northfield sign along I-35, help to accomplish this objective.

Strategy 2C: Re-define Northfield’s relationship to its neighbors. Continued residential growth in and around Northfield will place an increasing burden on the resources of the community and surrounding areas. The city’s success will depend to some degree on its ability to reevaluate current relationships. While economic development initiatives are typically competitive by their nature, there are situations where a collaborative approach makes sense.

2C.1 Identify best practices. State budget cuts and continued demand for services have raised interest statewide in identifying opportunities for cooperation and collaboration. The State Auditor’s Office and the League of Minnesota Cities have compiled extensive databases of best practices in a number of areas.



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2C.2 Form Rice County working group. This group would explore potential for collaboration among Rice County communities. Dakota County's High Performance Partnership effort can provide valuable lessons for Rice County. This plan identified six target areas for collaboration among Dakota County communities, including coordinating public safety and law enforcement activities, sharing information technology purchasing and training, and joint purchasing of health insurance.



Opportunity 3: Attracting and Retaining Talent

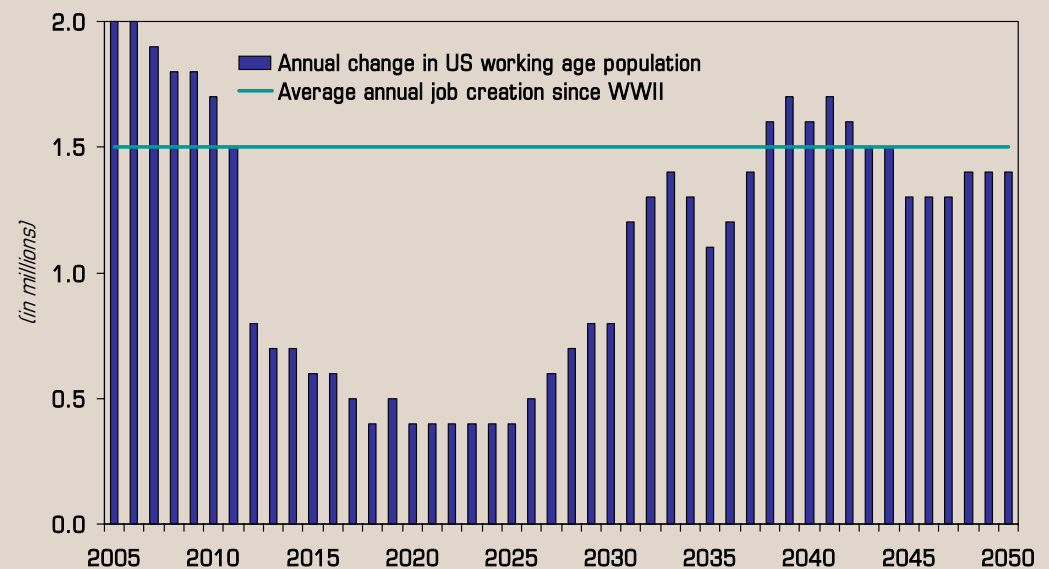


As worker shortages loom nationwide (*see graphic*) and competition for workers increases, attracting and retaining talent has become the focus of economic development organizations across the country. The City of Northfield starts the game with a unique advantage due to the presence of St. Olaf and Carleton Colleges. Few cities of Northfield's size are fortunate enough to have one institution — let alone two — directing a steady stream of young people to the community year after year.

Northfield is also fortunate to have institutions that recognize the importance of strong civic ties. While their presence has a direct impact on the city from a fiscal perspective, making as much as one-third of property in town nontaxable, the colleges also contribute directly and indirectly in a number of ways. These range from direct cash payments to the city (as much as \$65,000 annually according to one estimate) to the impact of volunteer programs coordinated by each institution. This focus on civic engagement is one factor behind St. Olaf's first place ranking in "Town & Gown Relations" in the most recent national survey of college students published annually by *The Princeton Review*. Comments from St. Olaf and Carleton students regarding social life in Northfield published in the same source were less favorable, however (*see box page 63*).

While the scientific validity of such surveys is questionable, *The Princeton Review's* comments support other anecdotal evidence regarding the lack of connections tying current students to the community. This is one of several reasons that the city has yet to gain the full benefit of the colleges. As four-year institutions, St. Olaf and Carleton do not offer graduate study programs, meaning the most motivated

The Approaching Deficit of Workers in the U.S.



A comparison of annual average job creation with projections of the number of new workers that will enter the workforce each year reveals an impending shortage of workers at the national level that is expected to last for decades.

