

Eureka Township Commercial Task Force
January 21, 2003

The task force met from 7:05 pm to 8:30 pm. Present: Ken DeMaster, Mike Greco, Mark Malecha, Bob Papke, Bob Ruddle. Not Present: Chris Nielsen and Clyde Thompson.

1. Minutes from January 14 meeting were approved.
2. Members reported on research progress.
 - a. Mark did an Internet search for "annexation in Minnesota" and got so many hits, he didn't have time to look through them to find the relevant ones. Other members suggested narrowing his search by adding additional search terms, or contacting the Farmington librarian for help conducting a narrower search.
 - b. Ken is still waiting for Tom the real estate attorney to get back to him. Ken will visit Corchoran in the coming week to get copies of relevant ordinances. He has also done some Internet research.
 - c. Bob Papke has been in touch with Terry Holmes from Empire Township, and plans to meet with him during the next week. He will ask about water tower project (cost, engineering issues, motivation for building, etc.) as well as commercial stance. Bob plans to meet with Kenny Betzold (sp?), chair of Castle Rock town board, to discuss commercial development there.
 - d. Mike interviewed Barbara Lukermann, professor of planning at the Humphrey Institute of Public Affairs (notes from interview attached). He has contact Gloria Pinkey from the assessor's office about tax issues, but she has not returned the call. He also plans to interview Fraser Hart, professor of geography at the University of Minnesota, and Gina Bonsignore, from the Design Center for the American Urban Landscape at the University of Minnesota. Mike distributed a sample summary of the book *When City and County Collide: Managing Growth in the Metropolitan Fringe*, by Tom Daniels. Other members suggested adding a short section on his opinion of the book.
 - e. Bob Ruddle visited the MPCA website for information on water issues. He found a 700 pp. publication called *Protecting Water Quality in Urban Areas* that sells for \$40. Bob Papke volunteered to see if the introduction and table of contents for the publication can be downloaded from the MPCA website. Bob Ruddle also found maps that show well depth, aquifers, and surficial geology for the township. In addition, he found two Dakota County ordinances on wells and septic systems: Ordinance 114: "Well and Water Supply Management," and Ordinance 113: "Individual Sewage Treatment Systems." Bob Papke suggested getting copies of the state statutes on septic systems and wells as well. Finally, Bob Ruddle located a map of the Lakeville stormwater management plan and subwatersheds.
3. Next meeting: Tuesday, January 28 at the town hall.

Respectfully submitted,
Mike Greco, recorder

**Interview with Barbara Lukermann
January 17, 2003**

Professor Lukermann is Research Fellow at the Center for Urban and Regional Affairs and Senior Fellow at the Humphrey Institute of Public Affairs, University of Minnesota. She teaches urban land use and planning, and was recently named a Fellow of the American Institute of Certified Planners (AICP), one of the highest honors bestowed on AICP members. She has worked with the City of Lakeville as a facilitator for two growth management task forces, as a facilitator for the Economic Development Commission's strategic plan process, and as an advisor on School District 194 enrollment projections. She has worked with the Farmington School District as a facilitator for two task forces charged with recommending facilities plans for District 192. She also recently served as a member of a real estate advisory committee evaluating proposals contained in the Met Council's Blueprint 2030.

I provided Professor Lukermann with a copy of our research questions before the interview and began our meeting by showing her maps of the township and identifying some ongoing issues likely to affect development in Eureka, including Airlake Airport, the proposed Scott County Interceptor, the Dakota County East-West Corridors project, and the major transportation corridors in the area. She was familiar with this part of Dakota County through her work with Lakeville and Farmington.

Professor Lukermann can be contacted at her office at 612-625-4310 or by e-mail at blukermann@hhh.umn.edu.

Q: To what extent do you think the proposed Scott County interceptor would create growth pressures on the township if it went through Eureka?

A: In the long-run, it would create growth pressures. It's possible, in the short-term, to limit hookups if the Met Council agrees. With the interceptor that went from Pig's Eye to Forest Lake, for example, the Met Council initially had a policy of nonconnection for all communities that were in between. The same was initially true of the Prior Lake interceptor. Eventually those intervening areas did fill in, however, and additional connections were permitted when growth made it necessary.

As a participant in the interceptor study, Eureka needs to think carefully about whether it wants to lobby for or against the interceptor going through the township. If it goes through, you will eventually get development. The interceptor will probably make this easier in the long run—it's a lot more efficient to have the Met Council provide treatment capacity than to provide this yourself—and it will likely reduce annexation pressures down the road because the capacity will already be there. However, if your goal is to keep the township relatively undeveloped, then the interceptor is likely to be a real complicating factor down the road.

