

MEMORANDUM

TO: Ben Martig, City Administrator
Chris Heineman, Community Development Director

FROM: Gordon Hughes and Cathy Bennett, ULI Minnesota

DATE: August 8, 2018

SUBJECT: ULI Minnesota *Navigating Your Competitive Future* Workshop

On behalf of ULI Minnesota, thank you for the opportunity to meet with the City Council, EDA, HRA, Planning Commission and staff on August 1, 2018. Our ULI MN workshop team enjoyed our dialogue with the City officials and appreciated your hospitality. We also appreciated the time that you spent with us in preparation for this workshop.

As a follow up to the workshop, we would like to take a moment to summarize some of the **key observations** expressed during our panel discussion and dialogue.

- **Data on demographics, housing and jobs in Northfield, presented at the workshop, offered a point of reference for trends that will affect the City in coming years.** Please feel free to contact us if you have any follow up questions on the data presented at the workshop or any of the materials which we provided.
- **Northfield has several key strengths and assets to leverage.** Northfield's assets include a historic, walkable and authentic downtown, nationally recognized colleges, the Cannon River and other attractive natural resources. These assets position the City well for commercial and residential (re)development.
- **A big advantage for Northfield is the intact, authentic downtown.** Downtown Northfield is an existing asset that many other cities attempt to replicate unsuccessfully. The Next Generation is very sensitive to the difference between authentic and inauthentic places. Development initiatives that respect and leverage the authenticity of downtown will be especially attractive to everyone, especially the younger demographic.
- **The importance of creating a "there there".** More than ever, the Next Generation and Boomers are looking for communities that are experience-based, i.e. where they can bump into other people and have access to a variety of activities, especially in places that are viewed as authentic. Places where things are happening all the time and full of people are very attractive places. More and more, people want to identify with an interesting and active place to live, work, recreate and shop. Concerts, races, festival, park and recreation offerings and destination restaurants are especially attractive
- **Bike paths are important to both developers and residents.** Panelists commented that nearby bike paths and trail connections are one of the most important factors in their decision to pursue a new project. Paths that connect important places along safe and

interesting routes should be prioritized and are some of the most cost-effective infrastructure improvements that the City can make. In addition to making Northfield more attractive for investment, they also encourage a healthy lifestyle and are highly valued by both younger residents and seniors. Trails that are designed for seniors and those who are less mobile, such as incorporating ADA standards, benefits all trail users.

- *A ULI article from March 2017 indicated that bicycling and trails are very good for business and increases the value of nearby properties. A study of Indianapolis’s Cultural Trail, for example, found that property values within one block of the trail rose 148 percent between 2008 and 2014—far more than in the city as a whole. Studies of the Minuteman Bikeway in Massachusetts and the Katy Trail in Dallas found that homes near the trails sold faster and for more money than homes farther away. In 2016, the National Association of Homebuilders reported that access to parks with walking and bike paths were the top neighborhood amenity sought by homebuyers.*
 - *As published in John Compton’s book called The Proximate Principle where there was a study of 25 instances of open space near residential developments, it was revealed that 20 of the 25 cases resulted in higher property values.*
- **Leverage the Cannon River to attract tourists and investment to the City.** The Cannon River is a wonderful resource that can be further leveraged to become a greater attraction for paddlers and tourists. Combined with its downtown location, the river can be a great destination attraction for Northfield that should be capitalized on when making infrastructure and land use decisions.

Housing Market/Growth:

- **New workforce housing with modern amenities can provide a needed component to Northfield’s existing housing stock.** Today’s mixed income workforce housing products are far different from yesterday’s low-income housing. Cities which have welcomed such developments are generally happy with the results. Information provided in <http://housingcounts.org/> will be helpful to the City for finding resources associated with workforce housing. The number one attraction for younger people moving to a community, according to a recent survey, is the existence of affordable housing close to “urban-like” amenities.
- **Workforce housing usually requires financial assistance from multiple sources.** Panelists noted that public financial participation from 12-25% of project costs are often required to produce multifamily housing with an affordable component. Funding often comes from multiple sources including tax credits and city/county assistance through tax increment financing and/or tax abatement. Land trusts also play a role in ensuring the long-term affordability of housing project as the land costs are held by the trust through a 99-year lease.

