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Economic Development

This economic development chapter is a compilation of policies, goals and programs to promote the stabilization, retention and expansion of the City's economic base. It also includes consideration of the labor force, economic base and employment sector in the City and region. The goal of this plan element is to:

1. Establish a community-wide economic development strategy that is consistent with the Comprehensive Plan and focuses on providing the City, the Elkhorn Economic Development Alliance (EEDA), and other stakeholders a relevant audit of existing conditions and agreed upon goals, objectives, and strategies.
2. Establish realistic action plan steps that the stakeholders can undertake to promote stabilization, retention, and expansion of the local economy in general, and specifically the existing and future businesses in the City. This will be done by considering economic trends in the City and the region, evaluating strengths and weaknesses relative to supporting various industries and businesses, and identifying ways to promote a healthy economic environment.
3. Promote a desirable quality of life for residents. This is an essential role of economic development—to create a livable community for residents by creating an adequate tax base to support the elements of community described in this plan: schools, parks, shopping, neighborhoods, etc.

This plan section recognizes and draws upon the findings and insights of the work in concert with the recently developed City of Elkhorn Comprehensive Markets Assessment, prepared by Redevelopment Resources (September 2015). That report evaluated industrial and retail / commercial market activities in Elkhorn and Walworth County.

ECONOMIC DEVELOPMENT GOALS:

A strong economy is critical to the future of Elkhorn and features a diversified economic base, variety of job opportunities, strong mixed-use downtown core, and balanced mix of businesses supported by the residents, employees, and visitors of Elkhorn.

ECONOMIC DEVELOPMENT OBJECTIVES:

1. Encourage the growth and vitality of a primary employment district around the existing Elkhorn Business Park as a source of good paying jobs by supporting existing businesses and attracting new businesses – particularly those in strong emerging industries.
2. Support the city center by developing an area of emphasis for Downtown Elkhorn to ensure it continues serving as a focal point for public services, business, dining / entertainment, civic institutions, and community activities.
3. Work with the Elkhorn Economic Development Alliance and Elkhorn Chamber of Commerce to support employer attraction and retention, monitor commuter trends, and attract high-paying employers/ jobs.
4. Capture a fair share portion of the regional market for retail foods and services. This is supported by creating a regional shopping destination at the intersection of Interstate 43 and State Highway 11 and acknowledging the area around Wisconsin and Market Streets as a retail hub in the community. Development of these areas must ensure they attract retailers that complement, rather than compete with, the existing Downtown.
5. Work with other communities, training and educational providers, and Walworth County to emphasize regional economic growth.

EXISTING CONDITIONS, BACKGROUND AND LOCAL MARKET ANALYSIS

Planning for the future of Elkhorn requires an evaluation of both the historic and current economic trends. Such trends are likely to have an effect on long-range growth and development. The analysis of these factors has influenced the prescribed land use plans and policies that are provided throughout this plan. The following section offers an analysis of the existing economic conditions in Elkhorn.

General Trends for Factors That Influence Economic Viability

Five major factors that influence economic viability are: labor; transportation/telecommunications; finance/capital; quality of life; and other factors. This section addresses how each of these factors applies to Elkhorn's economic picture.

Labor. Access to labor remains the top consideration amongst industrial companies. The Elkhorn labor pool reflects regional and national trends in that there are fewer entrants to the labor pool than retiring. The City of Elkhorn Comprehensive Markets Assessment notes the significance of Workforce Development and Talent Attractions as an important economic development objective and sets our recommendations in that area. With the ever increasing pressure on manufacturers to lower prices, it can be expected that the industry will continue to seek lower labor costs and/or greater applications of technology to improve productivity and lower costs. This trend is evident on the national, regional and local level.