Q: One thought is that the interceptor might reduce annexation pressures regarding Airlake Airport—if sewer service can be provided via the interceptor and without Lakeville's assistance, then the primary argument for annexing the airport is gone.

A: Yes, it will probably be difficult to fight Lakeville on the airport if there is no other way to provide service. They may have a good argument for controlling this resource and bringing it within the MUSA since they can provide these services, and I would guess already provide other services such as police and fire protection. Another question is, what would happen to the noise contours if the airport were extended in the future? Those will obviously impact your township significantly. And of course you would lose the tax base provided by the airport. So there are some arguments in your favor, and against annexation, as well.

Ultimately, I think you are better off arguing that the interceptor should go through Lakeville, even if this means losing the airport. If the interceptor goes through Eureka, the 50-year pressure for development will be huge.

Q: Do you know whether the MAC is required by law to provide municipal sewer and water hookups for reliever airports?

A: I'm not really sure what the requirements are.

Q: I ask this because, if there is no such requirement, another alternative is shared wells and septic.

A: One of the major environmental threats from airports is the deicing fluid that is used. It has a severe impact on ground and surface water quality. Given the airport's proximity to the Vermillion, this issue should be looked at carefully. Concern about the fluid running off or leaching into groundwater means that a storm drainage system is necessary to avoid such problems. Septic systems alone would not be adequate; you would still need sewer service to help with drainage.

Q: Met Council views us as part of the permanent agricultural area at the moment. To what extent does this work in our favor in staving off annexation pressures?

A: The composition of the Met Council is changing, so it's questionable the extent to which any of those designations will mean much in the next few years. Builders claim there is a scarcity of land in the area, and if the population projections for the Twin Cities metro are accurate, there will likely be pressure to expand the MUSA further into rural areas.

Q: What about incorporation? Is that a possible strategy for preventing annexation?

A: Grant Township was the last of the so-called "defensive incorporations," where they were allowed to incorporate specifically to stave off annexation. The municipal commission that used to rule on incorporation petitions has now been done away with, and so all incorporation requests go through the state planning agency, I believe. They may or may not be sympathetic to an argument for incorporation from Eureka. I agree the township appears to be vulnerable to annexation from Lakeville, but this isn't a sufficient argument for a petition to be accepted.

Q: Our understanding is that incorporation is unlikely to be approved unless the community applying for it has a certain population level (roughly 4-5,000) or the community has a substantial commercial base that they are at risk of losing through annexation pressures.

A: That is probably true. Given Eureka's size, incorporation would likely be very hard to justify. Of course, you might be able to get the County on your side. What do they think about all of this? Are they also committed to retaining permanent agriculture in this area? The County would be asked to testify at the incorporation hearing. If their power were on your side, you might have a better chance at succeeding.

Q: Is there really a scarcity of land in the metro area, or are developers just trying to push development into the countryside because they know land is cheaper there?

A: There is a scarcity of land in some places in the metro. For example, in Woodbury, land is going for \$70,000 an acre in some areas, and a city lot might go for as much as \$100,000. On the other hand, developers also drive the cost of land. Someone like the Lundgren Bros., for example, might buy land for \$3500 an acre, but then turn around and sell that same piece of land for \$30,000 to a homebuyer. So to some extent, the perception of land scarcity is a market effect brought about by developers trying to increase their profit margin on land.

Q: We are situated between I-35 and Cedar Avenue (C.R. 23), two major transportation corridors. How does that affect development potential?

A: Well, there are no freeway interchanges on 35 that make you a likely spot for development. Cedar Avenue is a two-lane highway through Eureka, so I would not say that is a major factor. You really need to know what public infrastructure is—or will be—available in the future, and when. Obviously a rail line or a four-lane highway through the middle of the township will make commercial or residential development easier. But you can't count on those outcomes. It would behoove the township to be conservative, to not be too hasty in rezoning parts of the township for development, until these bigger issue get decided. A better approach would be to be prepared with contingency plans if certain things take place—you know, if the interceptor goes through Eureka, Cedar Avenue becomes four-lane, and the 1 million population projection holds true, then development may be a logical choice. If not, then the decision to develop more densely is harder to justify. You can't anticipate every outcome, of course, but you also can't count on these unknowns turning out a particular way.

Q: If we do decide to go down the development path for commercial, what can we do to control or guide the type of commercial development we get?

