AGENDA
ECONOMIC DEVELOPMENT COMMISSION

August 27, 2024 - 4:00 PM

Marion Conference Room
20195 Holyoke Ave

1. Call to order

2. Approval of Minutes
   a. June 25, 2024 EDC meeting minutes

3. Agenda Items
   a. Strategic Plan for Economic Development
   b. Franchise Fees Update
   c. Cannabis Zoning Update

4. Marketing Efforts
   a. August Economic Development Report

5. Adjourn

CITY OF LAKEVILLE
ECONOMIC DEVELOPMENT COMMISSION
MEETING MINUTES
June 25, 2024

1. Chair Seiler called the meeting to order at 4:02 p.m. in the Marion Conference Room.

   Members Present: Comms. Rebecca Bergin, Rick Bjorklund, Jack Matasosky, Don Seiler, Glenn Starfield, John Swaney

   Ex-officio Members Present: Mayor Luke Hellier, Chamber President Krista Jech

   Members Absent: Comm. Victor Arredondo, Lowell Collman, Joe Eykyn, Andrew Phillips

   Staff Present: Tina Goodroad, Community Development Director; Kati Bachmayer, Economic Development Manager
   Guests: Jason Aarsvold and Keith Dahl, Ehlers

2. **Approval of Minutes**
   a. **May 23, 2024, EDC meeting minutes**

   Comms. Starfield / Matasosky moved to approve the minutes of the May 23 meeting. **Motion carried unanimously.**

3. **Agenda Items**
   a. **Strategic Plan for Economic Development**

   Keith Dahl and Jason Aarsvold from Ehlers were in attendance to continue the EDC's strategic planning efforts. During the meeting, Mr. Dahl reviewed Lakeville's refined economic development goals based on previous EDC meetings. Members reacted to the five goals presented and provided feedback on proposed action items such as public transportation, economic development incentives and business subsidies, branding and marketing, business retention and expansion, workforce development, business growth, and overlay zoning districts. The final plan will be presented to the EDC during the August meeting.

4. **Marketing Efforts**
   a. **Economic Development Report**

   Ms. Bachmayer shared June highlights from the Economic Development Report.

DRAFT

Staff recommended the EDC take its usual summer break in July and members were in agreement. Therefore, the July EDC meeting will be canceled, and the next meeting is scheduled for August 27.

5. **Adjourn**
   Meeting adjourned at 4:59 p.m.

Respectively submitted by:
Kati Bachmayer, Economic Development Manager

DRAFT

City of Lakeville
Community Development

Memorandum

To: Economic Development Commission
From: Kati Bachmayer, Economic Development Manager
Copy: Tina Goodroad, Community Development Director
Justin Miller, City Administrator
Date: August 27, 2024
Subject: Strategic Plan for Economic Development – Final Report

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Ehlers will attend the August EDC meeting to present Lakeville's 2024-2028 strategic plan final report. This document is the culmination of EDC discussions and feedback gathered between April through July 2024 and includes five goals with strategies, actions and success measures.

The five goals are:

1. Identify Resources Available for Economic Development
2. Expand Existing Businesses and Promote Entrepreneurship
3. Establish Lakeville's Competitive Edge
4. Strengthen Lakeville's Local Tax Base
5. Enhance Lakeville's Distinct Industrial and Commercial Districts

City of Lakeville, MN

ECONOMIC DEVELOPMENT STRATEGIC PLAN

APPROVED BY EDC: TBD

Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, Minnesota 55113

ACKNOWLEDGMENTS

The Economic Development Commission of the City of Lakeville (EDC) developed this document to ensure a pragmatic approach to growth and development throughout the City of Lakeville over the next five years. The EDC is comprised of nine members, one alternate, and three ex officio positions.

Economic Development Commission Members:

- Victor Arredondo, Alternate Commissioner
- Rebecca Bergin, Commissioner
- Lowell Collman, Vice Chair
- Joe Eykyn, Commissioner
- Rick Bjorklund, Commissioner
- Jack Matasosky, Commissioner
- Andrew Phillips, Commissioner
- Don Seilier, Chair
- Glenn Starfield, Commissioner
- John Swaney, Commissioner
- Justin Miller, City Administrator
- Luke Hellier, Mayor
- Krista Jech, Chamber President

Staff Liaisons:

- Tina Goodroad, Community Development Director
- Kati Bachmayer, Economic Development Manager

Consultants:

- Jason Aarsvold, Ehlers and Associates
- Keith Dahl, Ehlers and Associates

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Introduction

OVERVIEW

The City of Lakeville, Minnesota is a growing community located in the southern portion of the Minneapolis-St. Paul Statistical Area. It is located immediately south of where Interstate 35W and 35E connect. The United States Census Bureau estimates the City had a population of 75,217 in 2023. This is an increase of about 34% from the 2010 census.

The City is seeing strong demand for both residential and industrial growth given its available land, proximity and location within the Twin Cities Metropolitan Area. The EDC is intently aware of its assets, competitive position, and continued growth potential. Lakeville intends to capitalize on its opportunities and help shape growth over the next five years in a manner consistent with community values. To accomplish this, the EDC undertook an in-depth and intentional strategic planning process for economic development.

This Strategic Plan sets forth an achievable, strategic economic development plan for the EDC and City of Lakeville. The Strategic Plan identifies specific goals, strategies and actions which build upon unique strengths and distinct characteristics of the City. Each of the goals focus on one or more priorities of the EDC which factor into the economic health and enhanced vitality of the City. The Strategic Plan's purpose is to articulate a set of measurable strategic actions that facilitate development within the City and provide guidance to staff on where to spend their time and City resources.

The Strategic Plan is not meant to be an exhaustive outline, but rather is intended to be a roadmap for guidance and direction. In addition, the Strategic Plan is meant to be fluid in that it should be reviewed regularly to determine if there is a change in priorities or if resources need to be shifted. A key aspect of this Strategic Plan is to assure the mechanisms are in place to recognize success, big or small, in development and to continuously realign the resources and policies of the City to meet the goals of the EDC.

PROCESS

The strategic planning process began the week of April 15, 2024, with all the EDC members completing an intake questionnaire form. A series of questions were asked to "level set" the initial conversation with the EDC. Staff desired to understand 1) what their perspectives, perceptions, and realities were of Lakeville, 2) identify priorities for development of the Strategic Plan, 3) review roles and responsibilities for implementation of the Strategic Plan, and 4) assess the course of direction for the future – how would success be measured over five years.

On April 23, Ehlers provided the EDC with an overview of the strategic planning process, an assessment of current economic conditions, and shared the major themes that originated from the intake questionnaire forms. EDC members broke into small groups to discuss their immediate reactions, as well as strengths, weaknesses, opportunities, and threats (SWOT). The primary goal of a SWOT analysis is to gain a better understanding of the current environment. It's an honest attempt to evaluate internal and external factors involved in establishment of a strategic plan. Through this discussion, the EDC identified the following characteristics in each area:

Strengths:

- One of the Largest Industrial Park in Minnesota
- Proximity to Airports - MSP International & Airlake
- Convenient Access to I-35
- Land Availability
- Quality of School District
- Engaged Community, Chamber, Tech College, School District, and City Leadership
- Small Town Mentality with a Big Town Feel
- Diverse Business Base / Growing Residential Community
- Parks, Trails, and Open Spaces
- Historic Downtown

Weaknesses:

- Public Transportation to and within Lakeville
- Diversity & Affordability of Housing
- Cost to maintain existing infrastructure
- Cost to construct new infrastructure
- Labor Retention and Attraction for the Industrial Park
- Bedroom Community – Homogenous tax base
- Location – Harder to Attract Certain Employers
- Lack of centralized commercial corridor
- High income employment opportunities
- Geographic size of the community – Four pockets

Opportunities:

- Interchange at I-35 and CSAH 50 (Kenwood Trail)
- County Road 70 – East/West Corridor
- Promotion of Lakeville outside of Greater MSP and DEED – Increase Marketing Efforts of Development Opportunities
- Collaboration & Coordination with Local Partners, Stakeholders and Businesses
- Land Availability for Attraction & Retention of Businesses
- Attraction of Capital-Intensive Industries
- Public Transportation to Industrial Park
- Annexation of Adjacent Land
- Implementation of a Business Retention and Expansion Program
- Secure Financial Resources for Economic Development & Identify Financial Incentives

Threats:

- Transition of Online Services and Sales
- Financial Impacts to the City – Growth May Mean Increased Levies
- Resources of the City may not be Adequate for Expectations of Economic Development Efforts
- Labor Availability – Dwindling Workforce
- Not having a Diverse Commercial/Industrial Tax Base
- Not Listening to the Business Community
- Inadequate Housing to Meet the Needs of Jobs within Lakeville
- Decline of School District
- State Legislation
- Financial Demands on Resources with Aging Population and Infrastructure

When it comes to a SWOT analysis for factors specifically related to "threats", it's important to note that staff encouraged the EDC to cast a wide net. No community, organization, or group is immune to threats. Therefore, many of the characteristics addressed above are simply considerations that the EDC discussed as possibilities.

Following the conclusion of the SWOT analysis, staff began formulating goals for consideration and discussion at the May EDC meeting. Members broke up into small groups again to obtain thoughts, concerns, or objections to the draft goals. Staff took the EDC's feedback, refined the goals, and then began drafting strategies to accomplish each goal.

Then, at the next meeting in June, the EDC finalized the goals and strategies for inclusion into the Strategic Plan. Staff began compiling the Strategic Plan and shared it with EDC members individually in July for final review and comments.

