



“A Wonderful Place to Live, Work and Play for a Lifetime”

PRIOR LAKE ECONOMIC DEVELOPMENT AUTHORITY (EDA)

BUSINESS PLAN – 2015

May 26, 2015

Purpose

The City’s mission, as stated in 2040 Vision and Strategic Plan, is to “...enhance the quality of life for citizens by providing quality services which result in a safe and healthy community; recreation and leisure opportunities; preservation and effective use of lakes, parks and other natural resources; economic vitality; and the promotion of partnerships, volunteerism and civic pride.” This business plan will guide the Prior Lake Economic Development Authority (EDA) as it develops and implements strategic initiatives in 2015 and beyond to 2020, 2030 and 2040.

Prior Lake encourages thoughtful and orderly economic and community development to provide retail and services, employment opportunities, high quality residential and business development, and a strong diverse tax base.

Short and Mid Term goals identified under the Economic and Community Development Strategic Element of the 2040 Vision and Strategic Plan include:

1. SHORT: Update Orderly Annexation Agreement with Spring Lake Township.
2. SHORT: Complete studies to update all development fees.
3. SHORT: Complete and adopt a study regarding downtown parking to identify location, number of stalls, and funding.
4. SHORT: Implement Phase II Business Incubator.
5. SHORT: Take action to encourage tourism in accordance with RiverSouth objectives and citizen preferences.
6. MID: Facilitate commercial growth in four areas: County Rd. 21/County Rd. 42; County Rd. 21/Hwy. 13 (Downtown District); Franklin Trail/Hwy. 13 (South Lake Village District); and Adelman/County Rd. 21.
7. MID: Complete update of City Comprehensive Plan.
8. MID: Acquire necessary properties to facilitate downtown parking and economic development opportunities, and construct a parking lot or structure as recommended by the Downtown Parking Study.
9. MID: Prepare a redevelopment plan including priorities, timelines and incentives for downtown area and other underutilized property.

Prior Lake is very desirable for many reasons, but the city needs an active and entrepreneurial entity such as the EDA to work directly with new and existing businesses to fulfill Prior Lake’s vision as *A Wonderful Place to Live, Work and Play for a Lifetime*. This business plan develops a framework for the EDA, which will be reviewed and approved by the EDA and City Council annually.



Achievement Goals – Jobs, Businesses, Values and Taxes

Considering the city’s strengths and challenges, the following goals are established for Prior Lake related to jobs, businesses and taxable market value increases. The “Base” figures are estimates based on the past 10-year history of commercial and industrial development. These base projections assume jobs and businesses will be added due to normal market demand. “New” goals show an increase in jobs, new businesses and market value, over and above the historical average. These new goals assume an increased public investment by the EDA and City Council (i.e., public financing assistance, business accelerator program, public land sales, etc.). With increased public investment in commercial and industrial development, the new goals show an estimated increase of 50% above the Base figures.

5-Year Time Periods	Base Jobs Created (Historical)	Plus New Jobs Created	Base Businesses Added	Plus New Businesses Added	Base Value C/I Increase (Historical)	Plus New Value Increase
2001-10 5-Year Avg.	235	XXX	10	XXX	\$17 M	XXX
2011-2015	250	125	10	5	\$20 M	\$10 M
2016-2020	350	175	15	8	\$25 M	\$12 M
2021-2025	300	150	12	6	\$22 M	\$11 M
2026-2030	300	150	13	6	\$23 M	\$12 M
Total 2011+	1,200	600	50	25	\$90 M	\$45 M

- Assumptions:
1. 2000-10 ‘Base’ information is based on city building permit activity reports for new commercial and industrial construction, not including public facilities and multi-family rental housing
 2. Annual increases in base jobs, businesses and value continue trends from 2000-2010
 3. Estimated increases due to Economic Development (‘New’) uses the Base times 1.5

The following table shows progress to achieve job, business and C/I market value goals during four years, including 2011, 2012, 2013 and 2014.

5-Year Time Periods	Base Jobs Created (Historical)	Plus New Jobs Created	Base Businesses Added	Plus New Businesses Added	Base Value C/I Increase (Historical)	Plus New Value Increase
2001-10 5-Year Avg.	235	XXX	10	XXX	\$17 M	XXX
2011-2014 4-Yr. Goal	190	100	8	4	\$16 M	\$8 M
2011-2014 Achieved	200	100	3	1	\$1.5 M	\$0.7 M

- Notes:
1. Job creation data is provided by MN DEED, QCEW Reports, Quarter 2, for 2011, 2012, 2013 and 2014; data is received from Unemployment Insurance reports by all businesses.
 2. Business data is provided by MN DEED, QCEW Reports, Quarter 2, for 2011, 2012, 2013 and 2014.
 3. Value data is provided by Prior Lake building permit reports for 2011, 2012, 2013 and 2014.

