

# 10. Economic Development

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## Organization

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## Purpose

The purpose of the Economic Development Chapter is to identify the objectives and strategies for the success of economic development in Northfield.

## A. Overview

Northfield is in an enviable position for a community of approximately 19,000 residents. The city boasts a number of assets and a unique character. An historic downtown and neighborhood, vital arts and culture presence, burgeoning riverfront and distinctive retailers make Northfield a popular destination. Two nationally-recognized liberal arts colleges, Carleton and St. Olaf, create intellectual capital that extends beyond students and faculty. This contributes to the community's economic development in a unique and distinct manner. The colleges also provide a wide variety of cultural offerings for the community as a whole.

These attributes, in addition to a strong employment base and easy access to the Twin Cities, Rochester, and the evolving southeast Minnesota corridor create conditions under which growth must be planned for and managed. While rapid suburban development is a national pattern – resulting in communities with no real sense of identity – Northfield has defied the odds. It has done so by maintaining both its own employment base and its downtown core while being dedicated to thoughtful growth and preserving the city's quality of place. Northfield's ability to offer a diverse mix of employment and housing opportunities, to maintain and enhance the downtown, and to provide the level of services that current and future residents demand will hinge on the community's commitment to pursuing specific economic development objectives – and to do so in a highly visible and assertive manner. The following land use principles of Chapter 4 relate to economic development:

- The preference for accommodating future growth is in infill locations, then redevelopment/land intensification opportunities; and then on the edge of existing developed areas (Principle 3).
- Places with a mix of uses that are distinctive and contribute to increasing the city's overall vitality are preferred (Principle 6).
- Neighborhood-serving commercial will be small scale and integrated with the residential context (Principle 7).

## B. Goal

A goal is a policy statement that states a desired outcome in general terms. The goal for economic development is provided below. The goal was developed by considering key findings related to economic development and integrating public input generated as part of the 2006 Economic Development Plan.

Promote economic development by supporting existing businesses, by talent attraction and retention, by aggressive business recruitment, and by increasing the availability of commercial and industrial land. A further goal is to reposition Northfield to become more competitive in its economic development initiatives in relation to the Twin Cities, the Rochester corridor and its neighboring communities.

The 2006 Economic Development Plan contains a detailed explanation of all the strategies associated with maintaining and expanding the economy. Where more detail is needed to understand the full context of the Economic Development Plan, refer to the 2006 Economic Development Plan.

**TABLE 10.1 NORTHFIELD SWOT ANALYSIS**

Strengths	Weaknesses	Opportunities	Threats
Highly educated workforce	Lack of commercial and industrial space and land resources	Riverfront development	"Northfield is becoming an increasing suburban bedroom community."
Authentic & thriving downtown business sector	Low rates of retention of graduates	Medical and related industries	Loss of independent retail downtown
Presence of St. Olaf and Carleton Colleges	Limited number of Employment opportunities	Business expansion out of Minneapolis-St. Paul	Under-developed
Growing health care sector	Limited housing, social and recreational opportunities for young adults	Expansion of existing businesses	Land underutilized
	Overpriced Housing	Draw from Twin Cities Labor Pool	Limited diversity of retail downtown

Source: TIP Strategies and Northfield Economic Development Authority

**C. Key Findings**

The community’s opportunities and challenges were identified in the Comprehensive Economic Development Plan, adopted by the Economic Development Authority (EDA) in 2006, and are identified in Table 10.1, above. The information in this table highlights Northfield’s strengths, weaknesses, opportunities, and threats, commonly referred to as a SWOT analysis. Broadly speaking, economic development strategies emerge directly from the SWOT analysis. Weaknesses – even if not directly related to economic development – must be addressed, and strengths must be supported and reinforced. Similarly, threats to the economic well-being of the community must be anticipated and responded to before they become crises. Opportunities, on the other hand, should be acted upon assertively and, if possible, collaboratively.

**D. Priority Strategies**

The 2006 Economic Development Plan describes three priority strategies for the community:

- Diversify the economic base.
- Maintain Northfield’s sense of place.
- Attract and retain talent.