Current Conditions

EDC Commissioners spent time reviewing data about the City of Lakeville to help inform development of the Strategic Plan. The following information and key "take-aways" provided through the planning process allowed the EDC to review the state of Lakeville in context against that of the metro area, selected peer communities, and the State of Minnesota.

TAX BASE

Growing the tax base is one of the central goals of any economic development effort. Tracking the growth in Lakeville's tax base will be one important way to measure success. Comparing that growth to the state as a whole, as well as other peer communities will help the City understand if the tax base growth is simply inflationary, or if the City's growth is increasing relative to its peers. A strong economic development strategy is one factor that can contribute to tax base growing faster than peer communities. The table below compares Lakeville's market value, which is a measure of the City's tax base, to selected peer communities and the State of Minnesota between 2019 and 2023.

Table No. 1

		Estimated Market Value		Change 2019 - 2023		Market Value
City	2023 Population	2019	2023	Amount	Pct.	Per Capita
Apple Valley	56,252	$5,844,660,177	$7,925,007,900	$2,080,347,723	35.59%	$140,884.02
Blaine	73,546	$6,976,175,700	$10,219,852,900	$3,243,677,200	46.50%	$138,958.65
Burnsville	65,327	$7,286,183,800	$9,189,233,700	$1,903,049,900	26.12%	$140,665.17
Cottage Grove	42,648	$3,621,147,803	$5,517,714,600	$1,896,566,797	52.37%	$129,378.04
Lakeville	**75,217**	**$7,660,224,000**	**$11,815,943,000**	**$4,155,719,000**	**54.25%**	**$157,091.39**
Maple Grove	71,676	$9,546,158,649	$13,591,232,100	$4,045,073,451	42.37%	$189,620.40
Woodbury	78,740	$9,495,119,701	$13,548,254,400	$4,053,134,699	42.69%	$172,063.18
Minnesota	5,737,915	$730,666,043,555	$979,760,018,170	$249,093,974,615	34.09%	$170,751.92

Source: US Census Bureau - ACS 5-Year Estimates; Minnesota Department of Revenue; Metropolitan Council

As indicated in Table No. 1, Lakeville's market value growth between 2019 and 2023 has outpaced peer communities and the State. This comparison is a helpful way to understand whether the City's market value growth reflects the general inflation within the region, or if there may be other factors contributing, such as an intentional economic development strategy. The fact that Lakeville is a growing community with available land, is directly contributing to this. In addition, both total market value and market value on a per capita basis, are strong compared to selected peer communities.

Table No. 2

Tax Capacity	2019	2023	Amount	Pct.
Apple Valley	$62,864,531	$85,222,663	$22,358,132	35.57%
Blaine	$78,483,537	$115,300,642	$36,817,105	46.91%
Burnsville	$82,872,409	$110,035,999	$27,163,590	32.78%
Cottage Grove	$37,558,965	$58,070,742	$20,511,777	54.61%
Lakeville	**$82,788,937**	**$130,066,363**	**$47,277,426**	**57.11%**
Maple Grove	$109,919,969	$158,706,622	$48,786,653	44.38%
Woodbury	$106,383,864	$153,859,077	$47,475,213	44.63%
Minnesota	$7,819,004,851	$10,638,170,403	$2,819,165,552	36.06%

Source: Minnesota Department of Revenue

While market value growth is a strong tax base indicator, it needs to be compared to tax capacity since property taxes, in Minnesota, are directly calculated using tax capacity instead of market value. This allows communities to understand how much tax base is available to disburse their levy across. Table No. 2 verifies that the growth Lakeville is experiencing from market value has translated into tax capacity growth for property tax purposes.

Breaking down the total tax capacity of Lakeville in Table No. 2 above by property classifications, provides us with an understanding of where Lakeville is experiencing growth. Table No. 3 on the following page breaks this down by property classification so we can see the growth or decline between 2019 and 2023.

Table No. 3

	Payable Year		Change
	2019	2023	2019-2023
Tax Capacity	$ 82,788,937	$ 130,066,363	$ 47,277,426
Residential - homestead	68.38%	69.36%	0.98%
Residential - non-homestead	7.76%	8.66%	0.91%
Farm	0.88%	0.54%	-0.34%
Commercial/Industrial	18.40%	16.28%	-2.12%
Apartments	2.73%	4.04%	1.31%
Other	1.85%	1.11%	-0.74%

Source: Minnesota Department of Revenue

Lakeville experienced exponential increase to its tax capacity between 2019 and 2023. Tax capacity increased more than $47 million, an increase of approximately 58%. It's important to note that Table No. 3 above breaks down the relative percent of each property classifications' tax capacity against the total. A negative number in the "change" column does not directly mean the tax base for that property classification declined. Rather, it means the total tax capacity is shifting between different property classifications. Table No. 3 allows us to ascertain that residential growth has outpaced commercial and industrial development growth between 2019 and 2023.

BUSINESSES

Businesses play a crucial role in every community. They create jobs, influence community identities, and generally give back to the community in which they are a part of. As indicated in Table No. 4 below, Lakeville had 1,546 businesses at the end of 2023. The makeup of businesses within Lakeville have been broken down by industry sectors and compared to the same industry sectors of the State for contextual purposes.

Table No. 4

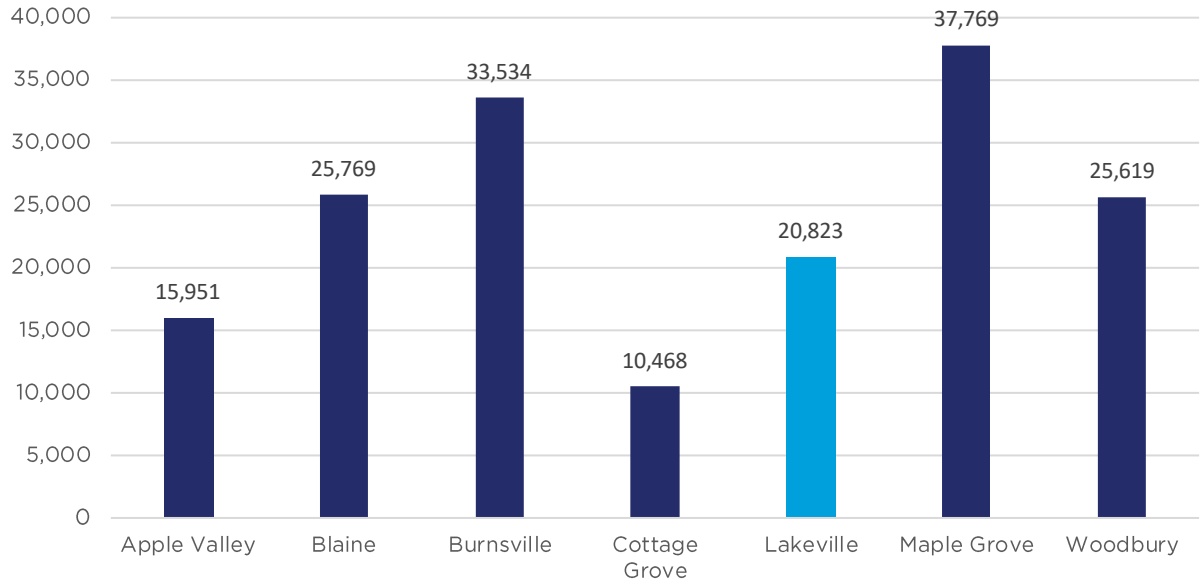
Industry	Lakeville	Pct.	Minnesota	Pct.
Businesses	1,546		207,648	
Agriculture, forestry, fishing and hunting, and mining	6	0.39%	3,488	1.68%
Construction	154	9.96%	18,343	8.83%
Manufacturing	74	4.79%	8,625	4.15%
Utilities	0	0.00%	538	0.26%
Wholesale trade	86	5.56%	15,423	7.43%
Retail trade	116	7.50%	17,737	8.54%
Transportation and warehousing, and utilities	41	2.65%	6,352	3.06%
Information	32	2.07%	6,928	3.34%
Finance and insurance, and real estate and rental and leasing	167	10.80%	17,967	8.65%
Professional, scientific, management, administrative, and waste management	262	16.95%	41,706	20.08%
Educational services, and health care and social assistance	316	20.44%	29,735	14.32%
Arts, entertainment, and recreation, and accommodation and food services	108	6.99%	16,725	8.05%
Other services, except public administration	179	11.58%	20,687	9.96%
Public administration	5	0.32%	3,394	1.63%

Source: Source: MN Department of Employment and Economic Development

EMPLOYMENT

Existence of job opportunities within a community is one indicator of economic strength. Jobs provide opportunities for residents, but they also bring significant economic activity that helps support additional growth in the commercial sector. Lakeville has experienced steady job growth over the last two decades. Graph No. 1 below compares the number of jobs in Lakeville to selected peer communities at the end of 2023.

Graph No. 1



Source: Source: MN Department of Employment and Economic Development

Lakeville had 20,823 jobs within the community. The US Census Bureau estimates 4,201 residents of Lakeville were employed within Lakeville. Moreover, they also estimated that 38,819 residents of Lakeville were employed meaning approximately 90% of residents of Lakeville commute outside of Lakeville for employment. Understanding these metrics are crucial when developing an economic development strategy.

This ultimately led us to review and evaluate the types of jobs within Lakeville by industry. Table No. 5 below breaks down the number of jobs within Lakeville by industry. As indicated on the table, the majority of jobs are in 1) educational services, and health care and social assistance, 2) manufacturing, 3) arts, entertainment, and recreation, and accommodation and food services, and 4) retail trade.

