ROSEVILLE

REQUEST FOR COUNCIL DISCUSSION

Date:September 19, 2011
Item No.: 13.a

Department Approval

City Manager Approval

Item Description: Long Range Planning Discussion

BACKGROUND

The City Council has scheduled this time to discuss long-range planning take a look at development in the community and begin to look at how to identify and attract desirable development within Roseville. In this report, staff has laid out the points previously identified by the City Council as topics of discussion.

GUIDING DOCUMENTS

There are several guiding documents that the City Council should be aware of and have knowledge of for a basis of this discussion. They include:

- 2030 Comprehensive Plan (Selected Chapters, Attachment A)
- Imagine Roseville 2025 (Attachment B)
- Roseville HRA Strategic Plan (Attachment C)
- 2009 Housing Needs Analysis (Summary, Attachment D)

MARKET VALUE

The following table depicts the citywide market value since 1998.

	Citywide Market Value	% Change
1998	2,003,074,080	-
1999	2,186,786,652	9.2%
2000	2,412,333,500	10.3%
2001	2,649,745,900	9.8%
2002	2,951,381,700	11.4%
2003	3,247,056,900	10.0%
2004	3,567,205,800	9.9%
2005	3,918,559,500	9.8%
2006	4,217,700,075	7.6%
2007	4,514,526,750	7.0%
2008	4,446,188,250	-1.5%
2009	4,256,769,300	-4.3%
2010	4,078,894,000	-4.2%
2011	3,928,959,000	-3.7%

As the table indicates, the City's tax base grew by an average of 9.5% per year from 1998-2007. This period featured new commercial development within the City including the Rosedale expansion and the new Rainbow Foods store, as well as new multi-family housing starts such as Applewood Pointe and Greenhouse Village. It also coincided with a period of strong national and local economic growth which resulted in steadily-rising property values.

Beginning in 2008, the tax base began to shrink due to a sustained downturn in the economy. During this time, many commercial properties including Rosedale and Symantec were successful in getting their assessed market values reduced. In addition, the national housing market collapse eventually reached Roseville causing housing values to drop significantly.

While many economic indicators have shown improvement during the past year, the factors affecting the City's tax base continue to temper any market-driven rebound. The City's tax base is not expected to increase until 2013 at the earliest.

WHAT DOES ROSEVILLE HAVE?

Community – Staff has prepared a fact sheet detailing the demographic information from 2010 US Census. (Attachment E) Some highlights from this data is as follows:

- Roseville's population went down by 30 people and our median age went up a year to 42.1 years of age.
- While Roseville continues to have 20% of its population 65 years or older, there has been a modest increase (7.3%) in children under 10 living in Roseville.
- Roseville has become more diverse, with increases in all minority populations, especially for Black/African American and Hispanic populations.
- Roseville's percentage of family households have decreased slightly, while non-family households, including those living alone have increased.
- Roseville's average household size has remained at 2.2 persons per household.
- Roseville has a population that is older, is slightly less diverse, has fewer family households with children and has more people living alone when compared to the rest of the Twin Cities Metro area,

Housing – Staff has prepared a fact sheet detailing the type and number of housing units in Roseville. (Attachment F). Some highlights from the data is as follows:

- Two-thirds of Roseville's housing units are owner-occupied, with the remaining one-third being rental housing units.
- One-third of Roseville's housing units have persons living alone in them, with the number slightly increasing when compared to 2000.
- The average household size remained at 2.2 persons per unit, but there was a slight increase in the household size for rental units (from1.69 persons to 1.92 persons).
- Slightly more than 50% of the population lives in a housing unit with a mortgage, while 20% live in an owner occupied home without a mortgage. The remaining population live in a rental unit.

- Similar to the community's demographics, whites are the predominant owner of owner-occupied and rental unit. Non-white peoples did make slight gains in the number of owner-occupied and rental units however.

Business – Staff has prepared a fact sheet detailing the type and number of businesses in Roseville. (Attachment G). Some highlights from the data is as follows:

- Roseville has a total of 2,654 businesses that have 36,337 jobs.
- The greatest numbers of businesses fall in the following categories: Professional, Scientific, and Technical Services (400); Retail Trade (347); and Administrative Support and Waste Management (309).
- The greatest number of jobs are in Retail Trade (6,057); Professional, Scientific, and Technical Services (6,055), and Accommodation and Food Services (3,437)
- After factoring out business categories with a small sample size (namely Utilities, Educational Services, and Public Administration), the businesses that have the largest number of jobs per business in that category are Accommodation and Food Services (29.4 jobs per business); Manufacturing (22.0 jobs per business); and Information (21.5 jobs per business).