**1. Diversify the economic base.**

The availability of land for commercial and industrial expansion and recruitment continues to be at the forefront of community discussions. This type of development leads to quality employment opportunities, increased tax base and ancillary businesses that support existing businesses. Strong residential demand and limited annexation powers combine to drive up land costs, making available property costly for development. Providing specific commitments to offer suitable land for commercial and industrial expansion, it is reasonable to expect that future industrial and commercial growth can occur. Because of the higher property class rate assigned to nonresidential property, commercial and industrial property typically generates more tax revenue than residential property. Businesses also generally require fewer public services, such as police and fire, often making them a net gain to the City’s tax base. Commercial and industrial development also has a “multiplier effect” as spending generated by companies and their workers circulate through the local economy.

In addition to the direct fiscal implications, uncontrolled residential growth without a corresponding growth in the commercial and industrial economy can

create a number of unintended consequences. These include increasing commute times (because residences and businesses are further apart) and demographic shifts (as developers cater to specific markets, such as senior housing or upper income markets), as well as the impact of market forces themselves. Strong residential demand creates dramatic rises in housing costs and speculation, while weakening demand can leave the community with vacant housing units, falling home values and deteriorating neighborhoods.

If this situation is to be resolved given the current competitive environment, increasing the availability of commercial and industrial land for existing business expansion and new business attraction is of utmost importance. In fact this issue is the highest priority for the Northfield EDA. This can be accomplished by accommodating the expansion needs of existing businesses, marketing the community strengths, and recruiting targeted commercial and industrial businesses. The City and the EDA are exploring alternative locations for commercial/industrial development that involve the identification of sites that are suitable for infill development, redevelopment/intensification and the creation of a new commercial and industrial center as identified on Map 10.1.

On Map 10.1, numerous locations for infill development and redevelopment/land intensification have been identified along Hwy 3 and along the Cannon River corridor with a total of approximately 30 acres available for commercial and industrial infill. In addition, there are approximately 91 acres of vacant land within the city zoned “mixed use” that are also available for development. Three possible locations for a new commercial and industrial center are also identified as:

- West of the Northfield Hospital.
- West of the existing industrial area along Armstrong Road and Industrial Boulevard south of Hwy 19.
- Area north of the city limits along the corridor that would be the extension of Thye Parkway to Hwy 3.

Because of market considerations and the potential negative impacts of too much commercial and industrial development, the size of the new commercial and industrial center should relate to the overall pattern of the community. Currently, commercial and industrial land uses represents 14.7% of the total land area of the city. As Northfield continues to grow and expand, the City should attempt to increase the proportion of land devoted to commercial and industrial uses to sustain the overall health and vitality of the community.

Ultimately, the size and location of any new commercial/industrial center should relate to the overall development pattern of the community, and will be influenced by such factors as infrastructure feasibility, landownership realities, intergovernmental agreements and market absorption influences.