5-Year Time Periods	Base Taxes Created (Historical)	Plus E.D. Taxes Created	Total Estimated New Taxes	City Portion 30% Estimate
2000-10 Avg. x 5 Yrs.	\$85 K	XXX	\$85 K	\$25.5 K
2011-2015	\$100 K	\$50 K	\$150 K	\$45.0 K
2016-2020	\$130 K	\$65 K	\$195 K	\$58.5 K
2021-2025	\$120 K	\$60 K	\$180 K	\$54.0 K
2026-2030	\$120 K	\$60 K	\$180 K	\$54.0 K
Total 2011+	\$470 K	\$235 K	\$705 K	\$211.5 K

Assumptions: 1. Total city/county/school taxes is estimated using \$3.50 per square foot of building space

2015 Implementation Plan

The following actions shall be accomplished during 2015 as key initiatives of the EDA. All initiatives can work together to support a business community that is focused on technology and Prior Lake's strengths in entertainment and recreation.

1. Technology Village (Business Accelerator). The EDA completed Phase I of the business plan for Technology Village to build out 2,000 square feet of leasable space in City Hall during 2013. This space became fully occupied in 2013 with six technology businesses. Phase II of the business plan was supported by the EDA in 2014 to include private office space throughout Prior Lake which allowed more businesses to participate.

- Accomplishment: Business accelerator space will strengthen Prior Lake as a place to start and grow small software/technology businesses.

- **Timeline:** The EDA and Technology Village Board of Directors will continue to support full occupancy of space in City Hall, expand the Phase II program to vacant office space within the community, assist all program participants through referral and mentoring, and identify a consultant to assist with the completion of a Phase III analysis to build upon the program success and identify the best strategies for program expansion in Prior Lake and potentially to other Scott County communities by 12/31/15.
- **Budget:** \$40,000 for Technology Village operations in EDA budget for 2015.
\$25,000 for Phase III analysis (\$12,500 from CDA EDI Grant and \$12,500 in EDA professional service for 2015).
- **Metrics:** Sustained businesses/jobs at City Hall (6 businesses / 9 jobs) and growth within other commercial buildings (3 businesses / 10 jobs).

2. Targeted Areas for Development. The EDA will help facilitate commercial development in three targeted areas around highway intersections, including: (a) CH 21 / TH 13; (b) CH 21 / CH 42; and (c) CH 42 / TH 13. It will also help facilitate full development of the 50-acre Deerfield Business Park (2/3 being vacant) and the 40-acre Welcome Industrial Park (1/10 being vacant). The EDA will help establish an expedited platting and permitting process to assist in the timely development of vacant property in these key areas. Redevelopment opportunities also exist in certain locations, such as Welcome Avenue and downtown Prior Lake.

- **Accomplishment:** The City will evaluate opportunities to expedite development of vacant property within targeted locations in order to assist business opportunities.
- **Timeline:** Complete a process to identify target areas and corresponding levels of public support by 9/30/15.
- **Budget:** Unknown.
- **Metrics:** New business/job growth and retention, and tax base increase on the improved industrial property, including an estimated 8 new businesses and 275 new jobs by 2020.

3. City Codes & Fees. The EDA completed a comprehensive analysis of city codes and fees in light of making Prior Lake more “business friendly” with assistance from the EDAC and Planning Commission. Amendments were made to the Industrial, Business Park and General Business Use Districts as a start to changes to city regulatory standards.

- **Accomplishment:** Prior Lake will be more business friendly by making changes to city codes, fees and/or processes that help achieve development in Prior Lake.
- **Timeline:** The EDAC and Planning Commission will finalize the evaluation of all Commercial Use Districts and make preliminary recommendations to the EDA by 12/31/15.
- **Budget:** Unknown.
- **Metrics:** New business/job growth based on more business friendly codes and the corresponding permit review process, all in support of the business and job figures identified in 1-3 shown above.

4. Marketing of Prior Lake. The EDAC will provide a recommendation to the EDA related to a marketing plan for Prior Lake. In addition, the City of Prior Lake will continue to participate in the regional marketing effort known as RiverSouth.

- **Accomplishment:** The City completed a new marketing packet (Community Profile); the EDA provided financial support to a regional “RiverSouth” marketing effort with SMSC, Canterbury, Valley Fair, Chambers, First Stop Shop, Shakopee, Savage and Scott County.

- Timeline: Complete a local marketing plan, and continue to support and participate with RiverSouth marketing through 12/31/15.
- Budget: Unknown
- Metrics: New business/job growth and retention, and tax base increase on C/I property, including an estimated 8 new businesses and 275 new jobs by 2020.