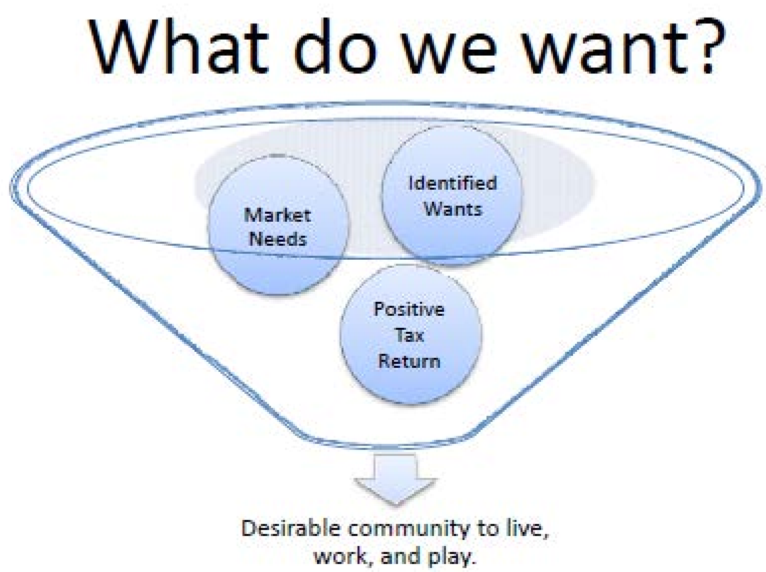
What do these demographics mean for the future? It is difficult to say for sure, especially for Roseville. Staff has researched what the future will bring for development given the overall changing demographics and stalled economy. Staff has included a couple of articles that attempt to answer those questions. (See Attachment H). Some highlights from the articles are as follows:

- There will be more "Responsible" development that will have a high social and environmental value versus the "Commodity" development that has taken place in the post-WWII era. Commodity development is the cookie-cutter approach to development, a one-size fits all solution regardless of context or community. Responsible development is high in innovation and creativity and takes the local context into account while being financially responsible and will deliver long-term value to investors and the community, both socially and economically.
- Demographic trends, and not just government policies, are shifting the development industry to more transit-friendly and walkable locations rather than the cheapest available sites.
- There needs to be financial support from the government for developers who choose to do "Responsible" development versus "Commodity" development to level the playing field as the industry changes.
- The use of green technology in development is changing from a niche market to mainstream. This will especially be evident in the housing market where it is predicted by 2020 that net-zero-energy homes will be the standard for newly built homes.
- The general population has a greater awareness of transportation costs, both in actual dollars and time. Although housing and land is cheaper the farther out one is from the urban core, people are more interested in being closer to the activity due to high transportation costs.
- For housing, we can expect that there will more renters, both in quantity and as a percentage, given the tight credit market and demographics.
- The increase in ethnic diversity will force development to consider the different needs of each group.
- Fewer people will be driving to work by car five days a week due to increase transportation costs, flexible job schedules, and the lack of full-time jobs.

- People will prefer to live in a place that has services such as medical or educational services.
- The 24/7 world is here to stay and development will be taking that into account, especially in its location.
- Because of the large demographic segments the Baby Boomers and Generation Y represent, there will be an increase in marketing and development geared directly to their needs.
- Boomers, unless they are underwater with their mortgage, will prefer to move from the outlying suburbs to the core cities and first-ring suburbs.

WHAT DOES ROSEVILLE WANT OR NEED?

Prior to identifying what Roseville wants or needs to have in relation to development, Staff feels there should be some method or criteria in which the analysis is done. Staff has identified three factors to be considered as shown on the chart.



Identified Wants – These inputs are items that have been previously identified as desirable and needed for the community through existing documents (i.e. Comprehensive Plan, HRA Strategic Plan) or a public engagement process (Imagine Roseville 2025).

Market Needs – These inputs are the identified gaps and niches that the private market feels belong in the City of Roseville. These are typically dictated by market studies, but also can be based on future market demands and trends.

Positive Tax Return - This input is based on the premise that the City typically does not want development and/or uses that cost more to provide services for than the revenue brought in.

