

Chapter IX Economic Development and Redevelopment

Minnetonka has always been a great place for business. Since its beginnings as a settlement built around the first privately owned sawmill west of the Mississippi River, to its current status as the home of several multi-national corporations, Minnetonka has *always* been, and *continues* to be seen as an attractive place for business.

Minnetonka has many attributes that make it an ideal city to locate and do business including:

- * A convenient Twin Cities location;
- * A highly educated workforce (according to the 2000 census, 95.9 percent obtained a high school education and 51.6 percent had a bachelors degree or higher);
- * Its close proximity to transportation modes, including local and international airports; highways and major roads and railways;
- * Its reputation as a wonderful place to live with a range of housing opportunities and charming neighborhoods;
- * Highly regarded natural resources and recreational opportunities;
- * Its close proximity to shopping and entertainment;
- * Notable school districts; and
- * A city administration that values business and industry.

Although Minnetonka is home to several multi-national and regional corporations, the city realizes the importance of locally owned and operated neighborhood businesses to its economy and livability. The city places emphasis on building strong, lasting relationships with its business community, no matter how large or small.

Minnetonka is a fully developed city. Only one percent of land in the city is undeveloped. Thus, any new development will come in the form of redevelopment. This chapter of the 2030 Comprehensive Guide Plan reviews recent employment and business trends in the city and discusses opportunities and constraints for future development. It also looks at specific business locations and “villages” where development and/or redevelopment is expected to occur over the next 20+ years, citing specific objectives for these areas and general policy that will guide public investment decisions at these locations. The city’s role, as well as tools to achieve development and redevelopment, is also discussed in this chapter.

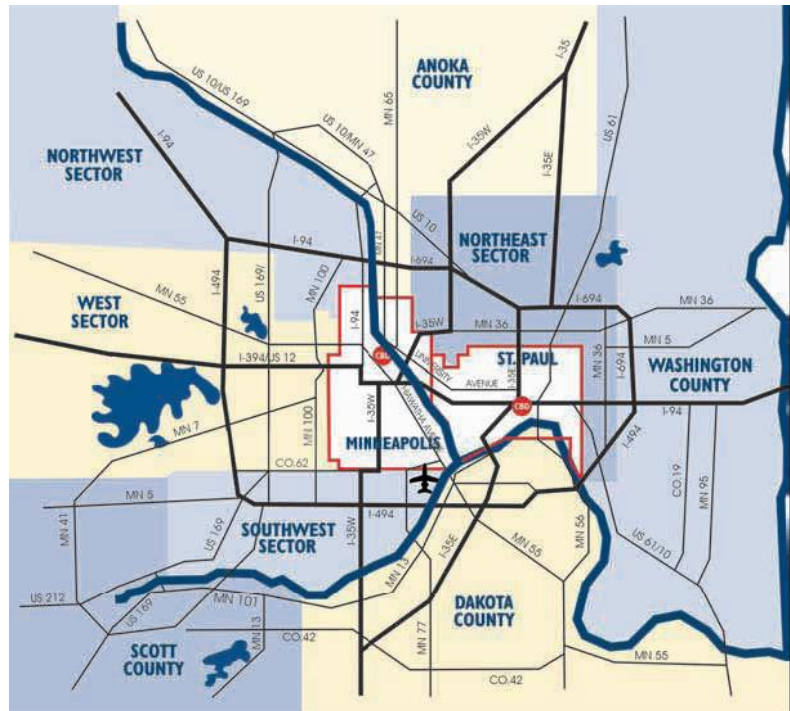
A. Recent Business Trends

1. Office/Warehouse/Industrial

Minnetonka is in the west market sector of the Minneapolis/St. Paul Metropolitan office market as shown on Figure IX-1. The west market sector is the third largest office submarket in the metropolitan area.