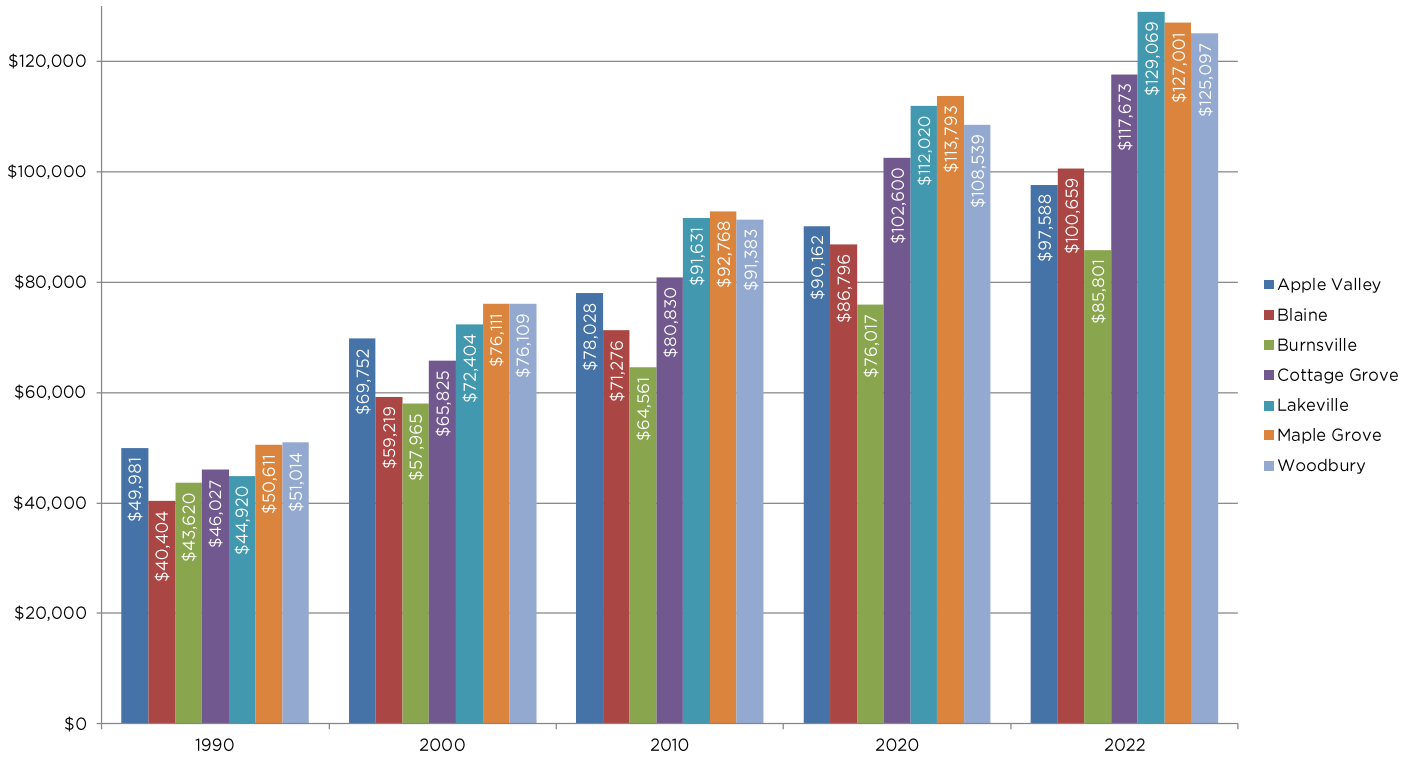
Table No. 5

Industry	Lakeville	Pct.	Minnesota	Pct.
Jobs	20,823		2,903,264	
Agriculture, forestry, fishing and hunting, and mining	26	0.12%	29,089	1.00%
Construction	1,138	5.47%	142,943	4.92%
Manufacturing	3,005	14.43%	325,814	11.22%
Utilities	0	0.00%	14,441	0.50%
Wholesale trade	807	3.88%	133,457	4.60%
Retail trade	2,739	13.15%	283,766	9.77%
Transportation and warehousing, and utilities	777	3.73%	114,523	3.94%
Information	278	1.34%	48,232	1.66%
Finance and insurance, and real estate and rental and leasing	859	4.13%	176,260	6.07%
Professional, scientific, management, administrative, and waste management	2,479	11.91%	387,754	13.36%
Educational services, and health care and social assistance	4,495	21.59%	741,298	25.53%
Arts, entertainment, and recreation, and accommodation and food services	2,860	13.73%	278,083	9.58%
Other services, except public administration	864	4.15%	90,307	3.11%
Public administration	496	2.38%	137,297	4.73%

Source: Source: MN Department of Employment and Economic Development

INCOME

Graph No. 2



Source: US Census Bureau

Lakeville's median household income Increased from $44,920 in 1990 to $129,069 in 2022. A 187% increase.

Median household income in the Twin Cities increased from $36,565 in 1990 to $94,673 in 2022. A 159% increase.

Lakeville's median income is growing faster than the Twin Cities region

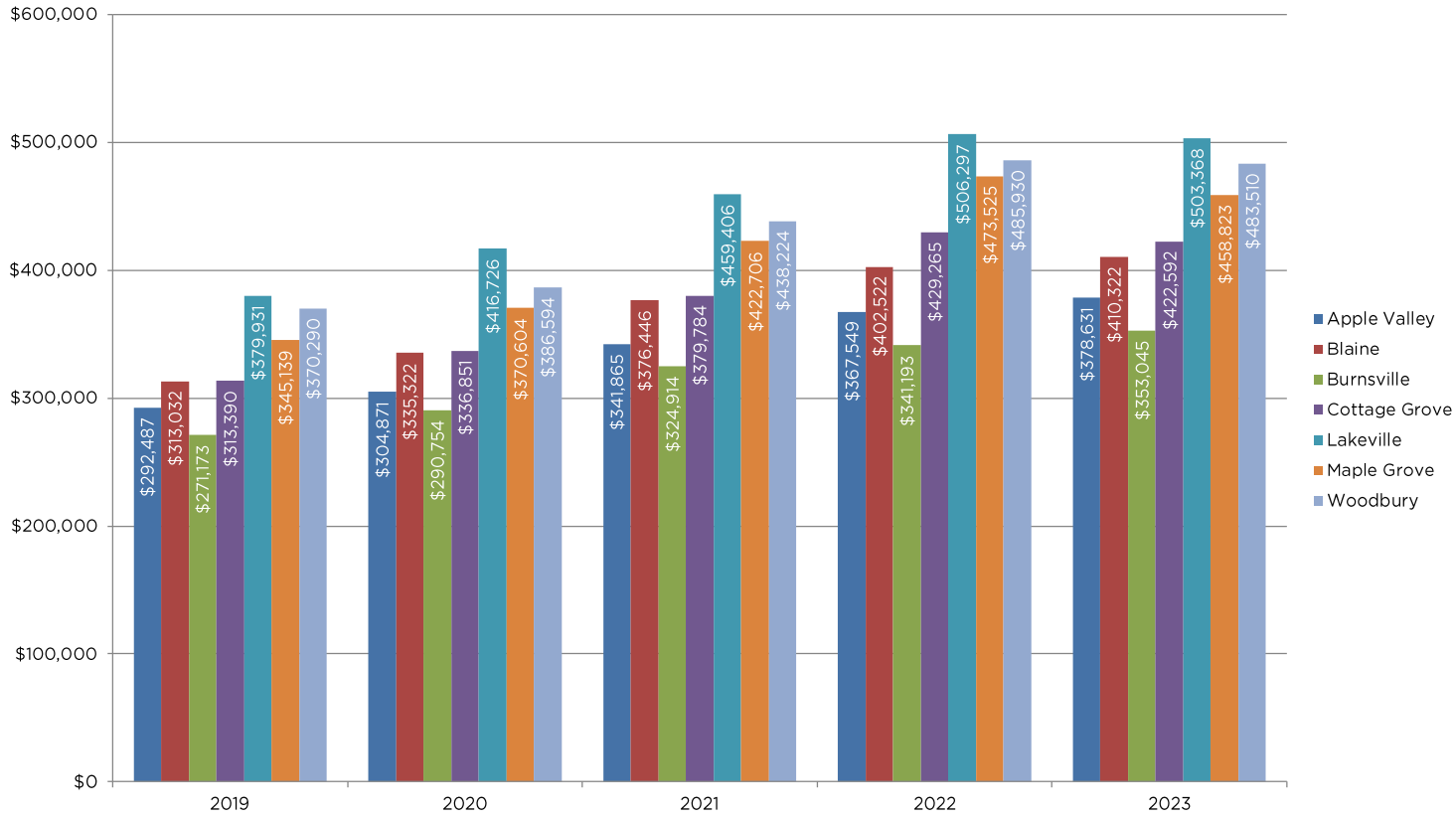
HOUSING SALES

Lakeville's median home sale price was $379,931 in 2019 and increased to $503,368 in 2023, which is a 32% increase.

The median home sale price in the Twin Cities region was $288,000 in 2019 and increased to $370,000 in 2023, which is a 28% increase.

Lakeville's median home sales price is the highest of the peer cities reviewed.

Graph No. 3



Source: Minnesota Area Realtors Association

Resources

Successful implementation of Lakeville's Economic Development Strategic Plan will require attention to the balance between priorities and available resources. The amount of work in this plan that the City can take on and the timeframe within which it can be accomplished will be a function of available resources. These resources include funding, human capital, and technology. There may always be more activities on the economic development wish list than available resources to give them all the appropriate attention.