Transportation/Telecommunications. Elkhorn is fortunate to have reliable access to both highway and rail forms of transportation. The “I-43” corridor coupled with the four-lane US HWY ‘12” permits rapid access to major markets fairly quickly. Additionally, the City is well situated to national and international air transportation; Milwaukee’s General Mitchell, Chicago’s O’Hare and Rockford’s Airport are within a 90-minute drive time. Existing arterials, including North Lincoln Street, East Court Street and STH “11” have been improved and/or widened within the last seven to ten years.

Telecommunications (fiber optics and reliable high-speed internet connections) are the highways of the future and just as important to business retention, expansion and attraction. Guaranteeing that accessible digital infrastructure is in place is important to both residents and businesses in Elkhorn, and should be part of the City’s long-term plan for economic development. It should best be accomplished by working with other communities and larger regional entities like Walworth County and SEWRPC.

Finance/Capacity. The City’s location, within a 60-minute drive time from major financial institutions, means that access to capital funding is only a nominal issue. Banking and business financial institutions are aggressive in the marketplace and well represented. There is, on the other hand, a challenge all across the national securing capital. Financial institutions have been slow, coming out of the recent recession, to fund ventures and other sources may need to be found. A business incubator is one type of enterprise that can set up to provide office space, equipment, capital, and mentoring assistance to encourage and grow new businesses. Business incubators are often set up by universities, non-profit groups, or venture capitalists. In Elkhorn, seeking ways to similarly secure capital for downtown business and property owners should be considered in order to maintain the character and strength of that district.

Quality of Life. An excellent quality of life is vital for attracting and retaining both employers and employees to Elkhorn. Much of this Comprehensive Plan focuses on creating livable neighborhoods – which share access to excellent schools, shopping, parks and recreation, institutions and employment. Elkhorn has historically supported business and industrial growth with the preservation of its small-town character and surrounding rural areas. The quality of life in Elkhorn meets or exceeds the requirements for most small and mid-scale manufacturers. However, for Elkhorn to increase its presence in the more technologically related industries, access to more cultural events, institutions, recreational opportunities and activities will play a more significant role.

Other Factors. Included in this broad segment is access to energy, utilities and community facilities, housing, and intra-urban transportation:

- **Energy.** Elkhorn, via two major providers, appears to have energy supplies capable of handling its current industrial and commercial needs requirements. The City distributes electric power purchased from the commercial electric power grid, though it does not own nor operate power generating facilities. New line extensions and system maintenance will need to be completed to support new growth outside of the City’s existing boundary.
- **Utilities and Community Facilities.** Depending upon the specific geographic area of the City, Elkhorn’s infrastructure is adequate for existing development. While there are areas where aging infrastructure could be an issue, most of the commercial and industrial areas are in good repair with the capacity to absorb additional development. (See SECTION 4 of the Comprehensive Plan - Utilities and Community Facilities)
- **Housing.** Housing is present and by national standards affordable. There is a desire to encourage

the development of a balance of housing to attract the middle to upper price range of the market, and to return the City to a predominantly single-family balance. (See SECTION 2 of the 2030 Comprehensive Plan for a comprehensive view of housing in Elkhorn)

- **Business Climate.** The ability of a community to retain and attract business and industry is dependent upon the presence of a successful business climate. Beyond the overall economic development characteristics described here, the best way that any community can create such a climate is by supporting a clear and predictable development approval process. The City has recently done this by evaluating its zoning ordinance. In that effort, specific attention was paid to streamlining certain procedures and facilitating quality development and sound business operation in the City.
- **Commercial and Industrial Uses.** Commercial businesses are located in the downtown area and along the State 67 corridor including a mix of specialty retail, furniture shops, antique stores, personal services, automotive services, restaurants and offices. The Elkhorn Business and Industry Park, located southeast of downtown, at the I-43 and State Highway 67 intersection, was established in the 1970's and is home to many of the City's light industrial, professional service, commercial and manufacturing business. The business park was owned and developed by the City of Elkhorn and encompasses more than 300 acres. There are infill development sites located throughout the Elkhorn Business Park. Two additional parks, the Evergreen Business Park and Fairways Edge Business Park are located near Elkhorn's northern municipal boundary.