Sources: TIP Strategies. U.S. Bureau of Labor Statistics. U.S. Census Bureau

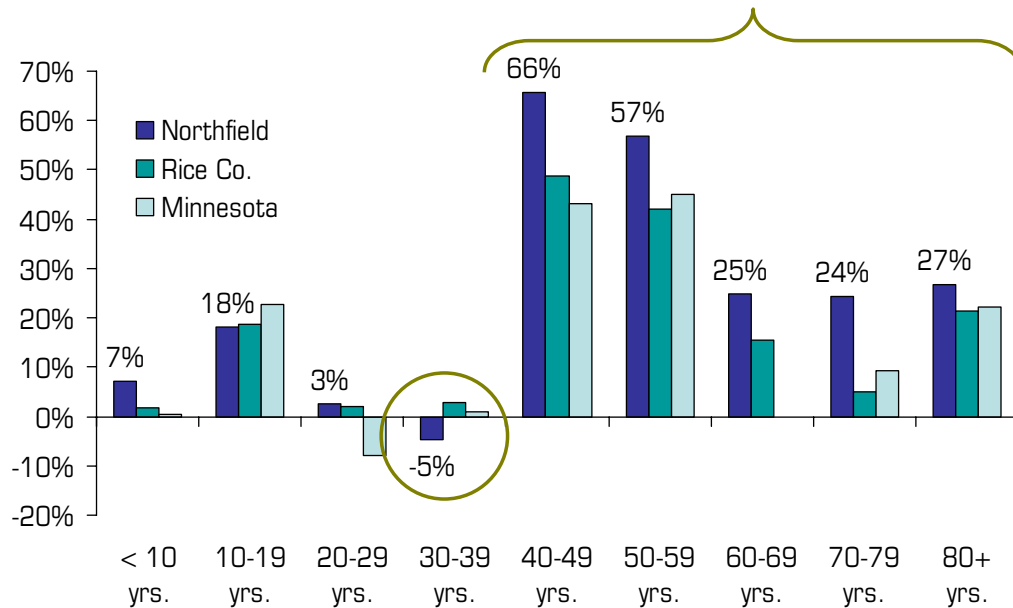


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students often leave the area to continue their education. A lack of economic opportunity (real or perceived) drives those that do not wish to pursue graduate studies to look elsewhere for challenging, high-wage employment.

Evidence of this out-migration can be seen in the city's age structure. An analysis of population change by age group between the 1990 and 2000 censuses reveals a drop in the share of residents age 30 to 39. In part, this shift represents the movement of the baby boom generation. In other words, the group of people who were 20 to 29 in 1990 was significantly smaller than those aged 30 to 39 at that time. However, Northfield experienced a sharper decline in this population group than either the county or the state, suggesting other forces are at work. In terms of its share of the population, 30 to 39 year-olds are also underrepresented in the city, comprising just 10 percent of the city's total population in 2000 versus roughly 15 percent of the population nationally.

Population Change by Age Group, 1990 to 2000



Redefining TALENT

The concept of *talent* means more than a skilled workforce. It means recruiting talented people as well as cultivating the current talent pool represented by students.

It means ensuring that the employees and companies that have been responsible for Northfield's growth see a reason to remain in the area.

National trends, most notably the aging of the Baby Boomers, suggest that demand for workers will soon outstrip supply. This trend is particularly acute in older industrial regions, such as the Northeast and Midwest.

As a result, competition for labor is expected to increase. Focusing on the attraction and retention of talent should be an important part of any economic development strategy.



comprehensive economic development plan:**STRATEGIES**

Given the obstacles, retaining graduates may not be a realistic option in Northfield. The city may be better served by re-capturing alumni. In either case, improving the quality of the student experience should be an important part of the city's talent strategy. Creating a positive association with their time in Northfield increases the chance they will consider returning to Northfield later in life – to start a business or join an existing venture. This means providing opportunities to engage students in social and cultural issues, creating a cultural climate and a downtown that is welcoming, and facilitating initiatives between the colleges and the city.

Improving the student experience is a necessary, but insufficient, condition for success, however. The city will need to aggressively recruit alumni by keeping the Northfield brand fresh in the minds of former students. This can be accomplished by conducting direct mail and e-mail campaigns, placing advertisements and favorable stories in alumni publications, and fostering an entrepreneurial climate. Where possible, these efforts should focus on specific examples of Carleton or St. Olaf graduates who have returned to the area.

Northfield's situation is compounded by rising housing costs which make it difficult for graduates or young professionals to remain in the area even if they are able to find work. The cost of housing was cited as an issue by both residents and employers. While housing in Northfield is affordable relative to other areas of the country, costs are higher than elsewhere in the region. In addition to its impact on the community's ability to accommodate young professionals, major employers listed housing costs as a perceived barrier to the recruitment and retention of workers.