**Figure IX-1
Market Sector Map
Minneapolis/St. Paul Metropolitan Area**

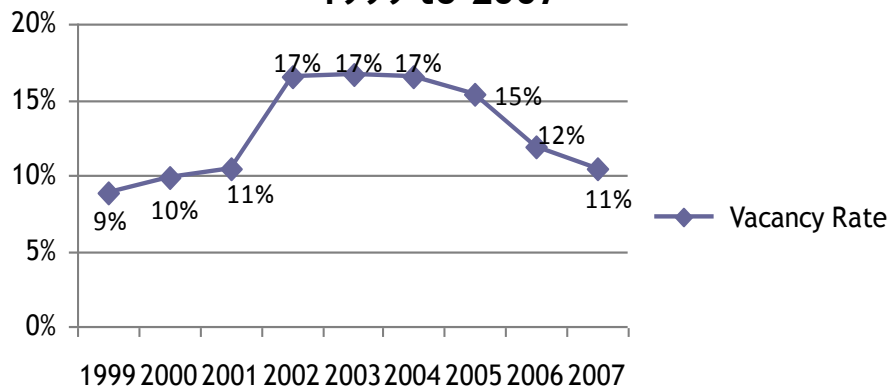
The office space boom came to Minnetonka in the early 1980s and early 1990s with the construction of large-scale office buildings and campuses along major highways and roadways, such as the Carlson Towers, Opus Business Park, and the Minnetonka Corporate Center. During this time, the way businesses operated changed significantly—from administrative space and product creation occupying the same warehouse space to administrative offices occupying their own space in newly constructed, elaborately designed business towers, independent from the locations where products were made and distributed.



Source: Colliers Turley Martin Tucker Minneapolis/St. Paul 2007 Commercial Real Estate Report

During the late 1990s, the rise of the internet industry provided the impetus for the construction of more office space in Minnetonka and throughout the country. After the internet market declined in the early 2000s, beginning in 2004, the office and industrial market vacancy rate experienced a significant decrease.

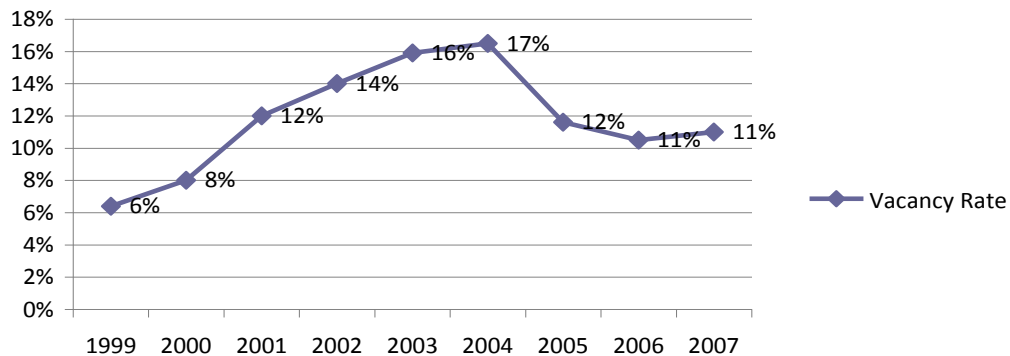
**Table IX-1
Historical Vacancy
West Office Submarket
1999 to 2007**



Source: United Properties Office Outlook West 2007

Vacancy rates increased as companies went out of business and were forced to move out of buildings. Currently, new office development is occurring in Minnetonka and vacancy rates have decreased significantly to their pre internet decline rates.

Table IX-2
Historical Vacancy
Southwest Industrial Submarket
1999 to 2007



Source: United Properties Industrial Outlook Southwest 2007

Due to land constraints both in Minnetonka and in many communities in the west/southwest suburbs, future office and industrial development is projected to take place through redevelopment. This trend can already be seen as the demand for more land on which to build office space has prompted companies to either move their operations to adjacent areas within Minnetonka and/or just outside to adjacent communities.

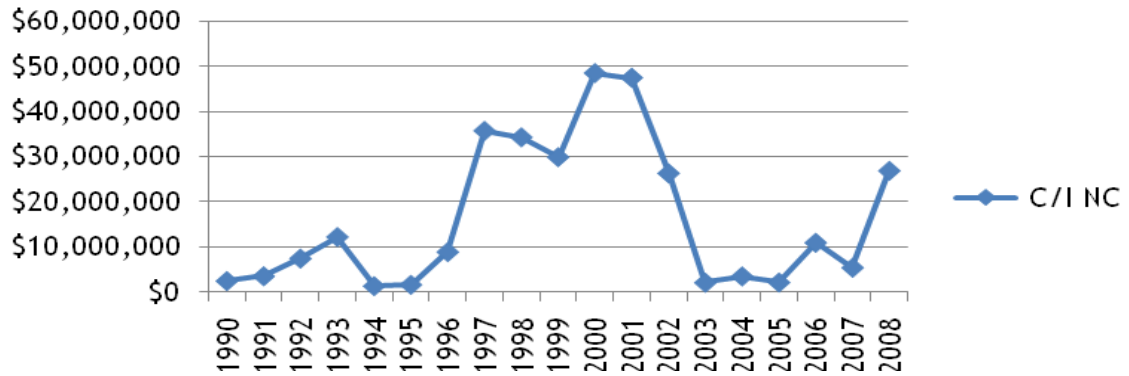
For example, one trend has been for a company to start out with a location in Minnetonka, and as it grows and requires more space, it may move its operations or part of it to a nearby community such as Eden Prairie (and vice versa). Businesses located in this region balance their need for additional space with the land constraints found in a prime west/southwest suburban location. Because of this “business reciprocity”, cities must work together as a region, as well as with local chambers of commerce to attract and retain businesses. To accommodate their need for space, Minnetonka companies are also redeveloping their current space using enhanced building design, including “green” techniques.