The City's staff and other financial resources are finite, and it is difficult to create a large enough "hope chest" in the short-term to address all the City's needs. The City has relied in the past on the use of some public resources and tools that exist to accomplish its goals and will need to in the future as well.

The primary limiting resource for the City is funding availability to fully execute long-term plans. For this reason, prioritizing the City's economic development activities is critical. This exercise in prioritization must be done in the context of the resources available to get the job done. Finding the proper balance will help ensure the City's investment in economic development is achieving the goals most important to the community. If priorities and resources are out of balance, the City will either have trouble accomplishing its goals, or will be investing more than may be necessary. The City will need to continually evaluate its economic development program and funding levels to stay in balance.

This plan contemplates time horizons for accomplishing each goal based on a schedule that uses short term, mid-term, and long-term increments. These time horizons are based on each goal's complexity and necessary level of involvement and resources. The exact date by which each goal will be accomplished is a function of the priority they are given and the City's available staff capacity and resources.

We recommend establishing an annual work plan to address these goals that can prioritize which items are most important and then match the resources necessary to carry out that plan. This plan should be revisited annually, and priorities and resources should be adjusted accordingly.

Economic Development Strategy

GOAL 1: IDENTIFY RESOURCES AVAILABLE FOR ECONOMIC DEVELOPMENT

STRATEGY	ACTIONS	TIMELINE
1.A. Explore internal resources available for economic development	Implement a Housing and Redevelopment Authority (HRA) levy	Short Term
	Create an Economic Development Authority (EDA) and implement levy	Short Term
	Evaluate tax increment financing (TIF) pooling and formulate a policy to ensure it's maximized on future TIF districts	Short Term
	Establish a revolving loan fund for businesses	Short Term
1.B. Evaluate resources necessary to accomplish goals identified in this Economic Development Strategic Plan		Short Term
1.C. Review and update public financing policies to determine where, when, and how public assistance will be provided (i.e. minimum qualifications, desired qualifications, community return on investment, etc.)		Short Term
1.D. Strengthen external relationships with local and regional funding agencies		Ongoing

SUCCESS MEASURES

1. Track the development ratio of public to private funds invested
2. Update public financing policies
3. Track capitalization of internal and external resources available for economic development
4. Implementation of this economic development strategic plan

GOAL 2: EXPAND EXISTING BUSINESSES AND PROMOTE ENTREPRENEURSHIP

STRATEGY	ACTIONS	TIMELINE
2.A. Establish a formal Business Retention and Expansion (BRE) Program	Assess human capital availability, annual budget appropriation, and technology necessary	Short Term
	Identify individuals and/or groups of individuals who will manage, monitor, and evaluate the program, as well as individuals and/or groups who will implement the BRE program and administer site visits	Short Term
	Formalize business visitation process and surveying parameters	Short Term
	Promote BRE program to the local business community	Short Term
2.B. Identify opportunities to assist entrepreneurs and start-up businesses		Ongoing
2.C. Increase outreach to and understanding of local home-based businesses to assess growth potential, technical needs, and market opportunities		Ongoing
2.D. Encourage development of co-working, maker spaces, commercial kitchens, and other small business and entrepreneurial space needs in Lakeville		Long Term
2.E. Work with public and private partners to foster affordable commercial space solutions		Ongoing
2.F. Identify an internal funding mechanism to provide assistance to small businesses		Long Term

SUCCESS MEASURES

1. Track the development ratio of public to private funds invested
2. Track total amount of grant funds secured and received
3. Track number of site visits to assess businesses needs

GOAL 3: ESTABLISH LAKEVILLE'S COMPETITIVE EDGE

STRATEGY	ACTIONS	TIMELINE
3.A. Enhance awareness and image of Lakeville and its opportunities	Perform a marketing audit to assess Lakeville's current marketing content, and refresh content, taglines, and data as needed	Short Term
	Identify and engage with external partners and organizations (i.e. local real estate brokers, site selectors, developers, banks, regional trade organizations, professional groups and other special interest groups)	Ongoing
	Identify underutilized properties and areas of development opportunities	Ongoing
	Promote small town feel, big City opportunities	Ongoing
	Solicit and leverage testimonials from local business who endorse Lakeville as a great place to do business (i.e. tell Lakeville's story through firsthand experiences and decision making – why do businesses choose Lakeville?)	Short Term
	Enhance relationships with external partners (i.e. Chamber of Commerce, School Districts, Dakota County Technical College, Dakota-Scott Workforce, Greater MSP, Minnesota Department of Employment and Economic Development and other quasi-governmental entities)	Ongoing
	Create a detailed package of promotional materials and industry-specific marketing materials – online and print materials	Long Term
	Proactively promote development opportunities and available sites within Lakeville	Ongoing

3.B. Address initiatives to support workforce retention and attraction	Conduct an occupational data analysis to assess qualifications, skills and abilities of current workforce	Long Term
	Continue to partner with local school districts – ISD 192, 194, and 196, Dakota County Technical College, Dakota-Scott Workforce Development Board, local business advocates such as the Chamber of Commerce, regional advocacy groups, and local businesses	Ongoing
	Evaluate opportunities to leverage the Department of Labor and Industry's Dual-Training Pipeline and Youth Skills Training Programs	Ongoing
	Continue the collaborative efforts with the Chamber of Commerce on implementing Lakeville Works	Ongoing
	Explore and encourage Lakeville Works to include ISD 192 and 196	Short Term
	Leverage Dakota County Technical College and CareerForce for business training programs	Ongoing
	Promote and encourage Lakeville's school districts to continue and expand their STEM (science, technology, engineering, and mathematics) programs at all grade levels	Ongoing
	Connect businesses to training and employment resources	Ongoing
	Identify opportunities for diversity and affordable housing options (i.e. zoning changes to lot widths, sizes and allowable densities, and partnering with developers on affordable ownership and rental projects)	Long Term
	Update City public financing policies to define parameters around providing public assistance for housing projects, if any	Long Term

3.C. Invest in transportation efforts that maintain and improve access to commercial nodes and corridors	Assess the viability of the Metropolitan Council's plan of Cedar Avenue to understand the future plan for bus rapid transit (BRT)	Short Term
	Analyze selected transit stops to determine if market demand exists based on the surrounding commercial and multi-family housing	Short Term
	Coordinate transportation planning and implementation with Dakota County on County State Aid-Highway (CASH) infrastructure improvements that impact industrial districts, and commercial nodes and corridors, specifically establishment of an east/west principal arterials and future minor and major collectors	Ongoing
	Evaluate access and connections of sidewalks, parks, and trails to and between industrial districts, and commercial nodes and corridors	Ongoing
	Collaborate between community development and public works departments to ensure future Comprehensive Plans address commercial and industrial growth – infrastructure investment and preserving undeveloped land	Ongoing

SUCCESS MEASURES

1. Track analytics for the City's economic development webpage
2. Track number of businesses relocating and expanding within Lakeville
3. Measure number of jobs created and retained
4. Track average wage levels overtime
5. Measure net increase in commercial and industrial square footage
6. Track number of available sites, sale information, and what was developed
7. Track participation numbers and results from Lakeville Works and STEM programing

GOAL 4: STRENGTHEN LAKEVILLE'S LOCAL TAX BASE

STRATEGY	ACTIONS	TIMELINE
4.A. Encourage growth and diversification of local tax base	Promote development opportunities and reinvestment in existing properties	Ongoing
	Cultivate working relationships with local and regional economic development partners, such as the local Chamber of Commerce, educational institutions, Dakota County, Greater MSP and DEED	Ongoing
	Respond to site selector requests for information and proposals on potential development sites from DEED and Greater MSP	Ongoing
4.B. Identity target industries for attraction	Evaluate the need to conduct and perform a sector industry analysis and/or industry cluster analysis	Short Term
	Engage with a site selector(s) to review areas for opportunity, evaluate development sites, and market sites to companies	Ongoing
4.C. Foster employment growth with livable wage opportunities	Direct City assistance to projects with job density and higher wages	Ongoing

SUCCESS MEASURES

1. Measure increased market value and tax base growth year-over-year
2. Track number of RFIs and RFPs submitted by the City
3. Identify two or more target industries and produce target industry profiles for each

GOAL 5: ENHANCE LAKEVILLE'S DISTINCT INDUSTRIAL AND COMMERCIAL DISTRICTS

STRATEGY	ACTIONS	TIMELINE
5.A. Encourage infill and redevelopment opportunities that strengthen district character		Ongoing
5.B. Consider small area plans where appropriate		Ongoing
5.C. Engage development community around opportunities for plan implementation		Ongoing
5.D. Explore enhanced linkages between development districts and adjacent neighborhoods		Ongoing
5.E. Assess placemaking initiatives to brand areas of Lakeville		Ongoing
5.F. Facilitate collaboration between the Lakeville Convention Center & Visitor Bureau and the Chamber of Commerce to promote commercial corridors and nodes	Evaluate other fairs and festivals to promote retail and small business operations (i.e. food truck festivals, restaurant weeks, etc.)	Ongoing

SUCCESS MEASURES

1. Track and report on efforts made to enhance the distinct industrial and commercial districts

Appendix A – Program Structural Considerations

Public assistance is provided in many different forms. Structural consideration must be given when determining program feasibility since it directly influences the impact and outcome of a program. This section summarizes different types of program structures to start building a framework for future programs. Generally, there are two main categories – grants and loans – and each category has several variations for consideration.

GRANT PROGRAMS

Project Grants: These grants usually fund 100% of specific costs. Project grants are most often competitive and available to eligible organizations and individuals through an application process.