While each input individually may be sufficient to have as a basis for targeting certain development, it seems that if efforts are made towards satisfying all three inputs when targeting development, it would be a win-win-win situation. For instance, if there is a type of development identified by the community as desirable, but the market cannot support or sustain the use, it very unlikely that the use would be developed in the first place, and if it did, it would need to be heavily subsidized, thus affecting the tax return. Conversely, there may be a use that the market identifies as a need, but that doesn't provide a positive tax return. Therefore, a discussion on what the community should have should look at the abovementioned inputs at the very least, and ideally meet all three inputs

So with that in mind, Staff has started the analysis of "What Roseville Wants".

Housing – *What are the Market Needs, Identified Wants, Positive Tax Return for housing?*

For housing, we do have lots of information that can help answer the question.

Market Needs. The 2009 Housing Market Analysis conducted for the HRA, has good information for beginning to understand what the market is demanding. The HRA intends to conduct a market analysis every five years, but the City may want to consider updating the information. See Attachment D for information from the Market Analysis. During the period from 2009-2020, the report identifies the following:

- A need of 40-50 new single family homes of which 25-30 would be "move-up" homes priced between $350,000 to $500,000 and 15 to 20 homes would be executive homes priced above $500,000.
- A need of 60-70 entry level attached owner occupied multi-family units priced below $275,000 and 40-50 upper-end units priced above $300,000.
- A need for 80-100 market rate rental housing units and 80-100 affordable rental units.
- A need for 80-90 units of mixed income active adult senior citizen rental housing units.
- A need for a 60-70 unit senior cooperative or condominium building.
- A need for an additional 40-50 assisted living units and 24-36 memory care units.

The report also identifies some challenges and opportunities within Roseville, namely that there is not a lot of available land for new housing to be developed on, and given that short supply, housing densities will need to be high to accommodate the market demand. The report, while acknowledging that there is a good supply of affordable housing in Roseville, states there still is a need for more diversity in the affordable housing mix, especially for family and senior households. In relation to the aging of Roseville's population, the report states that the baby boomer generation will look for more "maintenance free" housing options in the near future, and won't demand senior housing with services in large numbers until after 2020. The report recommends that the City continue to look at partnerships with housing developers to bring needed projects forward and identifies that the redevelopment of Twin Lakes area may foster additional housing demand once it is fully built-out.

Identified Wants. The 2030 Comprehensive Plan and Imagine Roseville 2025 identifies numerous types of desirable housing for Roseville. See Attachments A and B for details on desired housing. Some items from these documents include:

Comprehensive Plan

- Land Use Goal #3 Identify underutilized, deteriorated, or blighted properties and guide them toward revitalization, reinvestment, or redevelopment consistent with community goals, good planning and development principals.
- Land Use Goal #7 Achieve a broad and flexible range of housing choices within the community to provide sufficient alternatives to meet the changing housing needs of current and future residents throughout all stages of life.
- Housing Goal #1 Provide a wide variety of housing options in order to retain and attract a diverse mix of people and family types with varying economic statuses, ages, and abilities.

- Housing Goal #4 Integrate environmental stewardship practices into the housing stock and neighborhoods.
- Housing Goal #5 Continue support of housing and neighborhood programming provided by the HRA that addresses community needs.

Imagine Roseville 2025

- Community Goal #2, Roseville is a desirable place to live, work , and play. Strategy C: Provide regional leadership in creative and sustainable redevelopment.
- Housing Goal #1 Roseville Housing meets community needs, Strategies A-F

Positive Tax Return Unfortunately, Staff doesn't have any direct information regarding uses in Roseville and the costs they incur on the City versus the revenue they bring in. In order to really understand the effect of uses on City services, a fiscal impact study should be done for the City. The fiscal impact study would look at the total cost of city services and compare that with tax and other city revenue those uses bring directly to the City. From that analysis, one would be able to determine what uses provide a positive tax benefit and negative tax benefit. Typically, with fully built-out cities, new development does not impact the City services as much as a rapidly growing city. This is due to the fact that most development in built-out cities is infill and thus, roads and sewer already serve the property, the police and fire department are already responding to that property, etc. Of course, the new use could increase the intensity of use of the City services, but typically the cost impacts would be more incremental than a large jump. Also, conventional wisdom holds that commercial uses use less city services than residential. Although that is not universally true, one can see that residential uses can have a greater use of city services especially for trails, roads, parks, elections, etc. (and not to mention schools).