The city's ability to work with the colleges and other relevant organizations to address the issues identified in the plan will be a large factor in the community's ability to attract and retain its future workforce.



OPPORTUNITY 3: ATTRACTING AND RETAINING TALENT

Strategy 3A: Increase connection with current and former students > Engaging current students at St. Olaf and Carleton Colleges in Northfield life should be a priority of any talent-related strategies. In addition to economic returns to be gained from better integrating students into the community, creating a positive experience for students will improve their perception of the city, increasing the likelihood they will remain in the area or return to the city later in life. Identifying creative approaches to re-capturing alumni from both institutions is also central to this strategy.

Actions:

3A.1: Explore mechanisms for re-capturing Carleton and St. Olaf alumni. For reasons mentioned earlier (lack of graduate education, employment base, high housing costs) Northfield may not be in a position to meet the needs of many St. Olaf and Carleton students immediately following graduation. However, at other points in their personal and professional development, Northfield may be an attractive location for alumni.

Attracting former students back to their college community is a strategy of increasing interest nationally. The advantage to the city is obvious (based on talent and education). The advantage to the former student must be clearly defined. Typically, this involves business and professional opportunities, cost of living, and a sense of identity (a connection with the school, the community, and the values represented by the educational experience).

- *Mail and e-mail campaign.* Enlist the colleges in a formal alumni campaign. This would include creating letters, direct mail materials, and website linkages aimed at increasing alumni's

What Students Say About Campus Life
from *The Princeton Review*

"Campus life is centered on campus, not in the town of Northfield," students say, because "while Northfield is an extremely nice town, we just don't get off campus much."

St. Olaf College profile

"Carleton's hometown of Northfield—also home to the Malt-O-Meal factory—'isn't much to get excited about. Besides some quaint shops and great food, there's nothing to do."

Carleton College profile



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awareness of opportunities and advantages of living in Northfield. Specific examples include access to the Twin Cities, the advantage of cultural connections provided by the colleges (without the costs and disadvantages of a large city), and – most critically – the growing support for new business ventures (as demonstrated by the Northfield Enterprise Center and others).

- *Alumni publications.* Alumni magazines (Carleton's *Voice* and the alumni section of *St. Olaf Magazine*) and other publications can provide another channel for communicating with alumni. This could include paid advertising, but the city would be best served by drafting articles on topics of interest to the alumni. The focus of these articles would mirror that of the mail and e-mail campaigns outlined above.
- *Events.* Ensure that relevant events are marketed to area alumni. Encourage St. Olaf and Carleton alums already in the community to assist in this effort.

3A.2: Engage current students. One of the best strategies for re-capturing alumni is to ensure that they have a positive experience during their stay in the community.

- *Projects.* Work with professors at both institutions to identify projects that can engage students in the cultural, economic, and political fabric of the community (*see box*). The College Board of Business Consultants (CBBC) is one example of this concept. Through the CBBC students at both colleges are matched with area businesses and non-profit organizations to research and develop business strategies. Other approaches to this task could include identifying public sector needs that would translate into class or individual projects, and working with the existing internship programs at the colleges to identify public and private internship opportunities. These types of programs provide real-life

the ties that bind

The following excerpt shows how a class project changed one St. Olaf student's relationship to the community:

"I can say I hardly did this project justice, however, I feel the most important thing I've gained from this project is a sense of place here in Northfield. This town that I have lived in, but made little attempt to familiarize myself with, during the past four years, has suddenly become something I feel a connection with. This project has provided me with a reason to explore the physical, social, and historical aspects of this place, and has caused me to fall in love with this town. . . . I'm excited about being an active member of a community . . . not just living in a home but residing in a neighborhood with a commitment to my neighbors. This project has provided me with a reason to strive for a sense of community and I can only hope that it may have also sparked the interest of others."

Taken from: *Architecture of Community: Investigation of Architectural Elements and their effects on Northfield Neighborhoods*
Katie Greller, St. Olaf College, Spring 2004



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experience for students, while filling a specific need for the community.

- *Volunteerism.* Support volunteer programs at St. Olaf and Carleton. In addition to engaging the students, the city as a whole receives an economic benefit from volunteer services. The city can support this program by helping to link the needs of local organizations with the colleges' programs.
- *Events.* Ensure that relevant events are marketed to the colleges. Work with outreach coordinators at each facility to develop events or refocus existing events to better engage this group when possible.

Strategy 3B: Continue to engage leadership of colleges in economic development. Higher education institutions are becoming a pivotal piece of the economic development puzzle. The EDA should explore ways to enhance the relationship of the city and the colleges and continue to improve the flow of information between the leadership of these groups.