Pros	Cons
• Leverages internal resources to facilitate a desired outcome • Highly competitive since recipient would not have to repay the funds • May be less administratively time consuming than loan programs which require recording loan documents against the property	• Program funds may be depleted rather quickly • May be harder to claw back funds if not used as intended • Recipient may not use funds efficiently

Matching Grants: These grants require recipients to contribute a specified amount towards project costs. Matching grants may be offered competitively or non-competitively throughout the year.

Pros	Cons
• Encourages organizations and individuals to efficiently manage project costs • Program funds typically stretch further and can benefit more recipients • May be less administratively time consuming than loan programs which require recording loan documents against the property • Leverages external resources • Requires organizations and individuals to have "skin in the game"	• Requires recipient to source matching funds • May be harder to claw back funds if not used as intended

LOAN PROGRAMS

No-Interest Loans: These loans do not require recipients to repay any interest on the funds borrowed, provided that the recipients meet certain requirements for repayment on the principal amount.

Low-Interest Loans: These loans require recipients to begin repaying principal and interest following distribution of funds. While interest rates are below conventional financing rates, the interest charged usually at a minimum, covers the cost of the lender to make and service the loan. Interest rates may range between 1% - 3%.

Deferred Loans: These loans do not require recipients to repay principal and interest during a specific period of time or until a specific event happens, such as a sale or transfer of ownership. Deferred loans may or may not have an interest rate component.

Forgivable Loans: These loans are typically structured as deferred loans that convert into a grant when a specific event occurs. Most often a recipient will cover the issuance cost and only repay it if a specific event doesn't occur within a specified period of time.

Pros	Cons
• Encourages organizations and individuals to efficiently manage project costs	• May create barriers for future development since funds may be required to be repaid, except for forgivable loans
• Funds will eventually be repaid and recycled back into the program for future use, except for forgivable loans	• Higher administration costs related to issuance and servicing of the loans
• Funds may be clawed back if recipient doesn't use them as intended or does not achieve the desired outcome	• Recipient may not have the means or a revenue stream to payback principal and/or interest over time

Each program structure has pros and cons related to its use and application. Evaluating the best option for a program, however, comes down to the impact and outcomes desired – the reason, or reasons, for establishing it.

For instance, if the main reason to create a program is to incentivize something with the lowest possible cost to the recipient, then a grant or a forgivable loan may be the best option since it would cover the up-front cost and not need to be repaid. However, if the main reason to create a program is to incentivize something with the expectation that the assistance would be repaid, then a loan other than a forgivable one would be the best option since it would cover the upfront cost of demolition but would eventually be repaid.

Appendix B – City Resources for Economic Development

When it comes to securing program resources there are two fundamental questions that must be contemplated: From where is the money going to come? And is it on a recurring basis? Successful implementation of this Strategic Plan and future programs for economic development will require attention to the balance between City priorities and available resources. Resources for economic development may be secured from a variety of external partners in the form of grants and loans. This section contemplates a few City-controlled options available for economic development purposes, but it is not intended to be an exhaustive list. These City resources are often leveraged with other outside funding sources to accomplish City economic development objectives.

HOUSING AND REDEVELOPMENT AUTHORITY (HRA)

Under MN Statues, cities are allowed to establish a housing and redevelopment authority (HRA) and levy a special tax on all taxable property within the area of operation of the authority. Lakeville has an established HRA but does not levy a special tax. If Lakeville decided to levy a special tax under their HRA powers, the amount of the levy would be set by the authority and may not exceed 0.0185% of the estimated market value in the City. If the maximum amount of a levy was approved, the resources available to Lakeville would be around $2,357,915 based on estimated market values for pay 2024.

Use of these resources could be for housing or redevelopment projects where the HRA is meeting one of its stated purposes under the HRA Act. Generally, purposes of an HRA are to provide adequate, safe, and sanitary dwelling for low-income individuals, as well as clearance and redevelopment of blighted areas.

ECONOMIC DEVELOPMENT AUTHORITY (EDA)

Under MN Statutes, cities are allowed to establish an economic development authority (EDA) and levy a tax in any year for the benefit of the authority. If Lakeville decided to levy a tax under EDA powers, the amount of the levy would be set by the authority and may not exceed 0.01813% of the estimated market value in the City. If the maximum amount was levied, the resources available to Lakeville would be around $2,310,756 based on estimated market values for pay 2024.

Use of these resources could be for various economic development projects that promote growth. Generally, primary powers of an EDA are to promote business development and recruitment of new businesses. EDAs effectively bridge the divide between what HRAs and Port Authorities are allowed to do. This allows cities to create more flexible options to provide business and development assistance.

PORT AUTHORITY

Under MN Statutes, cities are allowed to establish a Port Authority and levy a tax in any year for the benefit of the authority. If Lakeville decided to levy a tax under Port Authority powers, the amount of the levy would be set by the authority and may not exceed 0.01813% of the estimated market value in the City. If the maximum amount was levied, the resources available to Lakeville would be around $2,310,756 based on estimated market values for pay 2024.

Use of these resources could be for promote the general welfare of a port district, increase the commercial efficiency of the district, and actively improve business opportunities. Generally, the powers of a Port Authority are more expansive of an HRA or EDA.

TAX INCREMENT FINANCING (TIF):

Tax increment financing (TIF) is a method of stimulating economic development in a targeted geographic area within a community. Tax increment is generated from creation of new value (i.e. construction of new development, rehab of existing properties, and/or property appreciation) being created within a TIF district over and above the base value. Currently, there are five main types of TIF districts, and they include a 1) Redevelopment District, 2) Renewal and Renovation District, 3) Housing District, 4) Soils Condition District, and 5) Economic Development District. Each type of TIF district has its own establishment requirements and eligible activity for which tax increment may be used to reimburse or pay for various costs and incentives.

Use of tax increment may be used is several ways including but not limited to redevelopment of obsolete and substandard buildings, construction of affordable housing, cleanup of contaminates properties, general economic development incentives, public infrastructure, administration, and certain activities outside of the TIF district – commonly referred to as TIF pooling.

While TIF is commonly associated with being an important mechanism for cities to incentivize development and redevelopment, cities are able to leverage tax increment in other ways to implement their economic development strategies. For instance, TIF pooling allows cities to use between 20% to 25% of total revenues derived from tax increments outside of the TIF district but within the development district, and up to 10% of tax increment collected on administrative expenses. Note: since administrative expenses are considered an expenditure outside of the TIF district, the amount of TIF pooling availability will reduce accordingly. Meaning, if a city's administrative costs for a TIF district are 10%, this reduces the TIF pooling availability down to 10% to 15% depending upon the type of TIF district.

TAX ABATEMENT:

Tax abatement is another mechanism for cities to incentivize development and promote local economic growth. The benefit of tax abatement is it's more flexible than TIF, however it will generally create a lesser amount of a development incentive. The reason for this is because every local taxing jurisdiction must approve being a part of the tax abatement where TIF every local taxing jurisdiction is a de facto partner as long as the city approves the TIF district. Many times, tax abatements for economic development only include the city's portion of property taxes. When used for economic development, tax abatements are essentially used to reduce a landowners property taxes or deferment of property tax payments.

City of Lakeville
Community Development

Memorandum

To: Economic Development Commission
From: Kati Bachmayer, Economic Development Manager
Copy: Tina Goodroad, Community Development Director
Justin Miller, City Administrator
Date: August 27, 2024
Subject: Franchise Fees Update

The implementation of gas and electric franchise fees have been reviewed and discussed by the City Council during its February, April and July 2024 work sessions. Justin Miller, City Administrator will be present at the EDC meeting to provide an update on these discussions.

The July 22, 2024, Work Session packet materials, including recommendations, a schedule for the public hearing process and a communications plan, are attached for the commission's reference.

Franchise Fees

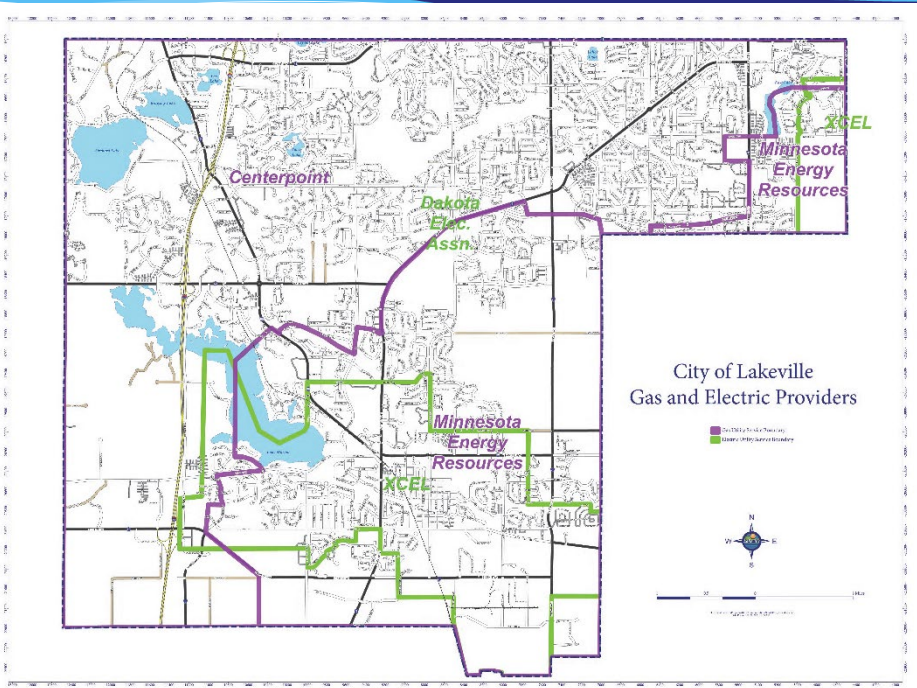
City Council Work Session

July 22, 2024

Overview

- Under **Minnesota Statute 216B.36**, cities can impose a fee on utility companies that use the public rights-of-way to deliver service
- The City of Lakeville has franchise agreements with all four utility providers:
  - CenterPoint Energy
  - Minnesota Energy Resources Company
  - Xcel Energy
  - Dakota Electric Association