2. Retail/Commercial

Minnetonka is composed of residential neighborhoods with commercial districts, or “villages” along major corridors and intersections. Some commercial villages such as Glen Lake, Minnetonka Mills, and the district at the intersection of Minnetonka Boulevard and County Road 101 have long been interwoven into the character and identity of their surrounding neighborhoods, with businesses that provide them with essential goods and services. Larger commercial areas, such as Ridgedale and the Highway 7/County Road 101, are more regional or community-oriented, respectively, in nature and serve a broader, more diverse population.

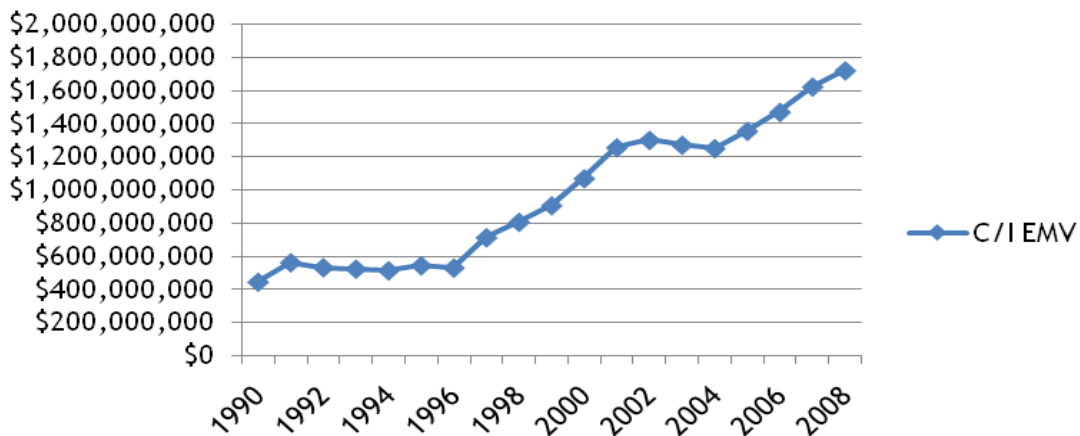
Tables IX-3 and IX-4 show the value for new construction and estimated market value for commercial and industrial development in Minnetonka.

**Table IX-3
Commercial/Industrial New Construction
Total Value for All Projects
Minnetonka
1990 to 2008**



Source: Minnetonka City Assessor's Office
Note: 2008 - as of April 2008

**Table IX-4
Commercial/Industrial Estimated Market
Value
Minnetonka
1990 to 2008**



Source: Minnetonka City Assessor's Office

3. Fiscal Disparities

The Twin Cities metropolitan area has a unique tax base sharing program, fiscal disparities, that began in 1971. Each community contributes 40 percent of its growth in commercial/industrial property tax base into a shared pool. The pool is then redistributed back to jurisdictions based on population and value of property compared to the metropolitan average. The purpose of the program is to reduce the fiscal disparities between communities in the seven-county metropolitan area. For example, the smaller per capita property value a

community has compared to the metropolitan average, then the larger the distribution they receive and the larger the per capita property value then the smaller distribution.

In 2007, Minnetonka was the third highest net contributor in the metropolitan area, behind Bloomington and Eden Prairie. Therefore, Minnetonka contributed more to the fiscal disparities program than the city received in return. The city, in 2007, contributed \$11,238,943 to the fiscal disparities program, and received a distribution of \$3,796,441, a net loss of -\$7,442,502.