Actions:

3B.1: Encourage joint participation. In addition to cross-representation on relevant boards and commissions, this task should identify opportunities for partnerships between the colleges and the city. Two significant examples for joint participation include:

- *Old Middle School.* Carleton's recent proposal regarding the re-use of the old Northfield Middle School presents an excellent opportunity for collaboration. In addition to providing a possible venue for cultural events, this site should be investigated as a potential location to support media and arts-related entrepreneurship. The EDA should stay abreast of plans for the



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Old Middle School and support Carleton by promoting the site to appropriate prospects.

- *Healthcare complex.* Northfield Hospital's interest in becoming a regional medical destination, coupled with increasing ties between the colleges, the hospital, and regional health-related initiatives presents an excellent opportunity for joint participation. The city's previous development proposal regarding St. Olaf-owned property should be reconsidered. This action is related to the larger question of the preservation of industrial land and represents one option for development as outlined in Strategy 1A.

3B.2: Explore best practices for economic development and higher education. The recently published *Tools and Insights for Universities Called to Regional Stewardship* provides guidance on this recommendation (available for download at: <http://www.regionalstewardship.org>). This document and related works are notably weak on specific strategies. They are, however, strong on case studies. The critical elements include the following:

- ensuring that entrepreneurial strategies are part of the economic development mix,
- enfranchising businesses in the broader goals of the community and the college(s), especially as they relate to innovative practices and training, and
- defining a "stewardship" role for colleges.

There is no doubt that business opportunities for alumni must drive these strategies. It is also true that the targeted sectors provide the best means by which the "talent pool" can be drawn back to Northfield.



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Strategy 3C: Increase the range of housing options > Residential demand continues to drive up housing costs in the area. While housing is affordable relative to other places in the country, costs are high relative to other parts of the state, including the Twin Cities. This issue affects a number of economic activities from recruiting college faculty and local executives to attracting and retaining young professionals.

Actions:

3C.1: Support current programs. Northfield’s Housing and Redevelopment Authority (HRA) has a number of housing programs designed to improve the city’s housing situation, including down-payment assistance for first-time homebuyers and collaborative programs with the Cannon River Community Land Trust. Ensuring the continuation and expansion of these programs is important to the city’s future vitality. The EDA could support the work of the HRA in the following ways:

- *Joint planning.* The EDA and HRA should coordinate work plans and goals to ensure that efforts do not conflict.
- *Business liaison.* The availability of affordable housing is an area that impacts business development. The EDA could serve as a liaison between the HRA and local businesses. One method for accomplishing this goal is to incorporate housing questions within business surveys or on-site visitations *(see Strategy 3C.3)*.

3C.3: Work with major employers to document scope of housing issue. Clarifying the scope of the problem, through business interviews or focus groups, is an important area where the EDA could contribute to HRA efforts.

- *Interviews.* This effort should begin with interviews of the city’s major employers *(see box)*. Based on the results of these interviews, the EDA should include a question on housing issues

what’s in a name

Negative connotations associated with the term “affordable housing” have led practitioners to devise a number of terms, such as:

- workforce housing
- attainable housing
- inclusionary housing

However, regardless of the term applied, the goal remains the same— improving the range of housing options for current and future residents.



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(i.e., range of options and availability) as part of any business retention and expansion surveys.

- *Employer-assisted housing (EAH).* If affordable housing is seen as a major issue by employers, the EDA and HRA should explore the feasibility of encouraging employer-assisted housing (EAH) programs. This term encompasses employer-led initiatives ranging from forgivable loans or grants to defray down-payment costs to "soft" (subsidized) second mortgages, matched savings program, below-market-interest-rate mortgages, and mortgage guarantees. Home-buyer education is another important aspect of the program. EAH programs have become popular with governments as a means for providing housing for public employees, such as teachers, police officers, and firefighters. The Greater Minnesota Housing Fund (<http://www.gmhf.com>) has facilitated a number of such programs in the state.
- *Explore related programs.* Ensure that the city of Northfield is accessing all available programs related to the provision of workforce housing. Examples of state-level initiatives in this area include the Economic Development & Housing Challenge Fund program and the designation of Workforce Housing Districts.