5. Building a Customer Centric City/EDA Culture. The Carlson School of Business conducted a study of all seven cities in Scott County to determine the degree to which the processes, regulations, attitudes embraced by the cities were in line with economic development. The results were mixed. The approval process in many communities were long; no one person in each organization was responsible for development from start to finish; and some attitudes were regulatory versus problem solving in nature. The First Stop Shop has contracted with the Carlson School of Business to conduct three workshops with an objective to simplify and improve consistency across all cities for high-quality customer service.

- Accomplishment: The City and EDA will participate in the workshops as scheduled.
- Timeline: Complete the participation process and follow-up actions by 12/31/15.
- Budget: Unknown
- Metrics: Improved customer service as demonstrated by customer comments and supplemental data gathering.

6. Downtown Parking. In 2014 the City of Prior Lake received an EDI Technical Assistance Grant from the Scott County CDA to assist with the cost of completing a Downtown Parking Analysis. The City of Prior Lake hired SRF Consulting Group, Inc. to complete a Downtown Parking Study to build upon previous parking studies by identifying downtown sites that will best accommodate future public parking demand, including structured parking facilities.

- Accomplishment: The City and EDA will implement the short-term recommendations identified in the study and begin working on the mid- and long term recommendations.
- Timeline: Implement short-term objectives by 12/31/15.
- Budget: Unknown
- Metrics: Increased on and off-street parking availability for residents and visitors in downtown Prior Lake.



Unique Challenges for Prior Lake

1. Historical Investments in Commercial/Industrial Development. The city has invested much of its public resources in supporting a healthy and vibrant residential lake community, which has been very successful. Residential property values are well above average as a result, but the value of commercial/industrial (C/I) property is below average. For example, Prior Lake's percent of C/I market value showed a small increase from 4.36% in 2002 to 4.84% in 2011. This compares to an increase in Savage from 9.85% to 15.07% during that same time period.
2. Direct Access to Major Principal Arterial Transportation Systems. Prior Lake's location outside of the metro's major highway system results in limited access to Interstate, US and State Highways. Businesses look elsewhere when highway access is important. Important improvements have occurred recently on County Highway 21 north and east, resulting in much better access to and from Prior Lake. In addition, rail service is absent in Prior Lake, and there is limited high-speed fiber network throughout the city to help compensate for its lack of highway and rail infrastructure.
3. Pad-Ready Commercial/Industrial Sites. Prior Lake has a healthy overall supply of property guided for commercial, business park, and industrial development. However, a very small percentage of that designated land can be made ready for development within 30-90 days, which is considered to be pad-ready. Prior Lake has approximately 115 acres of vacant commercial property with only 12 acres being pad-ready (10%). The city has approximately 60 acres of vacant business park/industrial property with only 15 acres being pad-ready (25%).
4. Strong Corporate Business Identity or Focus. Prior Lake is home to the county's largest employer, Mystic Lake Casino and Hotel. However, Prior Lake seems to share Mystic's "home" location with Shakopee based on public perception.
5. Direct Business Connection or Link to the Lakes. Prior Lake is known for its fourteen lakes as an extremely important asset for city residents. However, it has very little lake connections for the business community. With one restaurant currently under construction and few commercial marinas located here, Prior Lake could benefit from additional commercial opportunities related to the lakes.

Summary of Funding Needs and Resources

Budget Premise: The following key premises are accepted by the EDA for future budgeting:

- Support one-half of the Community & Economic Development Director position.
- Support one-half of the Community Development Specialist position.
- Provide other necessary operational expense support (e.g., legal, communications, training).
- Utilize professional services to move certain initiatives forward to implementation.
- Maintain a reserve balance allowing the EDA to be entrepreneurial in assisting C/I growth.

Economic Development Resources. The EDA has evaluated funding resources that are available and necessary to assist businesses and help it achieve economic development objectives. Example resources include tax increment financing, revolving loan funds, and the EDA budget. The EDA will use current resources shown below to assist businesses, and it has established a more permanent funding source for EDA operations starting in 2013.

2015 EDA Special Revenue Fund Budget	\$ 188,595
Business Revolving Loan Fund (Federal)	\$ 117,500
Business Revolving Loan Fund (State)	\$ 91,200
TIF District 1-1 Excess Increment	\$ 77,000
TOTAL	\$ 474,295

2015 EDA Budget (Approved):

Expenses = \$188,595 (\$189,170 in 2014)

- Staff salary/benefits @ 1.0 FTE (\$119,255);
- Professional services (\$22,000) for planning and/or assistance;
- Legal/training/misc. (\$7,915);
- Business accelerator operations (\$40,000).