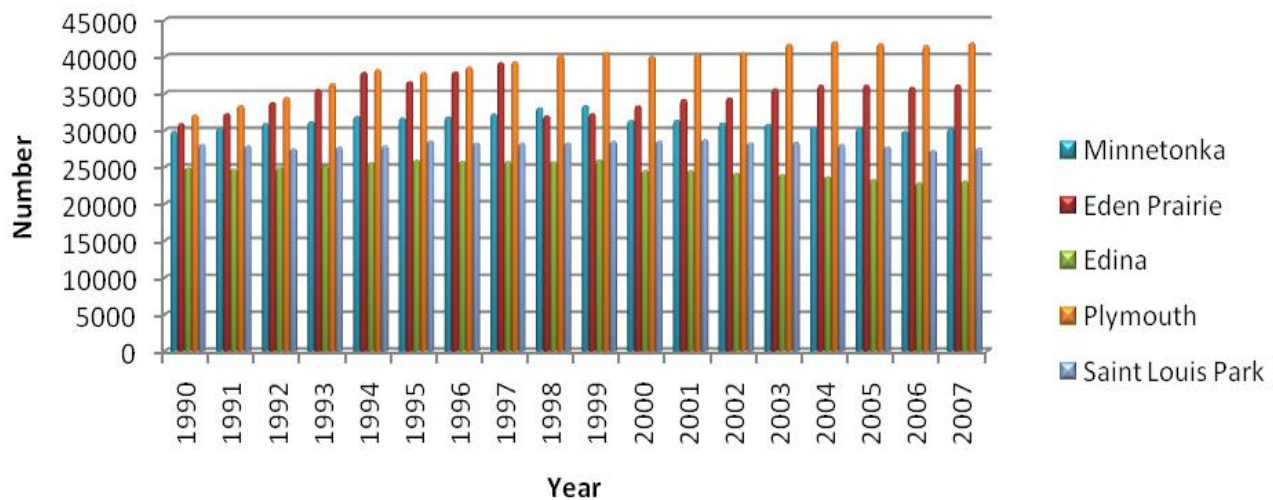
B. Employment Trends

1. Labor Force

Minnetonka has an educated labor force. According to the 2000 Census, 95.9 percent of Minnetonka residents had obtained a high school diploma and 51.6 percent had earned a bachelor’s degree or higher. Additionally, 71 percent of the total population age 16 years and older worked in 2000. The majority of those individuals worked outside of Minnetonka (76 percent). Only 24 percent of Minnetonka residents live and work in Minnetonka. This is comparable to the percentage of residents of surrounding cities, such as Edina, Plymouth and Eden Prairie that work in their city of residence.

In 2007, there were 30,238 persons in “the labor force” in Minnetonka. The labor force consists of people ages 16+ who are employed or actively seeking employment. The labor force is defined by where people live, not where they work. This was down from previous years and less than all adjacent communities except for Edina as shown in Table IX-5. This is most likely due to the aging of the community, which results in a higher number of residents leaving the workforce for retirement - both Minnetonka and Edina have a higher percentage of senior citizens than surrounding communities.

**Table IX-5
Annual Average Labor Force
Not Seasonally Adjusted
1990-2007**



Source: MN DEED, Local Area Unemployment Statistics

2. Employed Persons

In 2010, it is projected that there will be 53,800 people employed in Minnetonka. The figures in Table IX-6 below represent the number of jobs in Minnetonka. It is projected that by 2030, there will be 58,600 jobs in the city.

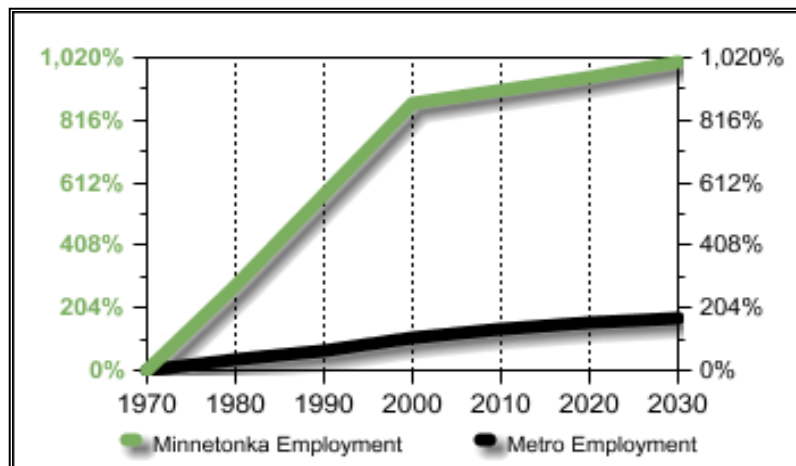
**Table IX-6
Employment Trends**

Year	Employment
1970	5,290
1980	19,818
1990	35,536
2000	51,276
2001	50,031
2002	45,258
2003	44,339
2004	46,888
2005	46,980
2006	46,832
2010 (Projected)	53,800
2020 (Projected)	56,000
2030 (Projected)	58,600