As outlined in Chapter 8 (Land Use) of the Comprehensive Plan, Elkhorn has identified several specific geographic areas for commercial and industrial development and growth. The gross acreage for all existing and future business oriented land uses totals 2,160 acres approximately.

LAND USE AND ECONOMIC DEVELOPMENT

There is a geography to economic development. Elkhorn's plan for future land use anticipates the growth and change of several areas within the city, and some outside current boundaries. These considerations are detailed in the Land Use chapter of this plan.

Employment District

The existing Elkhorn Business Park will, eventually, be completely sold to private property owners, corporations or entrepreneurs who employ residents and other workers within their businesses. Based on existing development patterns, the park may not be completely "built-out" when it is "sold-out". Businesses have typically purchased more land than they need immediately, and have banked the vacant land for future expansion. After sell-out, the land use plan anticipates the expansion of the area of the "Employment District", even if it is not the expansion of the Business Park as developed by the Economic Development Corporation of Elkhorn. Existing agricultural lands to the south and east of the Business Park will support many years of economic development, more likely to support existing and new forms of business and employment with less emphasis on manufacturing and industry.

Commercial Services

STH 67, both north and south of the core/central business district will continue to grow, providing both commercial economic development opportunities and goods and services benefiting Elkhorn residences and businesses. The heart and soul of Elkhorn will and should remain the "downtown"

business and cultural area surrounding the Courthouse Square. Redevelopment and revitalization may support greater numbers of residential units and offices in this core area, but the retailing and particularly restaurants and entertainment within the core sustains the quality of life in Elkhorn, a fundamental resource to economic development.

Regional Commercial / Economic Development

The land use plan emphasizes the opportunity representing a more regional market for retail businesses at the intersection of STH 11 and Interstate 43. Though this area is outside the existing boundaries of the City, it presents the opportunity to capitalize on excellent regional accessibility and links to more suburban Milwaukee markets through the interstate. The plan calls for a significant portion of the area west of I-43 to be dedicated to a planned retail center, with at least a portion devoted to lifestyle retailing.

STRENGTHS, WEAKNESS, AND OPPORTUNITIES ANALYSIS

Identifying the characteristics that meet or exceed the levels necessary for a strong business environment is the foundation of building a successful economic development strategy. It is equally important to recognize any factors that create the challenges and weaknesses the City may face. Based on analysis of local, regional, and national data and economic development trends, the City of Elkhorn Comprehensive Markets Assessment also presents a range of highly focused findings in this area - and is recommended to be consulted in refining and focusing economic development actions.

Strengths Related to Economic Development

- Functional, traditional downtown street pattern
- Downtown architecturally interesting building stock / rich history
- Strong development interest in residential housing growth
- Convenient highway access
- Close proximity to major airports
- Walworth County Fairgrounds
- Proximity to tourist attractions (e.g. Lake Geneva, White River State Trail, outdoor recreation, antique markets, beaches, etc.)
- Reputation as “Christmas Card Town”
- Excellent school system
- Attractive business parks with opportunity for expansion/available land
- Network of economic development minded groups / opportunity for enhanced partnerships (e.g. Elkhorn Economic Development Alliance (EEDA), WCEDA, Elkhorn Chamber of Commerce, Gateway Technical College, etc.)
- Park system and open space connections
- Agricultural heritage

Challenges Related to Economic Development:

- Many property owners downtown lease out storefronts and, therefore, may be less vested in overall district
- Limitations on use of Tax Increment Financing imposed by Wisconsin, enabling legislation (competing with communities in Illinois/Minnesota and elsewhere)

- Past TIF Practices in Elkhorn which overextended the City's capacity to fund/support economic development elsewhere
- Organizational role and mission of Elkhorn Economic Development Alliance (EEDA) is somewhat unknown
- Lingering perception that development process is difficult
- Lack of design character established for the community to guide appearance improvements and new development
- Undeveloped sites located in Elkhorn Business Park

