

Economic Development Plan

This chapter of the *Comprehensive Plan* presents background and policies for economic development, a subject that is the responsibility of the Minnetonka Economic Development Authority.

Current Trends

Private Investment

In the late 1990s, the City of Minnetonka is in an enviable position of financial strength. Its excellent regional access and land supply has made it a magnet for new office and industrial development, while residential development has continued to increase.

- The estimated market value of property in Minnetonka increased from \$2.49 billion in 1988 to \$3.78 billion in 1997, an increase of over 50 percent.
- Residential additions and remodelings increased steadily, amounting to over \$86 million in construction value during the past 10 years.

Building permit values, tracked from 1987 to 1997, show an initial decline in the early 1990s, then an increase to present levels. Table 11-1 shows that the value of permits for residential additions and remodelings has climbed fairly steadily, and in 1997 amounted to almost two-thirds of the value of permits for new home construction. The values of nonresidential additions and remodelings have fluctuated over the decade, but have generally surpassed the value of new nonresidential construction, often by a substantial margin. This illustrates a significant amount of reinvestment in private property in the City.

Employment Growth

Minnetonka ranked fifth among all Twin Cities communities in total job growth from 1993 through 1997, with 6,208 new jobs. Moreover, Minnetonka ranked first in the Twin Cities area in manufacturing jobs gained during this period, with 2,796 new jobs. The City ranked 11th in retail trade jobs gained.

**Table 9-1
Building Permit Values (in millions of dollars)**

Year	Total	New Houses	Res. Add.'s./ Remodel's	New Comm'l	Comm'l Add.'s/ Remodel's
1997	145.2	19.8	12.6	29.8	63.4
1996	127.7	26.3	12.4	31.8	26.1
1995	127.4	30.9	11.7	10.6	53.5
1994	92.7	22.0	11.0	17.7	27.0
1993	58.5	23.2	9.9	7.2	9.5
1992	81.8	25.2	9.3	6.3	33.2
1991	70.1	23.2	6.6	12.5	22.0
1990	49.9	21.3	6.2	4.5	12.6
1989	74.4	34.2	6.7	6.4	15.8
1988	111.8	29.7	7.2	17.5	17.0
1987	205.9	34.2	5.7	75.5	9.5

Public and Community Reinvestment

As private investment within Minnetonka has increased, tremendous community reinvestment has also occurred. In recent years:

- Every public school building in Minnetonka has been expanded and/or substantially remodeled. This total includes 11 school buildings plus construction of the Lindbergh Center.
- Most churches have been expanded or renovated, and a new synagogue has been constructed.
- Hennepin County's Ridgedale Library, among the busiest in the United States, is being reconstructed and increased in size by over a third, to 186,000 square feet.
- Hennepin County has also built the Glen Lake Golf Course on its Home School property on Eden Prairie Road and Highway 62, while renovating the Home School facility.

Constraints and Limitations

Minnetonka's strong growth is, of course, limited by its land supply. Many office and business parks have reached or are approaching build-out. The Opus 2 Business Park, Minnetonka Corporate Center, and the Baker Road office/industrial area each had their last buildings initiated in 1997. Only the Carlson Center has land available for substantial new development. This trend means that:

- It may be difficult for local businesses and office headquarters to build new facilities within the City.
- Some businesses may expand existing facilities to accommodate business growth.
- Redevelopment, rather than new development, will become increasingly important for Minnetonka's continued economic growth.

These points are illustrated through recent new construction in redevelopment areas and the large amount of commercial and office expansions and remodelings.

Current Policies and Programs

Economic Development Authority

The primary municipal body that guides economic development is the City's Economic Development Authority, a seven-member body that includes two City Council representatives and five citizens. The EDA was established in 1985, replacing the previous Housing and Redevelopment Authority. Given Minnetonka's attractiveness to developers, the EDA has been able to "pick and choose" among many potential projects seeking City assistance. Previously, the City relied largely upon tax-exempt industrial revenue bonds to assist with the financing of private development.

Financial Assistance

The City of Minnetonka has not needed to provide much in the way of financial assistance to induce commercial or industrial development because the private market has brought so much development to it, as noted above. Two tools that have been used are industrial development revenue bonds and tax increment financing.

Industrial Development Bonds

The most commonly used financial assistance tool in Minnetonka has been tax-exempt revenue bonds, which are essentially a low-cost loan to industrial developers from the City. The City issues these securities but they are backed by the promise of payments from the industrial developer rather than the taxing power of the municipality. These bonds are approved in Minnetonka and other cities since they have no direct cost or obligation to the local taxpayers (only indirectly through the loss of federal income tax payments by the bondholders). Since the dividends to bondholders are not subject to federal income tax, the bonds pay a lower rate of interest.

Tax Increment Financing

Tax increment financing (TIF) has been used sparingly by Minnetonka because it has not yet experienced substantial need to provide public subsidy to attract commercial or industrial development or to redevelop properties. Examples of tax increment financing projects include:

- The West Ridge Market commercial redevelopment district;
- Beacon Hill senior citizens housing development;
- Minnetonka Mills family housing development ;
- The interchanges on I-394 and I-494 serving Carlson Center (Minnetonka and Plymouth both established TIF districts for this project).

Tax increment financing uses the increased property tax payments from a site after development to retire bonds or a note used to raise capital for use in a given development project. After the bonds or note are repaid, the increase in property tax again flows to the city, county and school district. The property tax flow is unchanged. Projects that qualify as “redevelopment” may capture this tax increment for up to 25 years while other projects have a much shorter period of capture.

The City's Role in Redevelopment

The City of Minnetonka and its Economic Development Authority have judged it necessary to participate financially in only a few projects because the private market has been highly aggressive about addressing the few perceived needs on its own.

The EDA has on a very few occasions inquired among commercial property owners about interest in accepting EDA involvement in a public-private partnership for master-planned redevelopment. The EDA's general policy is that it is willing to play an active role in redevelopment of older commercial districts if affected property owners are willing to work with them.

An early example of EDA involvement was the successful public and private improvements in the Glen Lake Station area in the early 1980s. The City improved roads, sidewalks, landscaping and a plaza while helping private developers upgrade aging retail buildings.

In the 1990s, the EDA became increasingly involved in housing issues, especially for senior citizens. In 1992, the EDA prepared a housing market study to describe the housing stock in and around Minnetonka and compare it to present and future housing needs. This led the EDA to initiate the idea of creating housing for seniors at Beacon Hill (in the Glen Lake Station area) in partnership with a private developer.

Next, the EDA used tax increment financing to help a private developer create 402 multifamily units at West Ridge Market (west of County Road 73 at I-394). Two hundred and twenty of these units were priced or rented at less than market rates with provisions to perpetuate their affordability. This redevelopment project was also assisted by a demonstration grant from the Twin Cities Metropolitan Council through the Livable Communities Program.

In 1998, the EDA is currently working with a private company to redevelop an area of older single-family houses east of C. R. 73, close to West Ridge Market. The result is expected to be a well-designed neighborhood of duplexes, townhouses and four-unit buildings, some portion of which will be sold at “affordable” prices.

The EDA has also been active in identifying scattered sites suitable for the construction of affordable for-sale or rental housing. The Land Use Plan incorporates many of the EDA suggestions and guides several sites for densities that facilitate private redevelopment. Since Minnetonka is nearly fully developed, its challenge is to identify sufficient land to meet the estimated demand for alternative housing types, whether or not the EDA is involved. (See the Housing chapter of this Plan for further discussion of the subject of affordable housing.)