## **2. Maintain Northfield’s Sense of Place.**

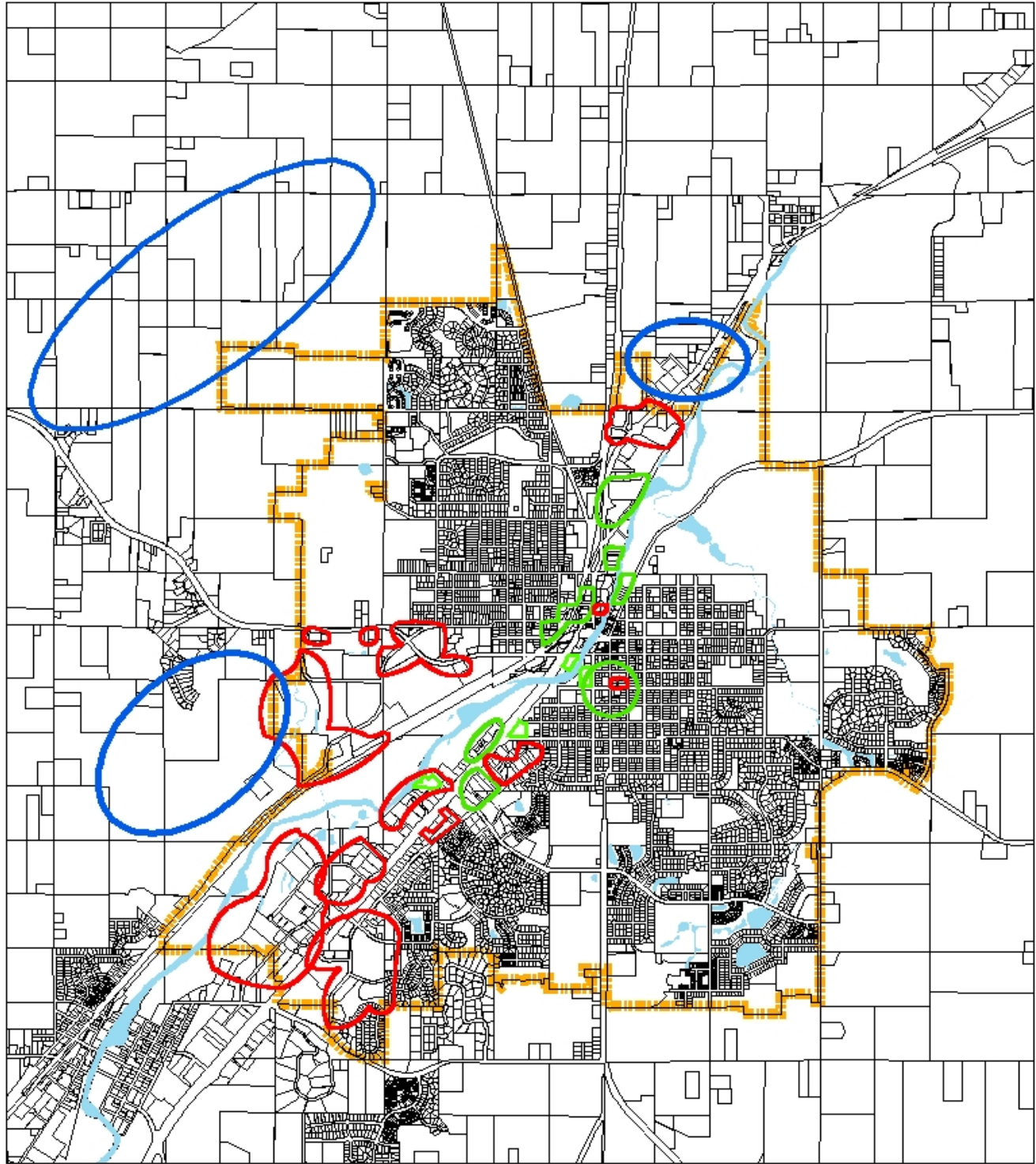
The downtown area is essential to Northfield’s sense of place. It is widely recognized that a healthy retail area is a key indicator of the health of downtown. On this point, Northfield’s story is no different than that of many other communities. Independent retailers, whom are working with limited profit margins, are often unable to absorb rising costs or to offset even a small amount of competition from national chain stores. Faced with dramatic increases in property taxes and competition from larger retailers locating on Hwy 3, the future of Northfield’s independent retailers is vulnerable.

In addition to its historic character, downtown Northfield has an asset that many communities do not — the Cannon River. Once pivotal to the city’s existence, the river has faded in importance from an economic development standpoint. Despite recent developments, linkage to the downtown is still unfocused. Activating the entire riverfront by orienting development to it and encouraging uses that maximize a riverfront location can help invigorate the downtown and integrate it with other areas of the city.