To properly understand the relationship of City services to development, Staff would suggest the City explore the use of a fiscal impact study. A few months ago, the City Manager and several Department Heads met with representatives of ULI and the University of Minnesota to discuss fiscal impact studies. They indicated that they may be doing fiscal impact study "pilot projects" in the metro. Staff is checking with them to see if there would be a possibility for Roseville to participate. Such a study would look at both residential and commercial use and its impact on City services and determine whether types of development bring a positive or negative tax return.

See Attachment I for additional information regarding housing.

<u>Business</u> **–** *What are the Market Needs, Identified Wants, Positive Tax Return*

Market Needs. The City currently does not have any specific information about our community that pinpoints commercial and industrial needs. As shown in Attachment G, we do know the type of businesses Roseville currently have, but whether we have too much or not enough of certain businesses is unknown.

Similar to what the HRA undertook regarding housing, staff would suggest that a business market study to provide information on what additional capacity we have for businesses, with detail specifically that pinpoints the type of businesses would be successful in our market. Having this information will not only maximize the benefit to the community by bringing businesses that are needed by the community, it will also allow the City to be efficient in its efforts to target certain businesses for recruitment

Identified Wants. The 2030 Comprehensive Plan and Imagine Roseville 2025 identifies numerous types of desirable commercial and industrial development for Roseville. See Attachments A and B for details on desired business development. Some items from these documents include:

Comprehensive Plan

- Land Use Goal #3 Identify underutilized, deteriorated, or blighted properties and guide them toward revitalization, reinvestment, or redevelopment consistent with community goals, good planning and development principals.
- Land use Goal #9 Provide attractive, inviting, high-quality retail shopping and service areas that are conveniently and safely accessible by multiple travel modes including traffic, walking , and bicycling.
- Land Use Goal #10 Promote an appropriate mix of commercial development types within the community.
- Land Use Goal #11 Achieve a healthy balance between commercial and employment land uses to maintain a sound and diversified economic base and living-wage jobs.
- Land Use Goal #14 Promote and support the development of mixed-use areas that have a rich mix of related and mutually reinforcing uses within walking distance of each other.
- Economic Development and Redevelopment Goal #1 Foster economic development and redevelopment in order to achieve Roseville's vision, create sustainable development, and anticipate long-term economic and social changes.
- Economic Development and Redevelopment Goal #2 Enhance opportunities for business expansion and development that maintains a diverse revenue based in Roseville.
- Economic Development and Redevelopment Goal #4 Encourage reinvestment, revitalization, and redevelopment of retail, office, and industrial properties to maintain a stable tax base, provide new living-wage job opportunities, and increase in the aesthetic appeal of the city.
- Economic Development and Redevelopment Goal #5 Make effective use of available financial resources to facilitate community economic development and redevelopment objectives.
- Economic Development and Redevelopment Goal #6 Integrate environmental stewardship practices into commercial development.

Imagine Roseville 2025

- Community Goal #2, Roseville is a desirable place to live, work, and play. Strategy C: Provide regional leadership in creative and sustainable redevelopment.
- Community Goal #2, Roseville is a desirable place to live, work, and play. Strategy D: Enhance the city's diverse business community.
- Environment Goal #1, Roseville is an environmentally healthy community, Strategy B: Reduce negative human impacts by conserving energy and reducing pollution.
- Infrastructure Goal #3 Roseville has technology that gives us a competitive advantage, Strategy A: Ensure that the technology infrastructure is in place to optimize public and private sector performance.

- Finance and Revenue Goal #2 Roseville has a growing, diverse, and table revenue base.

Positive Tax Return As earlier discussed as part of the housing discussion, Staff recommends that a fiscal impact study be conducted in order to truly understand the cost of new commercial development to City services.

What policies are supportive in fostering these wants and needs? What policies are counterproductive in fostering these wants and needs? What policies are missing in fostering these wants and needs?

Although, it may be too early to discuss what policies support, are counterproductive, or missing in assisting the City to attract development that is desirable to the City, staff would suggest that the City Council have a discussion on their perceptions from the information we do know. This discussion should be revisited once the City has additional information regarding market needs and the fiscal impact of development.

HOW DOES ROSEVILLE GET THERE?

An exact roadmap on how we "get there" will really be dependent on what the information shows, so it may be somewhat premature to define it exactly. The full plan on implementing an economic development initiative will need have more information before an effective blueprint can be created.

Nevertheless, staff believes the City Council should have some general discussion on the components that should be considered as part of the effort/plan. A brief summary of each component is below.

Resources – The City will need to appropriate the necessary resources to ensure that the economic development efforts are effective. These may include funds for marketing to new and existing businesses, monetary incentives to locate in Roseville, loan programs, land purchase, and training.