City of Lakeville Gas and Electric Providers



Structuring Franchise Fees

- Each service provider has unique customer classifications to differentiate pricing for residential and various commercial and industrial customers
- A fixed charge could be applied to all users regardless of type
- However, most cities use a tiered approach because residential, commercial, and industrial customers' consumption vary greatly, making it difficult to implement a flat fee with equitable impact

Electric Franchise Fee Classification	Gas Franchise Fee Classification
Residential	Residential
Small Commerical/Industrial – Non Demand Franchise Fee	Commercial/Industrial, Small Volume A Franchise Fee
Small Commercial/Industrial - Demand Franchise Fee	Commerical/Industrial, Small Volume B Franchise Fee
Large Commerical Electric Franchise Fee	Commerical/Industrial, Small Volume C Franchise Fee
	Commercial/Industrial, Small Volume Duel Fuel A & B
	Commercial/Industrial, Large Volume Duel Fuel A & B

Comparable Cities Rates

	ELECTRIC Franchise Fees					GAS Franchise Fees						
City	Residential Electric	Small Com/Ind Non Demand	Small Com/Ind Demand	Large Com/Ind	Effective Date	Residential Gas	Less than 1,500 therms/yr	Com/Ind B 1,500 > or < 5,000 therms/yr	Com/Ind C > 5,000 therms/yr	Com/Ind, Small Volume Duel Fuel A & B	Com/Ind, Large Volume Duel Fuel A & B	Effective Date
Apple Valley	2%	2%	2%	2%	6/24/2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Blaine	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bloomington	$5.95	$ 11.90	$ 63.00	$182.00	1/1/2024	$5.95	$ 11.90	$ 11.90	$ 63.00	$ 63.00	$ 182.00	1/1/2024
Brooklyn Park	$7.00	$ 7.50	$ 45.00	$160.00	3/1/2016	$7.00	$ 6.50	$ 20.00	$ 70.00	$ 160.00	$ 160.00	3/1/2016
Burnsville	$4.00	$ 12.00	$ 40.00	$180.00	9/1/2020	$4.00	$ 12.00	$ 40.00	$180.00	$ 180.00	$ 180.00	9/1/2020
Coon Rapids	4%	4%	4%	4%	1/1/1992	4%	4%	4%	4%	4%	4%	1/1/1992
Eagan	$1.85	$ 10.00	$ 10.00	$ 20.00	6/1/2023	$1.85	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 20.00	6/1/2023
Eden Prairie	$6.50	$ 8.50	$ 20.50	$ 89.50	4/1/2018	$6.50	$ 8.50	$ 20.50	$ 89.50	$ 89.50	$ 89.50	4/1/2018
Edina	$3.55	$ 71.00	$ 71.00	$ 71.00	1/1/2024	$3.55	$ 6.00	$ 17.00	$ 71.00	$ 71.00	$ 71.00	1/1/2024
Maple Grove	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Minnetonka	$4.50	$ 4.50	$ 13.50	$ 45.00	1/1/2019	$4.50	$ 4.50	$ 13.50	$ 45.00	$ 45.00	$ 45.00	1/1/2019
Plymouth	$3.53	$ 5.31	$ 17.71	$ 70.85	3/11/2024	$3.53	$ 5.31	$ 17.71	$ 70.85	$ 70.85	$ 70.85	3/11/2024
St. Louis Park	$6.75	$ 12.00	$ 48.00	$148.50	6/1/2021	$6.75	$ 6.75	$ 12.00	$ 48.50	$ 48.50	$ 148.50	6/1/2021
Woodbury	$3.25	$ 3.50	$ 23.00	$ 90.00	1/1/2022	$1.75	$ 10.00	$ 10.00	$100.00	$ 90.00	$ 55.00	1/1/2022
Average	**$4.69**	**$ 14.62**	**$ 35.17**	**$105.69**		**$4.54**	**$ 8.15**	**$ 17.26**	**$ 74.79**	**$ 82.79**	**$ 102.19**	

Possible Fee Structures

ELECTRIC Franchise Fees										GAS Franchise Fees											
# Res	#A	#B	#C	Res	A-Small Comm / Indust - Non-Demand	B-Small Comm / Indust - Demand	C-Large Comm	# Res	# D	#E	#F	#H	Res	D-Comm/ Indust, Small Vol.A	E-Comm/ Indust, Small Vol.B	F-Comm/ Indust, Small Vol.C	G-Comm/ Indust, Small Vol.Dual Fuel A & B	H-Comm/ Indust, Large Vol. Dual Fuel A & B	Total Annual Revenues
28,858	1720	207	180	$ 2	$ 10	$ 30	$ 100	26792	510	523	189	4	$ 2	$ 10	$ 30	$ 30	$ 30	$ 100	$ 2,154,840
				$ 4	$ 14	$ 32	$ 110						$ 4	$ 14	$ 32	$ 32	$ 32	$ 110	$ 3,641,616
				$ 6	$ 16	$ 35	$ 120						$ 6	$ 16	$ 35	$ 35	$ 35	$ 120	$ 5,085,900
				$ 12	$ 20	$ 40	$ 120						$ 12	$ 20	$ 40	$ 40	$ 40	$ 120	$ 9,254,880

Funding Targets

Financial Targets	Annual Levy Required FY2025	FY2026	FY2027	FY2028	FY2029	2025 - 2029 Total
(1) Pavement Management *	$ 2,130,500	$ 2,194,415	$2,194,415	$ 2,260,247	$2,260,247	$ 11,039,824
(2) Public Safety Training Facility **	$ 1,116,613	$ 1,116,613	$1,116,613	$ 1,116,613	$1,116,613	$ 5,583,067
(3) Fire Station Remodels/Builds ***	$ 2,372,803	$ 2,372,803	$2,372,803	$ 3,768,251	$3,768,251	$ 14,654,913
(4) Building Maintenance Fund *	$ 150,000	$ 150,000	$ 150,000	$ 150,000	$ 175,000	$ 775,000
(5) Veh/Equip Rplcmt Fund *	$ 500,000	$ 1,500,000	$2,000,000	$ 2,000,000	$2,000,000	$ 8,000,000

* Current funding source is Operating Levy

** Current funding source is bonding ($16M) or additional grants. Total project is $21M-$24M, $7M fed grant secured; constr in 2025

*** FD Option D3 - Curr funding source is bonding ($44M in 2025, $20M in 2028). 2024 Renovation costs (Stn1 & 4) total $389K (from Bldg fund-Psfty Aid)

Construction Timeline	2025	2026	2027	2028	2029	2025-2029
Public Safety Training Facility **	$16,000,000					$ 16,000,000
Fire Station Remodels/Builds ***	$26,000,000	$18,000,000		$20,000,000		$ 64,000,000

Funding Targets – Costs/Timelines

- FiRST Training Facility
  - Dec 2024 – Final Design
  - Feb 2025 – Bidding/Negotiation
  - April 2025 – Construction Starts
  - April 2026 – Construction Ends
  - May-June 2026 – Closeout
  - July 2026 – Open to Agencies

Total Cost	$24,707,572
State of MN	($7,170,000)
Federal grant	($800,000)
Alternatives	$1,055,036
City Contribution	**$17,792,608**

Funding Targets – Costs/Timelines

- Fire Station Remodels/Builds
  - Spring 2024 – FS4 remodel (1st 6 FT)
  - Fall 2024 – FS1 remodel (2nd 6 FT)
  - 2025 – Combine #2 + #4 = New #5
  - 2026 – Pause #3/#1 remodels as eval #5
  - 2027 – Sell or repurpose #2
  - 2027– Fully renovate #3 ($18M)
  - 2028 – Fully renovate #1 ($20M)
  - 2029 – Use #4 for equipment/personnel during renovations. Evaluate sale or reuse when all projects are completed.

Total Cost	$64M
2025 Bonds	$26M
2027 Bonds	$18M
2028 Bonds	$20M

POC fire models are typical in smaller MN jurisdictions. Volunteer fire departments across America are under severe stress to train, retrain, and deploy a sufficient level of volunteer personnel due to changing socioeconomics. For growing communities like Lakeville, investment in fire services are necessary to meet the needs of the growth.

Property Tax Levy vs. Franchise Fee

Annual Levy increase	2025	2026	2027	2028	2029	2030
$450K Residential	$ 115.32	$ 164.28	$ 164.28	$ 218.78	$ 218.78	$ 218.78
$1M Commercial/Indust	$ 493.31	$ 702.76	$ 702.76	$ 935.47	$ 935.47	$ 935.47
$4M Commercial/Indust	$ 2,030.89	$ 2,893.15	$ 2,893.15	$ 3,851.19	$ 3,851.19	$ 3,851.19

Franchise Fees		
	Per Mo Fee	Annual Cost
Residential	$ 12.00	$ 144.00
$1M Commercial/Indust	$ 70.00	$ 840.00
$4M Commercial/Indust	$ 240.00	$ 2,880.00

- 4.4% of Lakeville's tax base is Exempt from property taxes – this is taxable market value of $603M that is not realized for the city ($134M of this is city-owned).