Source: Metropolitan Council

From 2000 to 2006, according to the Metropolitan Council, there was a loss of 4,444 jobs in Minnetonka; an 8.7 percent decrease. This could help to explain the decrease in the number of employed persons. However, this job loss also occurred throughout places where the number of employed persons increased, such as Eden Prairie and Plymouth, which may signify that more people living in these cities commute to employment in other places.

Despite recent decreases, employment projections from 2000 to 2030 show a net gain of 7,324 jobs in Minnetonka, a 14 percent increase.



**Figure IX-2
Minnetonka and Metro Area
Employment Change and
Projections
1970-2030**

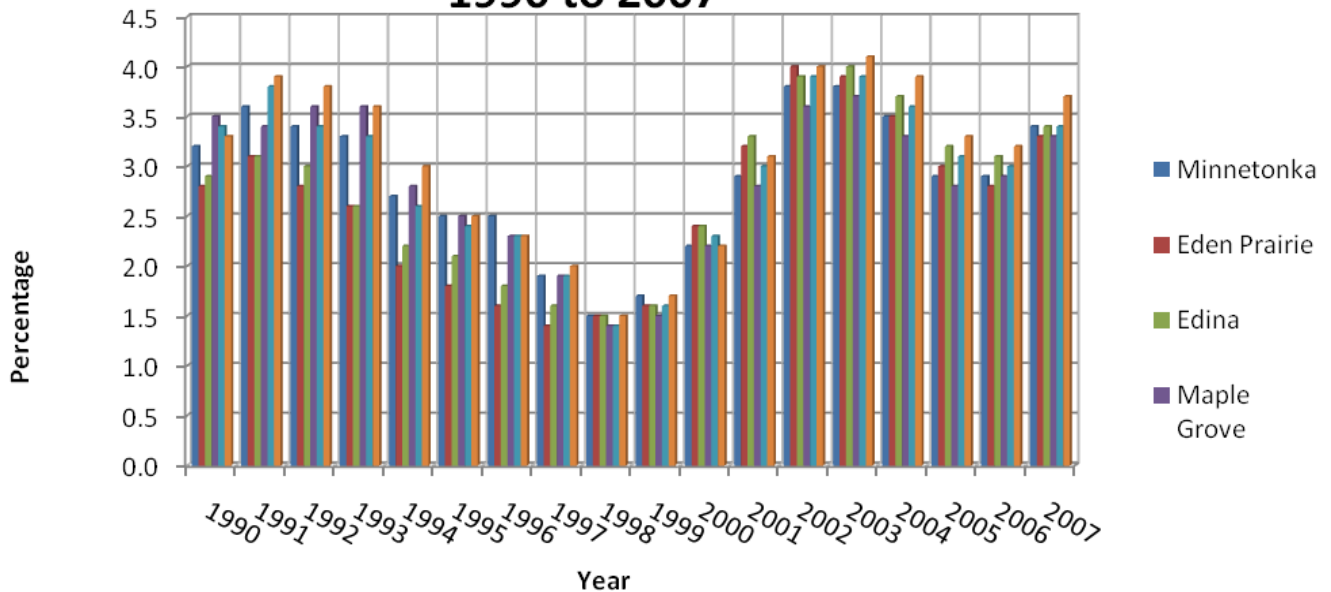
Source: Metropolitan Council

3. Unemployment

Minnetonka's unemployment rate for 2007 was 3.4 percent, lower than the 4.3 percent annual average for the Minneapolis metropolitan area and the 4.6 percent for the state. The unemployment rate has remained low over the past 17 years, consistent with surrounding communities as shown on Table IX-7. This is most likely due to Minnetonka's educated and skilled workforce.

