



Legislation Text

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City Council Meeting Date: July 9, 2024

To: Members of the City Council

From: Ben Martig, City Administrator
Jake Reilly, Community Development Director
Nate Carlson, Economic Development Coordinator

Consideration of Northfield Planning Commission and Northfield Economic Development Authority Recommendation Options Related to an Interim Ordinance to Temporarily Limit Development in the Northwest Area to Orderly Plan for Development of the Northwest Area.

Action Requested:

Consider and discuss PC Resolution 2024-002 and supplementary Economic Development Authority Resolution 2024-003 recommending an interim ordinance enacting a moratorium on new development applications in the 530 acres of land known as the Northwest Area.

See “Alternatives Options” section for different action options for Council to consider.

Summary Report:

The City has been planning for the development of the Northwest Area in addition to other redevelopment and infill site strategies consistent with the City’s Strategic Plan related to tax base growth. This area is being explored to be further enhance updates for development in conjunction with the Comprehensive Plan update that is part of the City Strategic Plan. Although delayed by COVID and other priorities, staff is making substantial advancement in advancing the Council dire recommended an incremental approach to development in the area, memorialized in Resolution 2019-008 (Attachment 3). Some market conditions have revised the approach on this area related to the market conditions and locational advantage for this area to service data centers. The AUAR process specifically included this market and staff have been responding to interest and advancing data centers as a prospective development for the NW Area.

Background

Under Minnesota law (Minn.Stat. §462.355 Subd. 4), a city may adopt an interim ordinance, often called a moratorium, to protect the planning process. Such an ordinance may, “regulate, restrict, or prohibit any use, development, or subdivision within the jurisdiction,” if certain conditions are met. Those conditions include if the municipality is conducting studies (or has authorized a study), has scheduled a public hearing to consider adopting or amending a Comprehensive Plan or official controls, or if the area includes land for which plans and/or controls have not yet been adopted. States statute limits such ordinance to expire in one year, unless otherwise addressed before the one-year mark.

In the fall of 2023, the Northfield City Council adopted an Alternative Urban Areawide Review (AUAR) (Attachment 4) for an area of approximately 787 undeveloped acres (530 acres in the city limits and the

remainder in Greenvale Township) northwest of downtown and west of the Northfield Hospital complex. The AUAR is a unique-to-Minnesota environmental review process intended to evaluate cumulative impacts under multiple development scenarios, including the existing scenario described in the 2008 Comprehensive Plan, and consider mitigation strategies. By frontloading environmental review in this way, the AUAR may serve as a development incentive. However, Northfield is now updating its Comprehensive Plan and will revise official controls subsequently. It is an opportune time to complete additional needed analysis for the area and consider development regulations in a timely way.

Northfield's current Comprehensive Plan was adopted in 2008 and guides this area for commercial and industrial development. The land retains an agricultural zoning designation representing the existing use. However, the zoning is intended to be an interim zoning classification allowing agricultural activities within the city limits on land intended for later development. Some uses allowed in the agriculture zone other than crop raising and residences include commercial solar farms and community solar gardens, aggregate extraction/mining, and schools. Northfield annexed approximately 530 acres in 2009 for commercial and industrial development just west of the Northfield Hospital; annexing additional land for commercial and industrial development was identified in the 2006 Comprehensive Economic Development Plan. To date, no development has occurred in this area except the installation of commercial solar farms, which require a conditional use permit.

Updated zoning regulations for the City were adopted in 2011, but the zoning classification intended for this area - the Economic Development Floating Zone or ED-F, was not completed. Although a draft Master Plan for a business park in this area was prepared in 2011, it was not adopted for policy purposes. However, it is

In 2018, the City Council established a committee comprised of members from the EDA, Housing and Redevelopment Authority (HRA), Planning Commission and City Council. The committee's charge was to provide a recommendation to City Council regarding a process to facilitate growth in the Northwest Area. After careful consideration of multiple approaches to planning for development in the area, including a master plan, the committee recommended an incremental approach to development in the area, memorialized in Resolution 2019-008 (Attachment 3).

The memorandum accompanying the resolution identified several conclusions and recommendations, as well as future steps. Of note, and relevant to this memorandum and the potential opportunity adopting an interim ordinance presents, are the following:

Conclusions:

- The 500 acres in the northwest area cannot be viewed in isolation from the overall economic development strategies employed by the City; 500 acres represents about 10% of the entire area of the City and must be integrated physically and economically into the community.
- Downtown is one of Northfield's most important assets; development should support and not draw business from downtown.
- Five hundred acres is more land than is needed for new growth within the foreseeable future. The 2011 Master Plan was considered to be too large and ambitious to be feasible in the current economic and market climate. Since the 2011 Business Park Master Plan included the entire area, any proposed plan would need updated information, e.g. market feasibility; market absorption rates; fiscal analysis & return on investment for the City's estimated capital and maintenance costs for infrastructure including the expected timeline for breakeven on that investment.
- Staff and both appointed and elected decision makers should strive for vertical certainty and general

agreement about development policy and process to reduce development uncertainty and risk.

Recommendations:

- *Planning documents* should be reviewed, analyzed and updated:
 - Consider further analysis of citywide land use and infrastructure in order to inform the planning process including official mapping of proposed road and infrastructure corridors.
 - Create and adopt a Future Land Use map.
 - Updating plans and policy should also reflect other City priorities such as climate action, equity, and transportation choice.
- *Sustainability*: The fiscal security of Northfield's future with respect to development opportunities and sustainability practices should be at the forefront of planning discussions. Northfield must evaluate the return on public investment for all projects including maintaining and replacing infrastructure improvements.
- *Connecting the entire community* to future development is essential in order to maintain the existing fabric and character of Northfield. The Northfield Hospital will act as a long-term development anchor for the Northwest Area and should spur future development that complements the thriving downtown and commercial corridor. Care must be taken to ensure that additional development does not result in a disconnected satellite to the City.