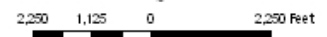
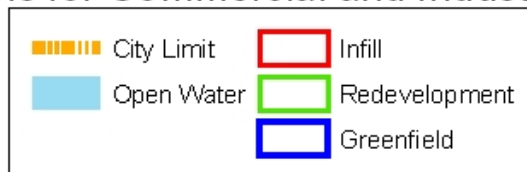
Recent development proposals, including a redevelopment project called The Crossing at Hwy 3 and 2nd Street West set the tone for additional redevelopment and infill projects along the river. Emphasis should be placed on orienting new development to the river. This means ensuring that buildings have access to the river as well as to the street, creating additional pedestrian areas along the riverfront, requiring common architectural elements and adequate lighting and encouraging uses that relate to the riverfront. These uses could include sporting goods stores (with equipment rental options), cafés, and offices with river views as well as professional services and business support activity.

The City will continue to work with the EDA, the Northfield Downtown Development Corporation, the Northfield Area Chamber of Commerce, the Latino Enterprise Center, the Northfield Enterprise Center, the Northfield Housing and Redevelopment Authority and

MAP 10.1 POSSIBLE LOCATIONS FOR COMMERCIAL AND INDUSTRIAL DEVELOPMENT



Possible Locations for Commercial and Industrial Development



the Rice County Economic Development office to strengthen the retail environment, promote tourism, increase the range of professional services and provide a range of housing options. The expansion and revitalization of the entire riverfront will accomplish many of these objectives. The City and the EDA currently provide financial support to many of the entities.

### 3. Attract and retain talent.

As worker shortages loom nationwide and competition for workers increases, attracting and retaining talent has become the focus of economic development organizations across the country. The concept of “talent” means more than a skilled workforce. It means recruiting talented people as well as cultivating the current talent pool represented by students. It also means ensuring that employees and companies that have been responsible for Northfield’s growth see a reason to remain in the area.

Northfield has a unique advantage due to the presence of St. Olaf and Carleton Colleges. Few cities of Northfield’s size are fortunate enough to have one institution – let alone two – directing a steady stream of young people to the community year after year. Collectively, the Colleges enroll nearly 5,000 students in a school year. The growing relationship of higher education to economic development and the opportunity presented by the graduates of St. Olaf and Carleton Colleges make the attraction and retention or return of alumni the most promising strategy for developing Northfield’s talent base.

Northfield would also do well to provide affordable housing to those who wish to work and live in the community. In the 2006 Economic Development Plan, major employers listed housing costs as a perceived barrier to the recruitment and retention of workers (this is addressed in Chapter 11).

The 2006 Economic Development Plan also noted that Northfield is reliant on neighboring communities to supply much of its labor force. For example, more than half of workers at local companies commute from outside the community. Many of Northfield’s more highly-paid workers commute from Dakota and Hennepin Counties. The relatively high cost of housing contributes to these commuting patterns and to the difficulty in attracting and retaining young people.

Finally, it was noted in the 2006 Economic Development Plan that immigration to Northfield

continues to be a factor in its growth as it has been from its inception. Newcomers bring gifts of talent, energy and a desire to make a better life. These have been assets that contributed to the growth of Northfield to this point in time and are required for its continued vitality. At the same time, immigration requires that the current residents reduce barriers to participation so that potential contributions can be made real. Successful economic development will require addressing housing, employment, education and social needs of all residents of Northfield, including recent immigrants.

## E. Objectives and Strategies

Several factors shape the philosophy of economic development in this plan. First and foremost is the definition of economic development as outlined in the Economic Development Plan:

*“Economic development is the application of public resources to stimulate private investment.”*

With this in mind, the role of the public sector gains clarity that other definitions obscure. Public officials and local government employees do not create jobs or generate wealth. But they do control significant resources. Directing these resources effectively and efficiently is their paramount duty. Effective programs should be judged by how well public resources can create a response from private investors. An understanding of trends affecting the practice of economic development across the United States frames the concept of economic development in Northfield. The strategies outlined below are designed to build on the city’s existing assets, while recognizing that change is an inevitable part of growth and that the growth the community will experience should be both manageable and sustainable.

Outlined below are four objectives and 19 strategies. The objectives indicate a specific policy direction and help organize strategies. Strategies are detailed actions necessary to initiate or complete an objective such as a program, policy or project. These objectives and strategies, when combined with the more detailed implementation matrix of the Economic Development Plan, will serve as an effective guide to ensure a coordinated approach to the enhancement of the economy of Northfield.