Table IX-7

Average Annual Unemployment Rate 1990 to 2007



Source: MN DEED, Local Area Unemployment Statistics

C. Redevelopment in Village Areas

Minnetonka is a fully developed city with less than one percent of developable, vacant land. City leaders have long realized that any future development will likely be in the form of redevelopment. There are many opportunities for redevelopment in the city, such as older industrial and business parks, underutilized parcels along major arterial roads, former “big box” stores and outdated neighborhood commercial spaces.

The city has identified several business areas or “villages” where redevelopment will likely occur within the next 20+ years and have developed specific redevelopment objectives for each village. The city's goal is not to dictate specific types of development to occur in these villages - the city realizes that market forces and individual property owners will decide what is ultimately built. Rather, the city, through the comprehensive plan update, is providing a framework or plan for uses that will be most complementary for these specific sites, and will best serve the interests of the broader community.

1. Ridgedale/I-394 corridor

In the 1970s, the construction of I-394 led to the growth of retail, service and commercial development adjacent to the highway from Minnetonka to Minneapolis. The largest development along the I-394 corridor is Ridgedale Center, Minnetonka's regional shopping

center. Numerous complementary retail and commercial businesses such as grocery stores, strip malls, and restaurants grew around the shopping center, making it a regional destination.

Because of its regional scope, future redevelopment in Ridgedale should place heavy emphasis on its potential for more than just shopping, but on making it a regional entertainment district. Ridgedale is an ideal place for movie theaters, restaurants with live music and family-oriented entertainment. The city will promote these types of businesses in Ridgedale, as well as other appropriate areas throughout the city.

While most land in the Ridgedale area is fully developed, plans for this area, as called out in Chapter IV - Land Use Plan of this document, include the redevelopment of various sites placing heavy emphasis on the use of transit oriented design (TOD), public spaces, more dense housing, pedestrian connectivity and mobility and enhanced automobile circulation. Traffic management techniques will be critical to the redevelopment of this area.

2. Opus

The Opus Business Park is a prime example of the redevelopment trend occurring in Minnetonka. While most of the business park was built in the 1980s and 1990s, several parcels are currently being redeveloped. The need for road improvements will likely constrain further development in and around the Opus Business Park. However, through the redevelopment process, the city will continue to work with businesses to address the need for road improvements and continued pedestrian connectivity in this area.

There are plans for a future light rail transit (LRT) station in the Opus area that will take riders from Minnetonka to downtown Minneapolis or Eden Prairie and vice versa. While these plans are not finalized at this time, future redevelopment of this area should anticipate the LRT system and heavily focus on the use of TOD principles to develop land uses that are compatible with transit, such as high-density housing and mixed use residential/office/commercial buildings. The LRT, combined with the use of TOD will greatly increase both residential, office, and commercial density in Opus, beyond what current development. The use of TOD will also provide the impetus for the use of sustainable building design and techniques and “green” buildings in this area.

3. Glen Lake

Glen Lake is a community village area located on Excelsior Boulevard between Glenview Drive on the east and Williston Road on the west. Some redevelopment of this area is currently underway through private investment in new mixed-use residential/commercial construction and public investment in streetscaping and park renewal. Opportunities for future development in Glen Lake include further private investment in the redevelopment of outdated commercial areas with new, cohesively designed, mixed-use developments as well as continued public streetscaping improvements.

4. Highway 7/County Road 101

The commercial area along County Road 101 at Highway 7 is known as “7-Hi”. This community commercial village currently includes big box retail and grocery stores, office, strip malls, restaurants, and other compatible uses. Future redevelopment objectives for this area include a mix of uses, including residential, public green spaces that connect to local trails and neighborhoods, and the incorporation of transit facilities. Cohesive design principles will be important as this area redevelops, since it is not anticipated to redevelop all at the same time.

5. Minnetonka Boulevard and County Road 101

The redevelopment of the neighborhood commercial village at the intersection of Minnetonka Boulevard and County Road 101 focuses on new, cohesive design elements, and pedestrian-friendly streetscape improvements. A large road improvement project completed in 2007 at this intersection has provided the impetus for both private reinvestment and additional public investment in streetscaping and landscaping in this area. Some property owners have already begun reinvesting in their properties.

D. The City's Role in Economic Development and Redevelopment

In the past, the city has not needed to provide much assistance to commercial, industrial or office developments. However, as new economic development and redevelopment opportunities and retaining existing businesses becomes more competitive between cities, the price of land continues to increase, and limited land supply for new facilities and expansion opportunities, the city may have to provide more assistance in the future in order to attract and retain these economic development and redevelopment opportunities.