3C.2: Work with the HRA to identify additional programs. The provision of "adequate and affordable housing" for Northfield residents is the charge of the HRA. However, the relationship of the HRA's work to the future economic vitality of the city argues for EDA support of this function. Gaining an understanding of "best practices" in affordable housing that can be adopted in Northfield is another area where EDA involvement may make sense. Examples include:

- *Density bonuses.* A density bonus program provides incentives to encourage developers to build affordable ownership and rental housing. For every affordable unit that a developer promises to

Northfield's Major Employers (100+ employees)

| Employer | Products/ Services | Employees |
|-------------------------------------|-------------------------------------|-----------|
| St. Olaf College | Education | 860 |
| Malt-O-Meal Company | Food Processing (cereal) | 787 |
| Carleton College | Education | 650 |
| Northfield School District ISD #659 | Education | 500 |
| Multek Flexible Circuits, Inc. | Flexible Circuits | 450 |
| McLane Minnesota | Grocery Distribution | 400 |
| Northfield Hospital | General Medical & Surgical Hospital | 340 |
| City of Northfield | Government | 257 |
| Allina Medical Clinic | Medical Care | 198 |
| Three Links Care Center | Skilled Nursing Care Facility | 180 |
| Cub Foods | Retail | 175 |
| Cardinal CG | Window Glass Insulation | 140 |
| Laura Baker Services Association | Special Education | 125 |
| Target | Retail | 120 |
| Northfield Retirement Center | Skilled Nursing Care Facility | 114 |
| Mainstream Publications L.L.C. | News Publishing | 108 |

Source: Northfield Area Chamber of Commerce



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build he or she can build a calculated number of market rate units greater than would be allowed otherwise. For example, a developer proposes to build rental housing on a site with zoning that allows a maximum of 30 rental units. However, if the developer promises that 10 of those units will be affordable to households at or below 50% of median income then instead of a maximum of 30 units the developer can build 35 units. Limits can be placed on both the zones where density incentives can be earned as well as a limit on the number of density bonuses allowed. Density bonuses can also be provided for other public benefits: open space, trails and parks; historic preservation; and energy conservation.

A density bonus can take many forms. For example, a jurisdiction can allow for an increase in height or an increase in FAR if a developer includes affordable housing within a development project. The allowance for an increase in density can also be shifted from one part of the site plan to another and in some cases to a different site.

- Real estate transfer tax. Another useful tool is a program that uses a real estate transfer tax to help create a fund for the development of workforce housing. A 1% fee of any real estate transfer over \$100,000 is paid by the grantee at the time of transfer and is deposited into a fund to support workforce housing. The HRA should investigate whether this type of approach can be implemented in Northfield.
- Multifamily housing programs. Affordable housing should address both single-family and multifamily housing needs. There are several multifamily housing programs, most offered to nonprofit developers, that either grant funds or provide long-term forgivable loans for affordable housing development.



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- *Inclusionary zoning.* Inclusionary zoning ordinances require new housing construction to include a certain percentage (typically between 10% and 30%) of affordable housing units as a part of the development. These units are eligible to be purchased or rented by families that do not exceed certain income levels. In many cases, a family selling a house purchased through the program must pass along the benefit to the new eligible buyer. This practice encourages a mix of "affordable" and "market-rate" housing in the same neighborhood.

The Minnesota Housing Finance Agency studied the issue of inclusionary zoning in a 2002 report to the legislature. The report concludes that local governments in Minnesota "have the authority in their general powers to control the use of land and to require inclusionary housing as a part of the decisions they make about growth and land use." The report provides a case study of the "Clover Ridge" development in Chaska, MN.

- *Other:* Fannie Mae's website [<http://www.fanniemae.com/>] includes a number of tools for making home ownership affordable, such as its 2005 *Housing Solutions* report.

3C.4: Review existing ordinances. Several obstacles to developing affordable housing can be addressed by a review of the existing development process. Make sure that permitting and site plan review can be done in a timely fashion to meet lending requirements. Time added to the approval process typically translates directly into higher costs for the developer which are often passed along to the buyer. The *Model Zoning Technical Advisory Group* report published by the Minnesota Housing Finance Agency in 2003 provides some guidance in this area.

Strategy 3D: Create entrepreneurial and innovative start-up opportunities > Innovation and entrepreneurship are a vital part of a vigorous economy. However, this



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fact does not mean that entrepreneurship can be easily captured in smaller and less developed areas or that every city or region can be successful in encouraging innovation. It is true, however, that the communities and regions that have taken this approach—linking educational resources with capital and creativity—consistently exceed the economic performance of other areas.

Northfield has unusual advantages in this regard. While most smaller communities have neither a strong corporate base nor significant educational resources, Northfield has both. The presence of these elements provides a basis for success in promoting the community internally as well as externally with regard to entrepreneurship.

Actions:

3D.1: Form virtual incubator. Form a “virtual incubator” in conjunction with the Northfield Enterprise Center, the colleges, and major employers. Unfortunately, incubators have become something of a cliché. The idea that a building with shared services will help new businesses become successful is no longer credible (if it ever was). Successful incubators are those with businesses that share common goals and are supported by some form of proprietary research or dedicated intellectual property. Without that, they too often resemble nothing more than a bad real estate deal.