**Objective 1: The City will support existing businesses.**

ED 1.1 Seek opportunities to address barriers to retention and expansion of existing businesses.

ED 1.2 Assure availability of key informational resources to support decision-making of existing businesses.

ED 1.3 Offer leveraging financial tools to strengthen businesses and promote business expansions.

ED 1.4 Adopt a regulating policy that accommodates and provides incentives for infill and redevelopment and land intensification opportunities.

**Objective 2: The City will make sufficient land resources available for the needs of existing and future businesses in line with the strategies outlined in the 2006 Economic Development Plan.**

ED 2.1 Land resources within the community that are served or can be easily served by infrastructure and are suited for commercial and industrial intensification and redevelopment will be zoned appropriately to enable full and efficient utilization.

ED 2.2 Land resources that are adjacent to the city limits of Northfield and are relatively easy to serve with the extension of infrastructure should be pursued for future commercial and industrial development.

ED 2.3 The City will support strategies of annexation that are designed to provide additional land resources for commercial and industrial development, and that are in compliance with the overall objectives of the Comprehensive Plan.

ED 2.4 The areas that have been identified west of the Northfield Hospital, west of the existing industrial area and south of Hwy 19, and north of the city limits in Waterford Township along the Thye Parkway corridor should be viewed as priority areas for additional evaluation and possible annexation into the city. When these areas are considered for annexation, the City will review the requests with a Master Plan for the area.

**Objective 3: Expanding and revitalizing the Cannon River corridor will be a pivotal part of the strategy to maintain the historic character that is Northfield.**

ED 3.1 Sites that are suitable for land infill and redevelopment/intensification along the Cannon River south of 5th Street should be identified, and strategies to encourage new investment in these areas should be pursued.

ED 3.2 Any infill and redevelopment/intensification along the Cannon River corridor should be oriented to maximize the advantage that the river corridor creates for such opportunities.

ED 3.3 Development design along the Cannon River should incorporate the following concepts:

- A distinctive pattern of architectural and urban design elements that includes many of the design concepts that have been developed from the Downtown Streetscape Framework Plan.
- Link existing pedestrian improvements, including walks and trails, with similar improvements that are required as infill and redevelopment/intensification occurs along the corridor.
- A development pattern that emphasizes pedestrian scale, minimizes building setbacks, ensures the public's health and safety by protecting the floodplain, and discourages large parking areas in front of buildings.

ED 3.4 Encourage further redevelopment/intensification in downtown as a means to maintain and add to the vitality of this area. Downtown redevelopment/intensification should focus on retail uses, professional services, arts activities including opportunities for live-work development, businesses that support other businesses, and downtown housing.

ED 3.5 Establish regulations for locating neighborhood serving commercial nodes. These regulations will address the viability of the commercial node, the relation of the commercial node to the surrounding neighborhood, and strategies to prevent commercial nodes from competing with other commercial areas.

**Objective 4: Support the economic vitality of the community through business retention and recruitment and enhancement of tourism opportunities.**

ED 4.1 Target the retention and recruitment of those industries having the highest potential for success in Northfield, as outlined in the Economic Development Plan, such as logistics, specialty manufacturing, environmental technologies, healthcare and medical, professional and technical services and information technology.

ED 4.2 Seek opportunities for the Northfield Hospital to be a stimulus for economic development.

ED 4.3 Promote economic development opportunities that arise from the development of intellectual capital at Carleton and St. Olaf Colleges.

ED 4.4 Seek ways to better integrate the economically-challenged into the economic life of Northfield, such as providing for affordable housing and targeting small business incentive programs to this segment of the economy.

ED 4.5 Generate the type of economic growth that preserves the small-town character and is consistent with the overall objectives of the Comprehensive Plan.

ED 4.6 Support programming efforts to further tourism in Northfield, e.g., Historic and Festival Programs, Arts and Cultural Programs and Tours.