A: The best control tool is really stringent design standards. For instance, there are many communities that are starting to take this tactic with big-box development. They realize the tax potential from big-boxes, but they don't want all the downsides that accompany them. So they don't say no to them, they just set very strict architectural design standards and have stringent site reviews to ensure that if they do come, they are built in ways that benefit the city. And the big boxes are responding by working with some of those communities. And even though big-box retail is booming now, this is probably not a long-term growth industry. So you want to make sure the architecture is such that the buildings can be used for other purposes down the line.

Market considerations are also important in attracting commercial development. For example, a big box will want a certain amount of purchasing power (say 100,000 people) within a certain distance and good access routes. Industrial development, however, is more likely to be willing to locate ahead of development since local purchasing power is usually not as important.

Q: What about location? We've talked about several possible locations for a commercial district, including the part of the township near Airlake, a town center model, and development along the major corridors. Are any of these more or less conducive to commercial development?

A: It depends on what your objectives are. If you intend to stay with the permanent agricultural designation, then maybe your objective is just to create a sense of identity, a sense of place. In that case, a small town center might be a good idea. If you intend to develop at suburban densities, then something in the northern part of the township makes more sense.

Q: Is keeping the area permanent agricultural realistic?

A: It is if that's what the township chooses to do. You really are in a position, at this point, to go either way—to remain agricultural or to grow at suburban densities. Nothing about your situation means development is inevitable. An airport of this size is not likely to affect pressures one way or another. Without a convenient interchange off I-35, transportation is not a major factor. And to some degree, your township's choices about future growth will affect how other issues are decided. If you choose to stay agricultural, the arguments against the interceptor coming through Eureka are stronger and the likelihood of transportation corridors through the township being expanded are smaller.

Of course, the same is true in the other direction. If you wanted to become part of the MUSA in 30 years, you could do it—but you would have to do it at urban densities. Once you accept MUSA, your destiny is less under your control. And once you make the choice to go down the development path, that choice will make it more likely that transportation corridors through the township will be expanded or upgraded to accommodate the growth.

Q: Of course, there's still the risk of annexation, which we can't control.

A: Yes, but I think you have a strong argument against development creeping into the township, through annexation or otherwise, because of the Vermillion. I just read in today's newspaper that another section of the Vermillion has been designated as a trout stream. You could persuasively argue that this resource is so special that the State, the DNR, should classify it as a protected environmental area so that whatever development occurs in Eureka, it must be located north of the Vermillion and it must not adversely affect the waterway.

Q: So it would act as a natural buffer of sorts to annexation?

A: Yes. Annexation, if it occurred, would have to stop at the Vermillion. I think there's quite a strong argument in favor of such designation. And from what I know of the new DNR director, Gene Merriam, you might have a good chance of persuading the state to adopt such a designation. I think you should start with the Vermillion—what's the state's position on this waterway? And under what conditions would they permit suburban-scale development in the northern part of the township given the proximity to the Vermillion?

You probably have more control over your destiny than you might think. Which way you choose to go is largely a question of quality of life issues and tax base. If you remain at 1:40 densities, you will be able to provide a much lower level of services, just as you now do through joint agreements with other communities, but your taxes will remain lower

as well. If you develop, newer residents will demand more and better services and your taxes will increase as a result. And if you choose to develop, then the County is more likely to do things like expand or upgrade the transportation corridors. Cities (but not townships) are expected to pay 40% of the cost of such improvements, so that is another potential tax burden if you eventually incorporate.

Q: What about intermediary options such as going to 1:10 densities?

A: 1:10 is the worst choice you could make. If you're not going to remain at 1:40, then really any density short of suburban densities is disastrous.

Q: Why?

A: Because you ruin platting and subdividing down the line. You end up with a bunch of scattered houses that make future siting of subdivisions and infrastructure much more complex and costly. Also, with 1:10 densities, you put a big strain on services without sufficient tax base to support them. You will have lots more traffic which means wear and tear on roads—people will want more plowing and grading. There will be greater demand for schools, people will expect better fire and police service, etc. It would be better to either remain at 1:40 or develop at suburban densities. If you choose the latter, you would need to have a clear land use plan for the entire community and then start with suburban development in one area, with the rest of the township remaining at 1:40 as a holding zone until you need or want to develop it. This would also help to make service costs more equitable. You can put some of the services for the more densely developed areas on a fee basis. This is legal so long as you have a designated "urban service area" that receives more services and a designated "rural service area" that receives less. Chaska did this many years ago.

Q: You seem more optimistic about our ability to hold off development and remain agricultural community than some people in our township.