Opportunities Related to Economic Development:

- Broaden focus of economic development from the Elkhorn Business Park to wider vision for the City as a whole
- Identify high impact priority sites for redevelopment, consider development programs
- Target high-growth industries that offer competitive salaries and growth opportunities
- Recruit emerging firms, which align with "clusters" and resources of the region
- Identify companies that will fill a gap (bring a needed product or service) to Elkhorn
- Focus energy on redevelopment of existing property and infill sites, rather than greenfield development
- Recruit major Midwest-based firms with head offices in cities like Chicago, Milwaukee and Minneapolis/St. Paul to establish back office operations and call centers in Elkhorn
- Lobby for commuter rail linkages with Chicago and Milwaukee
- Recruit new hotels to establish operations in Elkhorn
- Expand upon post-secondary educational programs and opportunities in Elkhorn
- Continue to invest in City utilities and infrastructure

ECONOMIC DEVELOPMENT TOOLS

1) Tools: Tax Increment Financing. The City of Elkhorn currently has three Tax Increment Financing (TIF) Districts: Elkhorn Business/Industrial Park; Downtown District; and the "North" District. The following section outlines general information about TIF Districts and provides a strategic guide for the use of TIF in Wisconsin.

Background on TIF

TIF (Tax Increment Financing) is an economic development tool that allows local governments to fund development projects by capturing the increased property tax revenue created by the new redevelopment projects. In order for a municipality to create a TIF District, it must first formulate a detailed project plan for the development of a specific geographic area – referred to as a tax incremental district (TID)¹.

After a TID is established and approved by the local legislative body, the city assessor and Wisconsin Department of Revenue determine a base value for all properties in the district; taxes are then created on the full value of each property. While property taxes are collected on the full value, local governments receive taxes only on the base value – so that taxes on all property value growth above the base value, "value increment", can be used to pay off the cost of infrastructure and other related improvements in the district (e.g. upgrading roads, rehabilitation of older buildings, mitigating

brownfields, etc.). Once all project costs are repaid, the TID is terminated and local governments receive tax revenue from the full value of the district.

TIF in Wisconsin

In 2003, the State of Wisconsin enacted a number of reforms to the State's TIF system by passing Wisconsin Act 126. Reforms were aimed at increasing municipal flexibility, but also created an entirely new type of district: the mixed-use TID. The mixed-use TID is an addition to the three existing types of districts (blighted, rehabilitation/conservation, and industrial). By approving the use of TIF, local governments agree to constrain their ability to raise revenue in the TID for a certain number of years, in exchange for higher property values in the future.

Funding TID Improvements

A successful TIF will pay for its total project costs through future increases in tax revenues, however, a municipality must determine early on how it fund improvements. Early investments generate the value increment that leads to increased property tax revenues. According to the COWS (Center on Wisconsin Strategy), there are three typical ways that municipalities can finance TIF expenses:

- ***Bonding.*** Municipal bonds offer upfront financing and allow municipalities to borrow at a low interest rate, based on the sustained ability of a municipality to collect taxes. As the district's property value increases, the tax revenue collected on the "value-increment" is used to pay off the municipal bonds.
- ***City-led pay-as-you-go.*** Generally regarded as the safest funding option, with this method, a city establishes a TID in an area already slated for new development that is likely to increase property values. The city then captures the increased tax revenue from a project to use on other projects throughout the district. The city can then estimate how much the district's tax revenue will increase and only fund improvements based on the yearly projections.
- ***Developer-led-pay-as-you-go.*** In projects where a single developer is leading the majority of the development efforts in a TID, municipalities may rely on the developer to finance his own improvements. The developer-led option has only developed in Wisconsin very recently and while attractive – no upfront costs to the city or strain on the City's borrowing capabilities – it has proven to yield less beneficial development than the other financing options. Private financing fees will be significantly higher than municipal bonds.