Exempted Rate Classes

If cities want to exempt some of their municipal accounts, they exempt the entire rate classifications below:

- Public Street Lighting (Xcel & Dakota)
- Municipal Pumping – Non-Demand & Demand (Xcel only)
- Civil defense sirens (Xcel & Dakota)

one account	multiple meters	one fee assessed
multiple accounts	multiple meters at different rates	more than one fee assessed
one account	multiple rate classifications combined into one	one fee assessed, at largest applicable rate to a single rate classification
more than one premise		more than one fee assessed, each premise (address) will be assessed

Next Steps

- Amend current franchise agreements in place
- Adopt an ordinance for each service provider to enact the fee
- Notify the Minnesota Public Utility Commission, allow time for the utility companies to implement the fees
- The new revenue is collected by the utility providers from their customers along with their normal billing procedures
- Service providers transfer funds to the City on a quarterly basis

Timeline

- June 26 – Finance Committee – review rates/structure, input on communication strategy
- July 22 – Council Work Session – approve rates and to move forward, review communication strategy
- Aug 20 – Draft notices to utility companies of Proposed Ordinance (90 days prior to Council adoption)
- Aug – Sept – Oct – Communication to residents & businesses
- Nov 18 – Public Hearing and Adopt Ordinance
  - send written notice with copy of adopted Ordinance to utility companies by certified mail
- Nov – Dec – Jan – Feb – Communications to residents & businesses
- March 1, 2025 – Effective date of Ordinance with Franchise Fees

Communication and Engagement Plan: Franchise Fees for Electric and Gas

Owner: Tierney Helmers, City of Lakeville Communications

Objective:

Under Minnesota Statute 216B.36, cities can impose a fee on utility companies that use public rights-of-way to deliver services. These fees can supplement city funds for projects and can be used instead of a tax levy. Lakeville will enter into franchise agreements with four utility providers: CenterPoint Energy, Minnesota Energy Resources, Xcel Energy, and Dakota Electric. Other nearby cities of similar size already have franchise fee rates in place, which are comparable to the proposed rates in Lakeville.

Once the City Council approves the agreements and the utility companies are notified, we need to launch a communications plan to educate the public and businesses about franchise fees. This plan will explain what franchise fees are, how they compare to tax levies, their intended uses, the different fee levels, and when they will take effect.

Schedule:

Begin communicating with residents and businesses from August 2024 to February 2025. The ordinance with franchise fees will take effect on March 1, 2025, and will appear on bills starting that date.

Duration:

This campaign will begin in August and continue until the fees take effect. We will maintain an updated webpage and address questions as they arise by adding new materials, posts, or updates to the website, including FAQs.

Key Messages:

- Why are franchise fees considered the best option?
    - Minnesota State Statute permits cities to use franchise fees instead of tax levies because utilities are allowed to use public rights-of-way.
    - The fee is distributed equally among all users on a tiered approached based on usage.
- Why a franchise fee vs. a tax levy?
    - With a franchise fee everyone pays a flat fee, rather than a tax levy, which varies based on property value and affects everyone differently.
    - With a franchise fee everyone pays their fair share including tax exempt properties who typically don't contribute taxes to support public safety and city infrastructure services.
- How will the franchise fees be used by the city?
    - The City of Lakeville has grown significantly, leading to an increased demand for Public Safety services, especially fire services, which has become a key focus for the city.
    - Revenues generated by this flat franchise fee will be allocated to Public Safety, specifically the Fire and Police Departments.
    - Transitioning to a full-time firefighting staff involves substantial costs for building modifications, improvements, and constructing new facilities.

Campaign Goals:

- **Inform the Public:** Educate residents and businesses about the new franchise fees, including what they are, why they are being implemented, and how they compare to tax levies.
- **Ensure Transparency:** Provide clear and accessible information about the different fee levels, their intended uses, and the effective date.
- **Engage the Community:** Address questions and concerns promptly through updated materials, posts, and FAQs on the website.
- **Facilitate Smooth Implementation:** Ensure residents and businesses are well-prepared for the new fees appearing on bills starting March 1, 2025.

Strategy:

1. **Initial Announcement (August 2024):**
    - Launch the campaign with a clear, comprehensive announcement about the new franchise fees, their purpose, and how they will be implemented.
    - Distribute the announcement through multiple channels including the city website, social media, City News newsletter and newspaper ad.
2. **Consistent Communication:**
    - Regularly update the city's website with new materials, FAQs and posts to keep the information current and address emerging questions.
    - Use social media platforms to share key information and direct the public to the city's website for detailed explanations.
3. **Feedback Mechanism:**
    - Create a location where residents and businesses can submit questions and concerns on the dedicated webpage for a few months leading up to the launch.
    - Monitor feedback and update the communication materials accordingly to address common queries.
4. **Ongoing Updates (August 2024 - February 2025):**
    - Continue to share information.
5. **Final Push (February 2025):**
    - Intensify communication efforts in the final month leading up to the effective date.
    - Ensure all residents and businesses are reminded of the upcoming change and are aware of where to find information.
6. **Post-Implementation Support (March 2025 and beyond):**
    - Continue to monitor and respond to inquiries as the franchise fees appear on bills.
    - Update the community on the impact and benefits of the franchise fees as they are realized.

Campaign Components:

☐ Messaging package

☐ Schedule

☐ Cable Channel:
    - PSAs

- [ ] Medium:
    - Create unique and eye-catching GIFs and promo videos
    - Create static social posts

- [ ] Website:
    - Create page, include FAQs, charts with costs, chart with levy vs. flat fee
    - Emulate parts of other city's pages

- [ ] Social Media:
    - Twitter
    - Facebook
    - Nextdoor
    - Instagram

- [ ] Newspaper:
    - Put information in bi-weekly advertisement

- [ ] City News newsletter
    - Create multiple articles (first starts in August edition)

City of Lakeville
Community Development Department

Memorandum

To: Economic Development Commission

From: Tina Goodroad, Community Development Director

Copy: Kati Bachmayer, Economic Development Manager

Justin Miller, City Administrator

Date: August 22, 2024

Subject: Packet Material for the August 27th EDC Meeting

Agenda Item: Cannabis Zoning Discussion

BACKGROUND

Legalization of cannabis was signed into law on May 30, 2023 (Chapter 342 of MN Law). Commercial growing, processing, and retail sales will fall under the regulation of the new state Office of Cannabis Management (OCM) who will begin licensing likely in early 2025. Special pre-approval (2024 legislation) will be conducted this summer for verified social equity applicants for the following license types: microbusiness, mezzobusiness, cultivator, retailer, wholesaler, transporter, testing facility and delivery service. Social equity applicants with license pre-approval may begin growing cannabis prior to adoption of final OCM rules but no retail sales can take place until final rules are adopted.

The OCM will be responsible for all commercial regulation including licensing split between cultivation, manufacture, distribution, and retail (see Guide for Local Governments). Cities are responsible for registration. If the business has a valid state license, passes the compliance checks, and has paid all the fees and taxes, the city must issue the registration. State Statute requires that a city must issue at least one registration per 12,500 residents. For Lakeville, this means up to six registrations.

Municipal regulations are generally preempted. Cities may not ban use, possession, or transportation. Cities cannot prohibit businesses from operating if licensed by the state. However, cities do have a role when it comes to zoning. Cannabis businesses are viewed as any other type of legal business, subject to the City's general zoning regulations. A condition of obtaining a full-strength retail license will be demonstrating compliance with local zoning

regulations. Local ordinances can be adopted to regulate reasonable restrictions on the time, place, and manner of operation of a cannabis business.

The statute also specifically mentions distance limits that may be incorporated into ordinances: 1,000 feet from a school and 500 feet from a daycare, residential treatment facility or "attraction within a public park that is regularly used by minors: like a playground, playfield, etc." These limitations are not required but an option. Earlier this year we received direction from Council to limit 500 feet from schools (see attached map). The council agreed to this again at their discussion on July 22nd.

Due to the changes made to the law in the 2024 legislative session, we need to update our Zoning Code to include license types in districts.