A: Well, I can see far more reasons why you would want to remain permanent agricultural for now, perhaps with the addition of a small town center of some sort to create a greater sense of community. I think it's better to be conservative where these sorts of things are concerned because once you start down the road to development, it's nearly impossible to turn back. If you remain permanent agricultural for the foreseeable future and decide to develop at urban or suburban densities 30 or 50 years from now, however, you can still do that. It's better to have that flexibility. But again, avoiding any of the intermediary low-density development scenarios—1:10 or 1:5 or 1:2.5—should be a high priority. It's very costly to further subdivide such plots into 1/2- or 1/4-acre lots later on.

Q: What would a town center look like? How big? What would it include?

A: I would think you could either keep it strictly residential or, if you want some small commercial development, a mixed-use development. If you placed the town center in the true center of town (i.e., C.R. 23 and 250th), you could also create a nice greenway and link up this area with Chub lake via trails.

I think you want to be careful about developing the land along the lakefront as it looks like you've already done on the east side of the lake. Preserving lake frontage is the best way to protect and preserve these resources for the benefit of the entire community, and that's a very attractive amenity. Woodbury has a policy of picking up frontage of existing plats along the lake in order to create a public trail system. They either condemn the

land or purchase it outright to make it public. The sooner you can get a trails plan and greenway plan developed, the better. Even if you choose not to develop at the moment, it's important to identify potential greenways and greenspaces now before they are lost to land speculators.

For your commercial, if you only have on-site septic, that will limit the commercial potential of the area. Shared septic would increase that potential. But a town center on the scale we're talking about would easily be accommodated on a well-sited shared system. And if sewer became available later on, you could easily expand outward from this town center as the desire occurred.

Q: What if some of the other things that we don't have control over do occur? Won't those force the issue of development in some ways?

A: Obviously if the interceptor does come through Eureka, that will change the market pressures for development. Annexation will do the same. Sometimes creeping annexation isn't such a bad thing if development is your long-term intention because the increased service burden isn't yours as it would be if you undertook the development yourself. Of course, the school districts will probably be supportive of keeping densities low. And I think the Vermillion is a real asset and a persuasive reason to retain 1:40 for the long-term.

Q: Some of our pressure is internal as well. Some farmers see their land as their retirement and therefore want to see development come.

A: If they can afford it, they would be better off to hold off and get higher value for their land. Farmers are not going to make nearly as much money on their land if they sell it now. The developers and speculators are the ones who make money. They can afford to purchase land now and sit on it for 30 years until it's more profitable to sell. So you want to do what you can to reduce speculation because this will benefit landowners in the long run. It will also benefit the township. Once speculators own the land, you don't have a lot of flexibility or much opportunity to influence what happens to the land.

Q: What if the township chooses to go the development route. What would this involve?

A: There is a lot of up-front cost and preparation required to plan appropriately. Your plan and zoning map must conform by state statute. You've got to have the regulatory framework—that is, your subdivision and zoning regulations—in place well before development begins, and they must be well done.

You need to document the costs for services. Schools are the biggest cost, but you also need to include road, police, fire, etc. You need to identify greenways and green spaces, trail systems, as well as locations for services like schools and fire and police.

You need to identify commercial districts that are large enough to accommodate future growth. What that is will depend on market forces, of course, but you have to plan ahead to reserve those areas. You also need to make sure the kind of commercial your ordinances are designed to attract is the kind that will increase your tax base. That means you need to decide up front what it is you're trying to attract—upscale housing to increase your tax base? That will call for a certain kind of commercial development and exclude other kinds. Employment opportunities for your citizens? Another kind of commercial. Retail and restaurants? Once you've determined this, you can create

architectural and design regulations that are more likely to attract the commercial you're looking for.

You want to make sure that developers are not using the existing road system for entryways or driveways by limiting the number of curb cuts. Make them build the roads to provide access. Impact fees are not permitted in Minnesota, so you can't try to charge a developer for, say, the increased impact of traffic on other township roads. You can only charge them for the actual cost of the improvements themselves. But you can create a service escrow fund, for parks, for example. Typically, developers are asked to put 10% of the raw land value of the land they develop into an escrow fund for future recreational fees. In short, make sure those who do the commercial development are carrying the full weight of development to the extent possible.

You should also consider mandatory clustering. Of course, that also means more record keeping—keeping track of what building rights have been used already. Carver County has done this for areas that are near forested land. They also require that any subdivision over a certain density MUST be annexed by a city with municipal services.

There's just a lot of up front cost involved if you decide to go the development route, and the payoff can be a long time in coming. That's why I can't stress enough that prematurely zoning areas as residential or commercial is a big mistake. You can't do just a little bit of urban development and then draw back. And the intermediate low density developments—1:10 or 1:5—are bad for everyone. So if you're going to develop, do it at suburban densities.