Since the 2008 Comprehensive Plan and land development/zoning regulations were updated, and the committee presented the above-referenced memorandum and path forward for the Northwest Area, including stating a request for a staff team to convene a conversation with Saint Olaf College and Northfield Hospital staff regarding the potential to rezone the approximately 50-acres next to the hospital site, the City of Northfield adopted a Climate Action Plan (CAP) in 2019 which directs the City to, “integrate the Climate Action Plan into policy and plan updates including, but not limited to, the comprehensive plan, Land Development Code, complete streets policies, and others,” (PP7.1, p. 38). Given that this work has not yet been done, the Northfield 2045 Comprehensive Plan process is an ideal time to consider climate as part of land use and capital planning. In addition, the CAP contains several policy goals for promoting, supporting and preserving agriculture and local food production and for recruiting green businesses for any business park; both are relevant to this area.

Northfield has not yet adopted sufficient code language potentially applicable to this area that addresses elements of the CAP nor responds to conclusions and recommendations in the 2019 memorandum. Northfield has prioritized increasing the commercial and industrial tax base to reduce the tax burden on residential taxpayers and generally increase the tax base to pay for city services and improvements. However, Northfield has not yet evaluated how large an increase in tax base is needed for the level of spending anticipated or for the desired reduction in dependence on residential taxpayers. Further, and more critically, the city has not considered how the increased infrastructure and service costs will offset gains in tax revenues.

“Under Minnesota property tax law, class rates for commercial and industrial value are 1.50%-2.00%, in contrast to 1.00%-1.25% for residential value. Changes to commercial, industrial, residential and other land uses in the city, along with resulting shifts in property tax revenues, will also result in public costs. While the property tax framework is rigidly standardized statewide, local policy direction about the location, density, and mix of land use is a powerful driver of productivity and economic resilience,” notes Jon Commers, CEO of Visible City, Inc. in a proposal for his firm to study the outcomes associated with recent years; infill development, quantify capacity for expanded infill development areas citywide - those already fully served by public infrastructure - and identify and test areas that appear to be ripe for redevelopment as well as test approaches and mix of uses to commercial and industrial expansion.

Adopting an interim ordinance for this area would allow the City's staff and elected and appointed officials time without external pressures to determine what type of public investment in the northwest area of the community is justifiable; how and when it might be justified, if there are other alternatives to publicly funded infrastructure; and potentially what types of industrial or commercial users are best-suited to the area while also aligned with stated community goals and/or a vision associated with the 2045 planning horizon. Given the preceding, it is needed to protect the health, safety, and welfare of the public and is in the public's best interests.

At the June 24, 2024 EDA meeting, staff facilitated a conversation with the EDA board members. During the conversation, several EDA members noted that they appreciated the idea that enacting the interim ordinance would more likely than not allow for the right developer to move very quickly and that the now pause through December of 2024 on accepting applications related to new users/uses falls under the concept of going slow in the near term in order to be able to be much more able to respond quickly as other potential infrastructure needs come online, including but not limited to power, which is driven by Xcel Energy and is estimated to take between three and five years.

The attachments include links to the videos from both the Planning Commission and Economic Development Authority meetings are included. Staff highly encourages watching those meetings for more in-depth analysis and discussion if you have the time.

City Administrator Martig, Community Development Director Reilly, and Economic Development Coordinator Carleson will present at the meeting and be available for questions. Additionally, we have one Council Liaison (Sokup) on Planning Commission who may provide additional insights from the Planning Commission. Also, Councilors Peterson-White and Holmes are members of the Economic Development Authority and can provide perspectives as well.

Alternative Options:

- Motion to support the PC Resolution 2024-- interim ordinance on all development applications and direct staff to prepare ordinance and related actions with this recommendation.
- Motion to support the EDA Resolution action - interim ordinance on all development applications and direct staff to prepare ordinance and related actions with this recommendation.
- No Action (staff will continue to pursue development standard interim updates and re-zoning for 50-acres without a temporary moratorium)
- Other action like modified motion.
- Motion to postpone to a specific date requesting additional information.

Financial Impacts:

The potential impact of an interim ordinance limiting development is that the City would not be able to accept funds for applications for development in the area. Application fees for development proposals likely to occur in the Northwest Area start at \$600.

The potential financial impact of allowing development proposals to move forward with a dated Comprehensive Plan as the guide is more likely than not to increase costs to the City, whether through legal fees, unsubsidized development costs for adequate water supply and wastewater treatment facilities, staff overtime, additional consultant fees, and ultimately, loss of an increase in the commercial/industrial tax base.

Tentative Timelines:

EDA Option

June 2023 to December 2024 - Comprehensive Plan development
August 5th 2024 - Public Hearing and First Reading Interim Ordinance (moratorium)
August 20th - Second Reading Interim Ordinance (moratorium)
November 5th - Text Amendment for Design standards and re-zoning of 50 acres options presented for consideration by Council.
December 3rd - Council adopt comprehensive plan
December 31st - Interim ordinance expires (if not before)
Unknown - Land Development Code/Zoning Code amendments

PC Option

June 2023 to December 2024 - Comprehensive Plan development
August 5th 2024 - Public Hearing and First Reading Interim Ordinance (moratorium)
August 20th - Second Reading Interim Ordinance (moratorium)
December 3rd - Council adopt comprehensive plan
Unknown - Land Development Code/Zoning Code amendments
July 2025 - Interim ordinance expires (if not before)