Looked at more broadly, an incubator should accomplish the following:

- Reduce the cost of doing business during a phase in which expenses exceed revenues. This includes reduced lease space and administrative costs, as well as shared equipment (office and, potentially, machinery)
- Consolidating business support activities including counseling and technical assistance

definition: ENTREPRENEURSHIP

Entrepreneurship is the process of bringing innovations to the marketplace. This definition precludes the traditional “mom and pop” service business, as well as the garage inventor who gives no thought to whether there is a marketable product.

It *does* include processes and systems, as well as new products. It draws on intellectual and management capital as certainly as it does on financial resources. It is pragmatic and forward-looking. It is associated with the R&D departments of corporation and university researchers. It requires a relentless commitment to market realities and a critical eye for technological breakthroughs.



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- Creating synergy with related businesses through shared technology, marketing capacity, and shared talent pool

The value of these services does not depend on a shared building. Networked systems, joint events, and off-site counseling can easily be provided. In fact, they are already largely in place. The Northfield Enterprise Center already offers SBDC-certified new and emerging business consultation. E-mails between like-minded researchers and entrepreneurs are a given in today's wired economy. The value of a "virtual incubator" is precisely in not having to be dependent on a specific real estate investment.

3D.2: Expand use of the capital investment fund. Although the NEC has created a capital investment fund focused on large real estate transactions, Northfield must remain focused on the real goal: to support new business creation. Other ways to achieve that goal (from the perspective of reducing operating costs) include write-downs and creative leasing arrangements for existing office and industrial space. Specifically, designating certain buildings (especially in the downtown) as viable technology service-oriented start-up centers is a first step. Improvements to these buildings would include broadband access and flexible work spaces. Lease rates would be adjusted based on revenue. To avail themselves of these favorable rates, businesses would be required to participate in entrepreneurial seminars and work sessions.

3D.3: Engage higher education in this strategy. The EDA's relationship with St. Olaf, Carleton, and other regional institutions of higher education is central to creating an entrepreneurial climate. It is through these institutions that the most successful elements of entrepreneurship can emerge. These include an emphasis on existing industry and the ability to take classroom experience and turn it into a viable business model. The Finstad Office for Entrepreneurial Studies at St. Olaf's should serve as a resource in this effort.

entrepreneurial resource

Since 1992, the Finstad Office for Entrepreneurial Studies has helped St. Olaf students gain real world experience by providing grants to promising entrepreneurs. Each spring, students pitch their business plans to a committee of businesspeople and St. Olaf faculty, who then select the entries that will receive funding.

Nearly \$36,000 was awarded in 2004 for seventeen ventures. Since its inception, the Finstad Office has presented more than \$500,000 to 180 students, for ventures ranging from organic farming to music marketing.

St. Olaf website



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- 3D.4: Create an innovation and entrepreneurship task force.** This task force could be charged with addressing specific tasks, inventorying small business development and entrepreneurial programs in the area, and working with the colleges to conduct an analysis of small business opportunities in Northfield that can be linked with entrepreneurial training. This task force would also explore the real estate options described above.
- 3D.5 Leverage state and federal funding.** Federal grants that support innovation and assist private companies in securing government contracts have been integral to the success of many communities. This effort could begin by working with local industry groups to determine ways to address technology issues within their industry. Small Business Innovation Research awards (SBIRs) should be a staple for entrepreneurial activity: <http://www.sba.gov/sbir/>. While this strategy is admittedly more central to the success of places like Austin, Silicon Valley, and the Research Triangle, these awards are not out-of-reach for Northfield companies. A search of SBIR awards reveals four companies that have been successful in obtaining SBIR funding: The Flexible PC Co. (1996-1997); Astral Technology (1997-1999); VIA, Inc. (1998-2000); and SpeechGear (2001-2003). Other possibilities could be identified via the Catalog of Federal Domestic Assistance (CFDA) published on-line by the U.S. General Services Administration (<http://www.gsa.gov/>).
- 3D.6: Host design competitions underwritten by local companies.** The ability to enhance existing products is a key element in support of “upstream technologies.” This enhancement is often design-related. A competition which engages students, engineers, and industrial designers to show how products can be improved can be of immediate value to the companies participating, as well as to those submitting their work.



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The recommended task force would meet with major employers and the colleges to create a formal design competition. Small financial prizes would be awarded. A state-wide promotional effort (inviting venture capital firms to participate) should be included.