1. Economic Development Authority

The City of Minnetonka's Economic Development Authority (EDA) is a seven-member body that includes two City Council representatives and five citizens. The EDA was established in 1988 replacing the previous Housing and Redevelopment Authority. The EDA's mission is to advise the City Council on matters related to economic development, redevelopment and affordable housing.

The EDA has typically taken a reactive role in economic development and redevelopment since the private market has been able to finance projects on its own. On a few occasions, the EDA has been active in economic development and redevelopment projects.

* Glen Lake Area

The EDA was involved in the Glen Lake Station public and private improvements in the late 1970s and early 1980s. The city and EDA improved roads, sidewalks, landscaping, and the plaza, while helping developers invest in the private buildings.

The most recent example where the EDA has played an active role is the Glen Lake Redevelopment, a mixed-use development that began in 2006. Working with a private developer, the EDA provided TIF for the redevelopment of several aging buildings and new public improvements. The city and EDA are also working to update the sidewalk, landscaping, streetlights, and plaza that were improved nearly 30 years earlier.

* West Ridge Market

The EDA worked with a private developer and used tax increment financing (TIF) to help create West Ridge Market, a mixed-use project of commercial and multi-family housing, in the late 1990s.

* Ridgebury

Like the West Ridge Market redevelopment, the EDA and a private developer worked together to create new office space and multi-family housing. The EDA provided TIF for the project that began development in the late 1990s/early 2000s.

The EDA has taken an active role in ensuring that both affordable rental and for-sale housing is included in new residential development. The city also makes funding available for single-family rehabilitation. The city views the provision of and investment in affordable housing as

critical to economic development by making decent, affordable housing for those who may work in Minnetonka and adjacent communities. More information on the city’s housing activities and goals are included in the Housing chapter of this plan.

2. City Review of Projects

The city’s development review process of economic development and redevelopment projects is either a two-step or three-step process depending on the project. Most projects typically go through the two-step process where the Planning Commission first reviews and makes a recommendation to the City Council. The City Council then reviews and makes the final decision.

Some projects, where there may be an affordable housing component to the project or city financial assistance is requested, will go through a three-step development review. First, the EDA will review and make a recommendation to the City Council. Next, the Planning Commission will review and also make a recommendation to the City Council. Finally, the City Council will review the project and recommendations made by the EDA and Planning Commission and make a final decision.

E. Economic Development and Redevelopment Tools

1. Industrial Development Bonds

In the past, one of the most commonly used financial assistance tools was the tax-exempt revenue bonds. These bonds are essentially a low-cost loan to industrial developers from the city. The city issues the bonds, but they are backed by the promise of the payments from the industrial developer rather than the taxing power of municipality. The bonds are approved in Minnetonka or other communities since they have no direct cost or obligation to the local taxpayers. Many building in the Opus Business Park and other industrial buildings throughout the city were financed using these bonds.

2. Tax Increment Financing (TIF)

Tax Increment Financing (TIF) has been used sparingly by the city because it has not experienced the need to provide subsidies to attract economic development or redevelopment. Instead, in the past, TIF has been mainly used as offsets for developers to include affordable housing in their developments. TIF uses the increased property tax payments from a site after development to retire bonds or notes that are used to raise capital for use in a given project. After the bonds or notes are repaid, the increase in property tax again flows to the city, county and school district.

The city’s use of TIF is as follows:

Name of District	Decertified or Current	Use of Funds
Economic Development District No. 1 (Carlson)	Decertified	Public improvements including interchange
Housing District No. 1 (Cliffs/RidgePointe)	Decertified	Land write-down and site preparation
Soils District No. 1 (Hedberg)	Decertified	Hazardous materials mitigation, soil correction, groundwater monitoring
Redevelopment District No. 1-3 (Ridgebury)	Decertified	Affordable housing land write-down
Housing District No. 2 (Beacon)	Current	Acquisition and land write-down

Name of District	Decertified or Current	Use of Funds
Hill)		
Redevelopment District No. 1-2 (Boulevard Gardens)	Current	Land write-down
Housing District No. 3 (Mtka Mills)	Current	Land write-down
Renewal & Renovation No. 1 (Glenhaven)	Current	Land acquisition, public improvements, relocation

3. Twin Cities Community Capital Fund

The Twin Cities Community Capital Fund (TCCCF) is a relatively new economic development loan fund, established in 2004 that is a conduit for financing. Local governments and county governments in the Twin Cities metropolitan area can participate by becoming members. Once a community joins, it allows businesses that currently are located or wish to locate in that community to apply for loans for such things as acquisition, construction, and renovation. The loans offered by the TCCCF are a source of gap financing. A lender(s) provides the majority of the financing and the TCCCF helps to finance the gap between the amount needed to complete the project and the amount of financing the business can obtain. The TCCCF loans are secured by a pool of funds that are made up from the membership fees by the participating communities.