Staffing – The City most likely will need additional staffing assistance for any economic development. The costs will be dependent on what type of staff is needed and will also include any supplies and equipment needed for the staff.

Policy Boards – It is likely that the City Council may want to consider either expanding or creating policy boards to assist in the implementation of the City's economic development efforts. There are several options to consider including expanding the role of the existing HRA or the existing Roseville Port Authority, creating a new Economic Development Authority, which has separate levy authority. Below is brief description of the types of policy boards the City could have:

- Economic Development Commission: A board used to advise a City Council, appointed by the Mayor and/or City Council. It has limited or no decision making authority and is used as a sounding board or as a first point of contact for the City Council on development projects. The commission is used to draft strategies and policies for ratification and implementation of local plans on a volunteer basis.

- Housing and Redevelopment Authority: An HRA is a public corporation with power to undertake certain types of housing and redevelopment or renewal activities. While state legislation conveys authority for housing and redevelopment to each City, it is up to the City Council to formally establish and HRA. An HRA can undertake certain types of planning and redevelopment activities on its own with City Council approval.

- Port Authority: A Port Authority is established to promote the general welfare of the City's port district, increase the volume of commerce in the port, and provide facilities for handling, storage, and shipment of freight. The Port Authority actively develops commerce within the City and can enable business location and expansion. The powers of a Port Authority are more expansive than an EDA or HRA. Unlike those two bodies, a Port Authority can issue general obligation bonds without holding an election.

- Economic Development Authority: An EDA is created by a City or County to facilitate development by taking advantage of the some of the Port Authority powers and all of the HRA powers. By combining and utilizing the HRA , EDA, and City power, the community is able to create flexible business assistance and development programs. EDAs are allowed to buy and sell property, make loans and grants to businesses, provide guarantees or other credit enhancements, and to sell bonds. The City may consolidate the EDA with an existing HRA or the City may establish the EDA as a separate entity. EDAs may also exercise eminent domain powers.

See Attachment J for more detailed information on the tools available for these policy boards.

Regulatory Changes – As an outcome of the discussion on what policies are barriers or missing in furthering the City's economic development efforts, there most likely will be a need to change City's regulations, specifically the zoning code. These changes cannot be determined at this time, but would need to take place as part of an overall economic development effort.

Role of Public – It is unknown at this time of what, if any, role the general public should have in assisting the economic development efforts. Certainly, as part of the information gathering and creation of the economic development plan, the public should be involved. The opportunity for public involvement may be limited when the economic development efforts are being implemented, with the exception of serving on the policy boards.

Regional Initiatives In the past few years, there has been a renewed interest in regional economic development for the Twin Cities Metro Area. *The Itasca Project* is a business-led regional economic development effort whose goals are to build a thriving economy and quality of life for the region and reduce and eliminate socioeconomic disparities. The new *Regional Economic Development Partnership (REDP)* was created in March 2011 to set a strategic regional economic development vision for the Twin Cities, to brand and market the region, and to retain current businesses in the region. The REDP is a public-private partnership is funded through businesses and governments. The REDP released a Minneapolis – St. Paul Business plan which is included in Attachment K. This document describes many issues that the whole region needs to address to keep the area economy in good health. One item is to gain a better understanding of what "clusters of industry" the region has and concentrate on expanding those types of industry. The report identifies the top three as Medical Devices, Distribution Services, and Financial Services. The concentration of businesses attract similar firms and labor force to the area, which is something Roseville should be aware of as we move forward with its economic development efforts.

The bottom line with these regional initiatives is that the City needs to be directly involved within these organizations; meaning financial support as well as the involvement of staff and policy makers with these organizations.

STAFF RECOMMENDATION

The City Council should review and discuss the informaton brought forward and give staff direction on how to proceed.

REQUESTED COUNCIL ACTION

Review and discuss information contained in this report and provide direction to Staff for next steps.

Prepared by: Patrick Trudgeon, Community Development Director (651) 792-7071

Attachments:

A. Long Range Planning Meeting Outline
B. 2030 Comprehensive Plan
C. Imagine Roseville 2025
D. RHRA Strategic Plan
E. 2009 Housing Needs Analysis – Executive Summary
F. 2010 Census Community Demographics Data
G. 2010 Census Community Housing Data
H. Roseville Business Information by NAICS Code
I. Information regarding future trends in development
J. Additional Housing Development
K. Information on Economic Development Policy Boards
L. MSP Regional Business Plan – Executive Summary