3D.7: Provide stipends to promising engineers and students in the region. These individuals should be recruited from the Twin Cities region. This effort should be reviewed on an annual basis and if sufficient applicants are not available, the recruitment effort could extend statewide or even nationwide. These stipends should be linked to work carried out in the region. They are, in effect, mini-scholarships that can act as a catalyst for new business development. Funding for this effort should come from existing corporations and, on a limited basis, from the colleges.

Strategy 3E: Take steps to integrate city's growing Hispanic/Latino population > In 1990, less than 200 residents reported their ethnicity as Hispanic or Latino. This figure jumped to nearly 1,000 just ten years later. While this group accounted for slightly less than 6 percent of the city's total population in 2000, it represented roughly one-third of the total population gain from 1990 to 2000. If this trend continues, integrating this segment into the city's economic, cultural, and political fabric will be critical to Northfield's future.

Actions:

3E.1: Increase understanding of the Hispanic/Latino population. Working with community development organizations (such as the Northfield Community Action Center, Three Rivers Community Action, and the Rice County Social Services office) to document Northfield's Hispanic/Latino population is an important first step in this strategy. This effort should be two-pronged.

why it matters

Northfield's growing Hispanic/Latino population raises many questions for community leaders:

- *Does this growth represent a long term trend, or were the 1990s an anomaly?*

National trends show continued growth of the Hispanic population throughout the United States. There is every reason to expect that Northfield will be no exception to this trend. Mexican workers – both legal and illegal – continue to have easy access to U.S. cities, where their services are welcome.

- *Regardless of the trend data, is the Hispanic population fully involved in the social and economic development of the community?*

This question is more difficult to answer. There are indicators, however, that are worth attending to. In Northfield, as elsewhere, Hispanics are under-represented on city councils and other civic institutions. Hispanic drop-out rates, housing quality, and income typically compare poorly to those of the population as a whole.

[continued next page]



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- *Characteristics.* The first prong consists of documenting the size and characteristics of the population. This would include a more detailed analysis of 2000 Census data for this group, as well as identifying sources of more current data (such as estimates or projections available through state or federal population programs).
 - *Needs.* The second prong would entail surveying the population to identify issues or challenges faced by this ethnic group. This could be accomplished through a formal written survey or via focus groups or incorporated into other administrative processes.
- 3E.2: Address systemic issues most closely tied to economic development.** Once a better understanding of the needs and perceptions of Northfield’s Hispanic/Latino population has been obtained, the EDA should work with the city and others to address those issues most closely related to economic development. Emphasis should be given to facilitating small business opportunities. This is often an important step in integrating new immigrants into the population. The retail strategy outlined under 2B of this plan should reflect an understanding of the needs of this population, both from a small business standpoint and a market standpoint

Building Inclusive Communities: An Action Guide for City Leaders (2003) by the Minnesota League of Cities provides additional information on this issue.

why it matters *[continued]*

- *Are there factors in the growth of the Hispanic population that require an economic development response?*

If a growing segment of the population is less educated, less engaged, and (consequently) less productive than it could be, this has serious negative consequences. Aside from the direct effects on businesses, a less productive worker costs the city more in social services and the lower purchasing power of a minimum wage worker. In short, if it is not already accepted as a pressing social issue, it is clearly an economic issue and deserves the city’s full attention.

- *Are there strategies that can make a difference, in measurable ways, to the economic vitality of the city?*

In this context then, what are the appropriate economic development actions that should be part of the strategic plan? We are mindful of the fact that many social issues, whether they relate to minority populations, the elderly, or children, already have advocates and programs on their behalf. Moreover, an economic development plan becomes diluted when it seeks to tackle the root problems of low educational attainment, affordable housing, and other issues that are not in its immediate purview. Despite these caveats, a concerted outreach *driven by shared economic objectives* is included in the action items.



comprehensive economic development plan:

ORGANIZATIONAL RECOMMENDATIONS



Perhaps the greatest challenge to successful economic development is organizational structure. Too often, efforts are hampered by the existence of numerous organizations with overlapping and poorly defined missions – none of which may have adequate funding to carry out their duties. Alternatively, the lead organization may be understaffed, under-funded, or uncertain of its mission.

Northfield faces hurdles related to these issues. In addition to the Northfield Economic Development Authority, the following organizations have some relationship to economic development activities in the community:

- Northfield Chamber of Commerce
- Northfield Downtown Development Corporation (NDDC)
- Northfield Enterprise Center (NEC)
- Northfield Industrial Corporation (NIC)
- Northfield Convention & Visitors Bureau
- Northfield Housing and Redevelopment Authority

A community's first task is clarity of mission across all its organizations. This is what marks the strongest economic development efforts. In this admittedly sensitive area, TIP recommends a reconsideration of EDA staffing and the commitment of greater resources by which to implement this plan.