Q: If we decided to do some type of intermediary development like a town center, then some landowners who are lucky enough to own land in the center of the town will make out well, while everyone else is pretty much out of luck.

A: Yes, you would have to consider some type of transfer of development rights program.

Q: Yes, that's what I was getting to. Can something like this work on a small scale?

A: Well, you would need to first identify sending and receiving zones. Until there's a market for the receiving area, of course, landowners are constrained in what they can do. Sometimes the local government can facilitate this by acting as a broker of sorts between the developers and the landowners in the sending zones. Really TDRs are better when they're done at the county level, though—this way they take care of all the record-keeping, and there is more potential for finding interested parties who either want to buy or sell the development rights.

Q: So how would such a program work on the local scale?

A: I'm not really an expert on this. You might try contacting Jane Harper with Washington County who I think has done a lot of research on TDR. It's a very complex issue.

Q: If we decided to do some sort of development, I'm assuming we would want to consult a qualified planner. We've used Resource Strategies in the past, with mixed results. Do you have any suggestions for planning

consultants who would have some expertise working with rural/agricultural areas?

A: I don't know of any firms off hand. The one person I can think of to ask is Susan Taffe, who was the physical planner for Dakota County for a while. Now she is the city manager for Northfield. She knows Dakota County very well, and she may have some suggestions for rural planners. The two planning firms I would consider, although I don't think they have any expertise in rural planning, are DSU and Hoisington and Koegler.

Q: What about the possibility of encouraging or facilitating alternative forms of agricultural-commercial or horticultural-commercial as the kind of commercial development we pursue. Some farmers say that land prices in Eureka are already too high for traditional row-crop ag to survive. Are alternative agricultural businesses a viable alternative? Can that provide commercial development opportunities while maintaining permanent agricultural status for the township?

A: As you're probably aware from all of CURA's work through CAP [the Community Assistantship Program, a program of the University of Minnesota's Center for Urban and Regional Affairs that works with rural and agricultural communities on economic development and sustainability issues], there are lots of agricultural business opportunities that take advantage of niche markets—specialty cheeses, nuts, organic dairy products, frozen veggies, etc. The Hmong recently lost the use of some University land in Dakota County that they had farmed, so that provides another opportunity. They might be interested in leasing or purchasing land. Truck farms can be very profitable.

If you're interested in that sort of thing, obviously you can talk to Jan [Jan Joannides, who directs the CAP program]. You might also contact Dick Broecker who works with the southeast Minnesota region. His work is focused on creating a regional/local food economy by facilitating supply chains. He thinks the key to alternative agricultural initiatives succeeding is to integrate things like labeling and delivery so they can be cost effective. As you might guess, the problem with small-scale specialty enterprises is that it's difficult for them to get their foot in the door at big stores because the stores want guaranteed delivery, and that's difficult for a small company to provide. Integrating delivery, so you have one truck coming into the cities after it has stopped at six different farm locations, makes this easier and cheaper.

It's important to create opportunities for people to lease land rather than purchase it outright. Lots of these niche businesses can afford to purchase agricultural land at a premium price, but for those who can't, leasing land is another alternative. The important thing is that they need stability—they need the security of knowing that if they start to farm a piece of land, they will be able to continue to lease it over time.

Q: Any last comments?

A: I think the best approach for your township right now is to focus on 10-year planning assuming that everything stays pretty much like it is so you keep flexibility for the next 50 years. Don't start looking that far ahead until more of these issues are settled and decided.

After the interview, I asked Professor Lukermann to e-mail me a list of the work she had done with Lakeville and Farmington, and she included the following statement:

I could envision two very different futures for the township. One is to accept and accommodate urban growth and this could readily be accommodated, given the township location and any plans to bring in a regional sewer interceptor through the community. Another is to remain primarily a permanent ag community with strong allies with County and State governments to protect ground water and, where possible, adjust to a more intensive agriculture rather than row crops. Under the former scenario it is necessary to do additional planning around environmental protection, availability of central sewer, transportation, public and private open space, and to update your zoning and other regulations to ensure that the maximum allowable costs associated with the development are internalized with the developer. I don't have information on the current or potential future tax base associated with the airport but hazard a guess that the full range of urban services would cost more than the current tax base it provides.

As your community discusses future options, it would be very helpful to have a map showing the likley future public improvements:

- highways and interchanges, rail, transit, etc.
- sewer interceptors
- public open spaces (parks, trails, etc.)
- environmental areas needing protection

Submitted by Mike Greco