¹ *"Efficient and Strategic TIF Use – A Guide for Wisconsin Municipalities," Prepared by the Center on Wisconsin Strategy (COWS), December 2006.*

City-Wide TIF Policy

Establishing a city-wide TIF policy, with clear priorities in funding is a priority goal. The policy should provide predictability and encourage developers to undertake only those projects that meet Elkhorn's needs. Proposed development using TIF funds should be consistent with and strengthen all City plans. The adopted TIF Policy should be provided to developers interested in TIF funding. The following strategies can be integrated into the city-wide policy:

- ***Consider Retiring TIF Districts.*** The City should consider retiring existing TIF Districts at earliest opportunity so that TIF can be effectively used as a tool in other areas of the City. In the interim, the use of TIF funds should be maximized for the highest benefit during the remaining life of the TIF Districts.

- **Evaluate Yearly Financial Health of each District.** The health of each TIF District should be evaluated annually in light of established goals. The process of evaluating the fiscal health of the districts can be used as a means of assuring TIF districts do not place capital investment property of Elkhorn in jeopardy.
- **Limit Development of Open Land.** As established in the this Comprehensive Plan, new and existing development in Elkhorn should maintain a healthy and sustainable balance of uses. The Comprehensive Plan further outlines a process for reviewing annexation and development proposals. While attractive to developers, the negative externality costs of developing greenfield sites are much higher to the community than developing infill sites. To limit high costs resulting from greenfield development, such as extending services and roads and loss of open spaces and farmland, the City should consider limiting the percentage of undeveloped land which can be included in a TIF proposal.
- **Require Job Creation, Enforce Minimum Labor Standards.** Each proposal should be required to include an estimate of the number of jobs created by the development with wage and benefit levels for each position. The job creation summary should be broken down into temporary and permanent positions. The City should consider tying the availability of TIF funds to the quality and number of ongoing jobs.
- **Clawback Clauses.** A clawback clause requires a developer to pay back a percentage or all of the costs assumed by the City through use of TIF, in the event the developer does not meet the guarantees made in the original TIF agreements. This allows the City to recoup some or all of the monies provided to a developer, if the developer overstates the amount of property value expected in the Tax Increment District.
- **Require Developers to pay for Increased Service Costs.** Increased service costs are often associated with new development; yet, property taxes on the TIF-funded development go towards paying off development debts instead of funding the general services of a municipality. Some communities, such as Denver, have utilized an approach which attempts to address the rising costs of providing services (e.g. schools, utilities, police, fire) to allow the City to receive a progressively increasing share of the taxes from the value increment over the duration of the TIF district.
- **Fund Loan Programs to Small Businesses and Home Owners.** Consider low-interest funding or grants for businesses start-ups, businesses looking to renovate facilities, and homeowners seeking to rehabilitate housing. Smaller-scale redevelopment and improvements projects can spur further reinvestment in the community. Incentive programs for entrepreneurs in TIDs would also help to address the City's need for increased opportunities for the formation of business incubators.
- **Finance Energy Saving Home Retrofits and Renewable Energy.** Redevelopment plans often generate new investment in depressed areas, but at the same time result in higher property taxes for existing residents and business owners. TIF funds can be used to counterbalance the rise in property taxes by funding energy-saving improvements, such as solar panels, solar water heaters, energy-efficient windows, new HVAC systems, or renewable power infrastructure. This incentive can create an improved and more efficient building stock, while funding more cost-effective and environmentally sound building systems.
- **Limit Projects to Demonstrated Financial Ability.** When using TIF funds, consider utilizing only for projects that have demonstrated probability of success (e.g. proven development market analysis and high private investment to public investment leverage ratio).

2) Tools: Business Improvement District (BID)

A Business Improvement District (often referred to as BID) is a formal organization made up of property owners and – in some cases commercial tenants – who are dedicated to improving the quality of life in a specific area and promoting business development.