Revenue = \$188,595

- \$159,000 EDA tax levy
- \$22,095 EDA reserves
- \$7,500 Other (\$6,000 accelerator leases + \$1,000 revolving loan admin. + \$500 interest earnings)

Reserve Balance 12/31/14 = \$144,200

2016+ Future Projected EDA Budgets:

Expenses = \$195,000

- Staff salary/benefits (\$125,000);
- Professional services (\$22,500);
- Legal/training/misc. (\$7,500);
- Business accelerator operations (\$40,000).

Revenue = \$195,000

- \$175,000 EDA tax levy
- \$7,500 accelerator leases
- \$2,000 SAC loan repayments
- \$500 interest

Employment

With job and employment growth being key factors for economic development success, it is important to understand the current status within Prior Lake. Data from the Metropolitan Council and the

Minnesota Department of Employment and Economic Development (DEED) show the following employment and business characteristics for 2013. City staff has estimated the number of total employees that work for the Shakopee Mdewakanton Sioux Community (SMSC).

Industry	Employees	Percent	SMSC Est.
Construction	443	5.4%	25
Trade, Transportation and Utilities	526	6.4%	50
Information	64	0.8%	
Financial Activities	306	3.7%	25
Professional and Business Services	459	5.6%	50
Education and Health Services	1,047	12.8%	25
Leisure and Hospitality	3,677	45.0%	3,500
Other Services	540	6.6%	325
Public Administration	965	11.8%	
Other	146	1.8%	
TOTAL EMPLOYEES	8,173	100%	4,000

Industry	Establishments	Percent
Construction	88	16.8%
Trade, Transportation and Utilities	88	16.8%
Information	10	1.9%
Financial Activities	67	12.8%
Professional and Business Services	106	20.2%
Education and Health Services	59	11.3%
Leisure and Hospitality	29	5.5%
Other Services	56	10.7%
Public Administration	4	0.8%
Other	17	3.2%
TOTAL BUSINESS ESTABLISHMENTS	524	100%

Notes: Data is provided by MN DEED, QCEW Reports, Quarter 2, for 2014; data is received from Unemployment Insurance reports by all businesses.

Measuring Success (Metrics)

The EDA will develop performance measurements that allow continuous reporting on important aspects of its services, programs and processes. The use of metrics is being utilized for all city operations in Prior Lake beginning in 2012, and therefore, metrics will be incorporated into the EDA Business Plan. To begin this process, the following key economic development objectives are being identified and prioritized one through five:

1. Assist in the creation of desirable employment opportunities for the citizens of Prior Lake;
2. Identify opportunities where the EDA can assist in attracting and developing new businesses within the community;
3. Provide the necessary support mechanisms to retain/aid the expansion of existing businesses;
4. Broaden and diversify Prior Lake’s tax base; and

5. Develop a foundation which will establish Prior Lake as a community full of economic opportunity now and well into the future by embracing the motto; *Prior Lake: A Wonderful Place to Live, Work and Play for a Lifetime.*

In order to measure progress toward achieving these objectives, the following metrics will be used for measurement purposes; all measures will be done annually:

- Track building permits issued for commercial/industrial projects; determine business and job growth that may tie to each permit.
- Track residential permits and remaining lot inventory.
- Track lease inventory of available commercial/industrial building space; determine business and job growth that may tie to newly leased space.
- Track business membership with the local Chamber of Commerce in order to assess additional business and job growth.
- Track change in commercial/industrial market value using County data.
- Track the number and acreage of pad-ready commercial/industrial sites.
- Track zoning permit approval process associated with commercial/industrial projects.

Looking Ahead – 2020 and 2030

2015-2020 Timeframe Goals:

1. Continue the successful implementation of a Technology Village Business Accelerator program in partnership with existing commercial office building owners in Prior Lake, and develop a plan to expand this to a larger Technology Village campus.
2. Encourage the full build-out of a community-wide (ultra-high-speed) fiber optic network system to all residents and businesses in Prior Lake in cooperation with Integra.
3. Work in partnership with major property owners in the targeted areas to implement an expedited platting/permitting process for new commercial and industrial development.
4. Work in partnership with property owners in the Deerfield and Welcome Ave. industrial areas to fully develop these areas to their maximum potential.
5. Implement actions necessary to redevelop key opportunity sites in Prior Lake.

2021-2030 Timeframe Goals:

1. Continue to implement and expand upon all stages of economic development strategies that were underway from 2015-2025.
2. Successfully attain a strong business presence within the Twin Cities as a community full of smaller high technology that have built their home base around a place with numerous amenities and a desirable lifestyle.
3. Complete all supporting infrastructure improvements that results in over 100 acres being developed as commercial and business park uses.
4. Develop plans for the expansion of commercial and industrial development in the Southwest annexation area of Spring Lake Township.
5. Achieve key redevelopment objectives within the city related to the downtown area and other priority redevelopment sites.