- **Housing affordability and Northfield’s industries.** Northfield would benefit from undertaking a more in-depth analysis of the wages paid by local employers in order to evaluate the need for more workforce housing including types and price points. This analysis may help the City fine tune the types of workforce housing that will be most beneficial for prospective residents and employees at Northfield’s industries.
- **Employers need nearby housing opportunities for employees.** The mismatch between where jobs are located and the availability of nearby affordable housing choices is an important issue when developing strategies for Northfield’s economic development efforts. A ULI MN housing forum revealed that such a mismatch is affecting the business growth and locational decisions of large employers as evidence by comments from two of our region’s major employers – Shutterfly and Fed-Ex. Economic development is more than simply attracting industry to the City – it’s also about providing housing opportunities for the workforce needed by those industries.
- **Affordable homes and an attractive employment base offer an opportunity to increase the number of people who both live and work in Northfield.** Approximately 3,500 Northfield residents are currently employed in jobs located in the City. There’s an opportunity to grow this number in the future, especially if the supply of affordable workforce housing grows. Newer rental opportunities with a mix of affordability could be an attracter for younger workers who could be the future owners of the existing single-family housing stock. Another consideration is ensuring that there are businesses providing affordable day care which is very important to the younger generation who are looking to work in the community, purchase a home and start a family.
- **The real surge of Baby Boomers seeking alternative forms of housing is yet to hit.** Until then, communities will experience a significant increase in “aging in place” and home-based health care services will grow as seniors attempt to extend their time in more traditional housing types. Home-based services require service employees who also need affordable housing to be able to efficiently serve the older residents of the community
- **Some unique work/live projects may be a good fit for Northfield.** Housing/work space for artists could be an attractive component of Northfield’s housing stock. Based on Artspace’s experience in Hastings, such housing/work place opportunities are often attractive to younger artists who wish to return to their hometown but who otherwise can’t find affordable housing. Also, panelists mentioned the Brooklyn Terminal project that converted older industrial buildings into work sharing/maker spaces with associated housing. This type of project, on a much smaller scale, may be an option to explore for the City of Northfield’s industrial areas.

Business Market/Growth:

- **Development need not come at the expense of downtown.** As mentioned above, Northfield’s authentic downtown is a wonderful asset that deserves protection. However,

reasonable (re)development in other parts of the City is possible without compromising the vitality of downtown. There are many examples of cities that enjoy both vibrant downtowns and successful developments not located in the core of the city. The City of Denver was very strategic about ensuring that development would be acceptable and complementary in both the downtown district and excess land near the Denver International Airport. As panelists indicated, responding to what the market desires by being flexible and allowing development that is complementary can be one of the best laid plans for future success.

- **The Great Recession seriously affected the development community.** Qualified developers are selective about the communities in which they work and are looking for predictability and flexibility. Cities which embrace collaborative approaches to solving problems, identify and pursue partnerships, manage development risks, improve decision making skills and develop clear expectations will be attractive locations for great (re)development. Developers are much more reluctant to invest their limited “pursuit capital” in cities which have not invested the time and energy needed to achieve a commonly held vision and do not convey an “open for business” attitude.
- **Employee base is a growing concern of commercial/industrial users.** The availability of a skilled workforce has become of critical importance to locational decisions of commercial/industrial users and this is exacerbated by Northfield’s very low unemployment rate. In addition, the availability of a skilled workforce is often dependent on the availability of housing options that are affordable to a broad range of incomes.

City Partnership Strategies:

- **Successful communities develop a clear vision, react appropriately to opportunities, create innovative financial tools and leverage their key assets.** Leadership and “consistency of vision” are keys to successful communities, especially the alignment of policy direction between elected officials and staff. Developers’ greatest enemies are uncertainty and risk and they tend to seek out cities where they are wanted, have a well-crafted vision and have a partnership rather than a regulatory approach to doing business. While the City can’t force the market, it can be ready to act when the time and markets are right. Be flexible to options especially in terms of zoning requirements. It is important to have the hard conversations about density, height and public financial participation before the developer submits a specific proposal.
- **Seek out the advice and guidance of the development community to identify opportunities for the City.** The development community is generally willing and able to offer their opinions about market conditions and development possibilities. Do not be afraid to call on them for their opinions. Although our residential panelists typically focus

on larger scale projects, there are many others who specialize in smaller scale projects that may be attractive to the City.

- **Risk is not a bad thing if it is quantified and understood.** Cities that take no risks are generally not able to capture economic opportunity and community vitality. Successful projects in many cities include a risk position, as long as that position can be quantifiable and manageable. These types of calculated risks, coupled with ties to a strong vision and consistency of leadership, can pay large dividends to a city in the long run. Be prepared to act when there is a window of opportunity.
- **The City's involvement in (re)development can take many forms.** Although financial assistance could be an important component of successful projects, the City could also consider approaches such as marketing initiatives or property assemblage. Whatever the approach, it is important for the City to align available resources and communicate them effectively to the (re)development community. The policies and practices outlined in the [ULI MN \(Re\)Development-Ready Guide](#) will assist Northfield in establishing (re)development policies and practices that use scarce public dollars to attract private investment, grow jobs, and build tax base for the well-being of the City.

On behalf of ULI MN, thank you again for hosting this workshop.