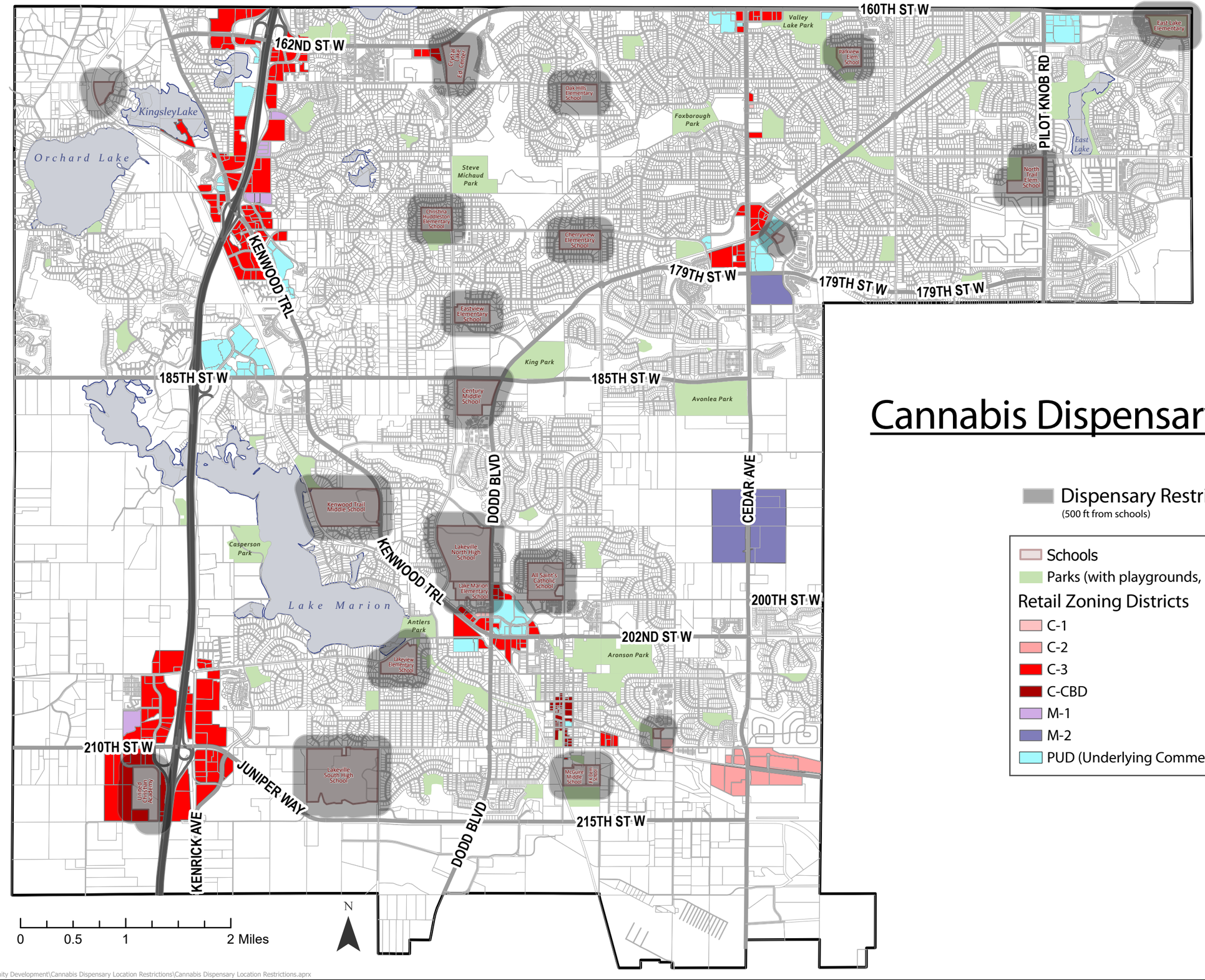
Staff met with the City Council at their work session on July 22nd to review the license types and seek direction on uses as permitted or conditional. A table has been created with the license types and zoning districts with the council direction. Generally, cultivation, manufacture, distribution/transporting, wholesaler fall within industrial districts while retail license (dispensaries) will be considered a commercial use. Even as permitted uses, standards can be added to the ordinance requirement meeting all OCM rules related to the specific license type and meeting license requirements outlined in statute. The rules will dictate requirements for buildings including ventilation, odor control, security, etc.

On August 22nd the Planning Commission will hold a public hearing to consider the text amendment to add the cannabis business types based on the table.

Attachment
Cannabis dispensary restrictions map
Cannabis zoning table

	Commercial District				Industrial Districts			
Zoning District	C-1 Neighbor Comm.	C-2 Hwy Comm.	C-3, General Comm.	C-CBD	I-1, Light Ind	I-2, Gen Ind	O-P, Office Park	
Cannabis License Type								
Cannabis Microbusiness					CUP	CUP	No	Indoor cultivation of plants up to 5,000 sq ft or up to half acre outdoors + 1 retail license (same site)
Cannabis Mezzobusiness					P	P	P	Indoor cultivation of plants up to 15,000 sq ft or up to 1 acre outdoors + 3 retail license (retail use is not on same site)
Cannabis Cultivator (indoor)					P	P	P	Indoor cultivation of up to 30,000 sq ft plant canopy
Cannabis Cultivator (outdoor)					No	No	No	Outdoor cultivation of up to 2 acres
Cannabis Manufacturer					P	P	P	Manufacture cannabis and hemp products
Cannabis Retailer	P	P	P	P				Cannabis retailer (342.27 stipulates display, storage, hrs operation; security)
Cannabis Wholesaler					P	P	P	Buy and sell immature plants
Cannabis Transporter					P	P	P	Transport cannabis and hemp products between
Cannabis Testing Facility					P	P	P	Third-party testing any products grown or manufactured
Cannabis Delivery Service					CUP	CUP	CUP	Delivery with on-site vehicles
Medical Cannabis Cultivator					P	P	P	60,000 sq ft of plant canopy
Medical Cannabis Manuf					P	P	P	Manufacture medical cannabis products
Medical Cannabis Retailer	P	P	P	P				Purchase medical cannabis flower and producsts and sell or distribute
Medical Cannabis Combo business					CUP	CUP	No	Cultivator, processor, and retailer
Lower-potency Hemp Edible Manuf					P	P	P	
Lower-potency Hemp Edible retail	P	P	P	P				

Cannabis Dispensary Restrictions



Dispensary Restricted Area
(500 ft from schools)

Schools
Parks (with playgrounds, ball fields, etc.)

Retail Zoning Districts

- C-1
- C-2
- C-3
- C-CBD
- M-1
- M-2
- PUD (Underlying Commercial Use)

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City of Lakeville
Community Development

Memorandum

To: Economic Development Commission
From: Kati Bachmayer, Economic Development Manager
Copy: Tina Goodroad, Community Development Director
Justin Miller, City Administrator
Date: August 27, 2024
Subject: Economic Development Report

This memo is intended to provide information on new and expanding businesses, proposed development projects and economic development-related events.

Development Update

- Antlers Ridge Final Plat was approved during the July 15 meeting, with the development contract approved on August 5. The project proposes the development of 34 twinhome lots located east of Kenrick Avenue and north of 205th Street West.
- Niche Books held a ribbon cutting ceremony on July 17 at 20784 Holyoke Avenue, next to Tapestry Coffee in downtown Lakeville.
- A groundbreaking ceremony was held on July 22 to kickoff construction for the 14,000-square-foot building for Midwest Ear, Nose & Throat Specialists. The new medical office will be located at 11020 161st Street West, near Bowlero.
- Donut Star hosted a ribbon cutting ceremony on July 31 to celebrate its expansion into Lakeville. The business is located at 7656 160th Street West in the Lakeville Crossing Shopping Center.
- In July, Northland Collision was issued a building permit to construct a 3,828-square-foot addition onto its existing building at 7430 160th Street West.
- Uptown Cheapskate was also issued a building permit in July to remodel the tenant space at 7598 160th Street West in Lakeville Crossing Shopping Center.
- Sundance Lakeville Second Addition preliminary plat and conditional use permit were approved during the August 5 meeting. The project proposes 13 townhome buildings with 167 dwelling units and nine single-family rental home lots located north of 162nd Street West (CSAH 46), west of Buck Hill Road and east of Kendale Avenue.
- Lakeville 35 Logistics Center North Addition has submitted a preliminary plat and CUP application for a proposed 189,678-square-foot multi-tenant office/warehouse building to be located on County Road 70, just west of Lakeville South High School.
- Kyiv Cakes held a ribbon cutting on August 23 at 17697 Kenwood Trail in the Southfork Shopping Center. The new Ukrainian bakery sells breakfast pastries, sweet treats and custom cakes.

- PetSuites Stay and Play, located at 18440 Orchard Trail, is scheduled to open on August 28. The business offers pet boarding, daycare, grooming and training.

Under Construction

- Remodel work is underway on the new UrgentVet location at 17698 Kenwood Trail in the Argonne Village shopping center. When open, the business will offer after-hours urgent care for cats and dogs.
- The new 2,867 square foot Taco Bell is under construction at 20681 Keokuk Avenue, near Emagine Lakeville Theater.
- The RL Cold building is under construction at 21700 Galway Lane, near Sweet Harvest Foods. The new 284,921-square-foot cold storage facility is anticipated to have up to three users when fully occupied.

Coming Soon

- Estoria will be hosting a groundbreaking ceremony on September 4 to kickoff development of the 91-unit, 4-story senior housing co-op near Hosanna Church on 165th Street West.
- Tina Goodroad will be speaking on a panel during the Minnesota Real Estate Journal Cannabis Real Estate Summit on September 6 from 8 a.m. – 12 p.m. at Golden Valley Country Club.
- Leadership Lakeville kicks off on September 18 at the Emporium Room. Learn more about the re-launched program at lakevillechamber.org/leadership-lakeville/.

Building Permit Report

The City has issued building permits with a total valuation of $135,834,542 through July. This compares to a total valuation of $181,270,226 for building permits issued through July of 2023.

The City issued permits for 187 single-family homes through July with a total valuation of $57,033,000. This compares to 198 single-family home permits through July of 2023 with a total valuation of $57,177,000.

The City has also issued 64 townhome permits with a total valuation of $15,139,000 through July, compared to 93 townhome permit with a total valuation of $19,698,000 during the same period in 2023.

Lakeville is currently ranked #2 in year-to-date Twin Cities residential building permits, according to Housing First Minnesota.

Additional Highlights

- The City of Lakeville launched a Residential Rental Registration Program in late 2023. The purpose of the ordinance is to build strong partnerships with rental property owners and create an opportunity for the City to provide educational materials to property owners and occupants of residential rental properties. During the August 5 meeting, an amendment was approved to clarify that an out-of-state rental property owner is required to register a Minnesota-based rental manager. More information about the program can be found at LakevilleBusiness.com/RentalRegistration.

Development News Resources

- Lakeville's Interactive Development Map includes information on development projects in the City.
- Thrive! Business Newsletter is distributed monthly and includes development updates and helpful business resources.
- City of Lakeville YouTube channel for Thrive! videos and other city news.