Minnetonka joined the TCCCF in 2004 at the Class A level, which allows loans to be made up to \$2,000,000 for Minnetonka businesses or those that wish to locate to the city. No TCCCF loans have been made at this time in Minnetonka; however, several businesses have looked into the program.

4. Common Bond Fund

Hennepin County and the City of Minneapolis have collaborated to make available the City of Minneapolis’ Common Bond Fund to all Hennepin County communities. Revenue bonds are issued for industrial, manufacturing or certain commercial businesses in order to acquire land or production equipment or to construct, expand, or renovate buildings.

5. Department of Employment and Economic Development

The Department of Employment and Economic Development (DEED) is a state agency that provides certain programs to assist with business location, expansion, or retention.

6. TwinWest Chamber of Commerce

TwinWest is the local chamber of commerce for Minnetonka businesses. They serve 10 western and northwestern suburbs. TwinWest provides networking, professional development, community connections, advocacy, and information to their members. The City of Minnetonka is also a member of TwinWest and participates in various events and programs.

7. Tax Abatement

Tax abatement is a more recent economic development tool available to local governments. Abatement uses a rebate of taxes to help finance projects rather than an exemption from paying taxes. Each local taxing jurisdiction (city, county, and school district) decides if they are going to abate the taxes, and one, two, or all three of the governments can participate. Projects that use abatement must meet certain public purpose tests, and cannot be used in conjunction with tax increment financing.

The City of Minnetonka has not used tax abatement, but has taken steps to learn more about the program.

8. Transit Oriented Design (TOD)

The use of TOD can have huge economic benefits and its economic impact cannot be underestimated. The use of TOD in high density areas, such as Ridgedale and Opus will provide opportunities for a mix of housing, jobs, shopping and recreational choices in those areas, making it easier for people to walk, bike, or take transit to their destinations. Businesses located in or adjacent to TOD areas will benefit from foot traffic due to density of housing and employment in the area, enabling them to attract customers during the day and in the evening and on both weekdays and weekends.

TOD will be very important to Minnetonka, as demographic changes will include increases in the number of older households, singles, and smaller households over the next 30 years. These populations will look for a variety of housing choices, especially those located near employment, goods, and services and public transportation alternatives. While living near a transit station might not appeal to everyone, TOD areas will still provide those who may not live around stations the opportunity to park, ride, and enjoy the amenities of the area.

9. Technology

Technology is critical to today's economy. Businesses rely on the internet more than ever before. More and more people are choosing to work from home or use the internet to make purchases and handle business. Public investment in such technological innovations will be critical for cities like Minnetonka to continue to be competitive and to attract businesses to the community. Not only are public investments in technology important for attracting businesses, but also to attract and retain residents who want to live in a city that is current on trends and provides them with the necessary tools that cater to their lifestyles.

The city should survey local businesses and residents to determine what types of technology are most important to them and their business activities.

10. Home Based Businesses

Research conducted by adjacent communities show that the number of home based businesses is substantial. The number of home based businesses is likely to increase over the next twenty years since the internet and other technology has made working from home more convenient (and economical for many).

While the number of home based businesses in Minnetonka is unknown, the city should conduct a survey of residents in attempts to grasp the amount of these businesses in the community, as well as to develop relationships. The city should also play an active role in providing these businesses with networking opportunities.

11. Conclusion

In order to maintain and perhaps enhance its current economic vitality, the city in the future will need to consider and promote:

- * Transportation/mobility/accessibility,
- * Business outreach and retention activities,
- * "Green" and sustainable building techniques and design,
- * Good building design,

- * Transit Oriented Design in high density locations such as I-394/Ridgedale and Opus,
- * Pedestrian connectivity,
- * New technologies that businesses view as vital
- * Recreation opportunities, and
- * Natural resources and open space