In arriving at this recommendation we have considered the ways in which economic development organizations should be assessed:

1. The authority by which they conduct economic development.



comprehensive economic development plan:**ORGANIZATIONAL RECOMMENDATIONS**

2. The funding that allows the organizations to carry out that authority.
3. The capacity, including staffing and other resources, to execute a plan.

OVERVIEW

The Northfield EDA was created by the city council in September 1990 under Chapter 469 of the Minnesota Statutes. The EDA is charged with carrying out economic and industrial development and redevelopment within the city. It is governed by a seven-member board consisting of two council members and five council-approved members. The broad range of powers is detailed in 469.101. With the exception of workforce and training, the EDA is authorized to conduct all of the traditional activities associated with economic development. As a result, there is no recommendation to increase the functions of the EDA.

Authority > Economic development organizations are expected to perform some, or all, of the following functions:

- marketing and recruitment (targeted industries) √√
- business advocacy
- business expansion and retention (targeted industries) √
- financial incentives
- real estate disposition and improvements √√√
 - land and buildings
 - bonding authority
 - infrastructure improvements



comprehensive economic development plan:**ORGANIZATIONAL RECOMMENDATIONS**

- workforce and professional training
- business start-up support ✓✓

Checkmarks indicate areas of special emphasis. They are based on the orientation of this plan and are, in varying degrees, essential if action is to be taken.

Funding > Current funding for the EDA is insufficient to catalyze the plan. Wholly dependent on the city, the EDA finds itself in a difficult position if it wants to expand its capacity. The options for doing so are limited:

- additional funding from the city
- private funding (corporations)
- regional initiative (cooperative agreements)
- foundations
- state and federal

A capital campaign can, of course, include all of the above options.

Capacity > The current lack of true staffing for the EDA makes it difficult to address the many strategies identified in this plan. Although clearly qualified to support the EDA, the current staff has divided functions (on behalf of the city). The additional responsibilities called for will invariably create tensions. While some relief could be gained by the outsourcing of activities (as suggested in the task force listed below and elsewhere in the plan), this creates additional burdens on the board itself or the city.

RECOMMENDATIONS

First and foremost, the EDA must be strengthened. This recommendation includes all the elements described above: authority, capacity, and funding.



comprehensive economic development plan:**ORGANIZATIONAL RECOMMENDATIONS**

Specifically: the EDA should exercise its authority to own land; it should hire dedicated staff to work with city staff; and it should actively raise funds in addition to those provided by the city.

Focus > The expansion and recruitment of target industries – along with the acquisition of land – should be seen as having top priority for the EDA. To ensure that expanding businesses consider Northfield, a dedicated staff is required. TIP recommends two staff, one to act as managing director with responsibility for management and recruiting strategy. This position should be supported by a marketing and administrative support person.

The real estate and infrastructure needs of land development requires additional support. While the means to accomplish this does not have to result in additional staff, resources must be committed. To this end, a real estate task force should be formed. The task force should consist of the EDA director, two EDA board members (including the chair of the EDA Land Committee, representation from St. Olaf, one private developer, and one financial consultant.

Relationship to other organizations > While it is not within the purview of this plan to address these organizations directly, the functions of the NEC and the NIC should be clarified. In order to sharpen the focus of economic development in Northfield, we recommend the following:

- abolish the NIC and transfer its assets to the EDA
- create inter-linking board memberships with the NEC and engage in joint promotion



ABOUT THIS MATRIX:

The following matrix provides a summary of the strategies and action items set forth in the plan. It is intended to provide an overview of the responsible parties for each task, as well as a general sense of the timeframe for completion. Priority items are indicated with a check mark (✓). Budget estimates are provided for those items that require special consideration (i.e., where consultants may be required, where staff cannot be re-directed into new activities, or where new resources must be applied). Other budget items are described as “not applicable” (NA) because existing budgets can be redirected, or “to be determined” (TBD) because costs associated with these items will be dependent upon the specific action chosen and cannot be estimated in advance.

| ✓ | Actions | Lead Organization | Timeframe | | | | | Additional Budget |
|---|--|-------------------|---------------|----------------|--------------|--------------|---------|-------------------|
| | | | Next 6 months | 6 to 12 months | 1 to 2 years | 2 to 5 years | Ongoing | |
| Opportunity 1: Diversifying the economic base | | | | | | | | |
| | To be filled in when strategies and action items are finalized | | | | | | | |
| | | | | | | | | |
| Opportunity 2: Maintaining Northfield’s quality of place | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| Opportunity 3: Attracting and retaining talent | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