Wisconsin Act 184, signed into law in 1984, gives municipalities the power to establish one or more BIDs with the authority to institute an assessment within the district to aid in the promotion, development, management and maintenance of the established district. BID levies are generally based on a proportion of the individual property's assessed value but may also be based on parcel sizes or frontage footage. BID assessments are restricted to commercial and industrial properties subject to real estate tax. Tax-exempt or exclusively residential properties cannot be included in the assessment district.

Typical expenses of any BID include a range of professional services including district management, events production, litter control/clean-up, streetscape maintenance, job training, promotional efforts, advertising, marketing and assistance for business start-ups.

BIDs vary in size. Most BIDs are managed by a full-time Director/Manager. Wisconsin State Statutes require that a BID be administered by a Board of Directors. Some BIDs support a Wisconsin Main Street Program.

3) Tools: Brownfield Assessment, Revolving, Fund and Cleanup Grants

Brownfields are property whose expansion, redevelopment, or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant. Cleaning up and reinvesting in these properties takes development pressures off of undeveloped, open land, and both improves and protects the environment. The U.S. Environmental Protection Agency (EPA) provides funding and technical assistance for assessing and cleaning up brownfield sites.

4) Tools: Wisconsin Small Business Development Center

The WSMDC provides business education, counseling and technology training and instruction. The organization has locations throughout the state – including at UW – Whitewater. The Center's programs include the Entrepreneurial Training Program, which is a course providing prospective and existing business owners with expert guidance through business plan development.

5) Tools: Business Incubation

Business incubation is a process that accelerates the successful development of start-up companies and seeks to support the entrepreneurial process. The main goal of a business incubator is to produce successful firms that will leave the program financially viable and independent. Critical components of business incubators include: provision of management guidance, technical assistance, and consulting services tailored to young growing companies. Usually a fundamental element of a business incubator is the provision of appropriate and flexible office spaces, short-term leases, shared business services and equipment, technology support, and assistance in obtaining financing.

Incubators have been successful in diversifying rural economies, providing employment and creating growth in depressed economies, and targeting new industries, which in recent years include: food processing, medical technologies, arts and crafts, and software development. Many incubators are also specific to supporting the needs of women and minorities, environmental programs and telecommunications growth.

ACTION PLAN

Guiding Approach: The City, in collaboration with public/private-sector entities in the community, will develop and maintain a comprehensive economic development strategy for achieving the City's development goals and will update this strategy on an annual basis. The strategy will focus on the generally accepted factors that influence economic viability, including labor, transportation/telecommunications, finance, quality of life, and business climate. As noted earlier, insights and recommendations of the recently completed City of Elkhorn Comprehensive Markets Assessment lay the groundwork for an economic development action plan. To that end, the recommendations of the report are summarized below. The full report should be consulted for a full understanding its findings and recommendations.

Retail / Commercial Development Downtown and City – Wide

1. Engage with downtown business and property owners.
2. Create a property improvement program
3. Conduct a downtown revitalization study
4. Work with EEDA to target blight elimination and façade improvements throughout the City.

Community Development for Downtown

1. Create dynamic and interactive public process
2. Program public spaces to encourage regular visits
3. Install amenities for gathering and interacting.

Business Retention and Expansion

1. Build relationships with businesses in target industries
2. Pursue opportunities for local businesses to supply each other
3. Explore partnering with existing business in target industries to expand
4. Use Wisconsin State resources to leverage local efforts.

Business Attraction

1. Partner with existing businesses to identify synergistic companies
2. Coordinate outreach of available State resources
3. Inventory available sites in a data base easily accessible to site selectors and developers.
4. Plan for purchase of larger sites for potential industrial development.

Workforce Development / Talent Attraction

1. Host roundtable discussions for employers to understand talent attraction targets
2. Partner with employers to development relocation incentives
3. Focus on attracting jobs that pay at or above the living wage.