

CITY of MINNEAPOLIS
DEPARTMENT OF COMMUNITY PLANNING & ECONOMIC
DEVELOPMENT (CPED)

MINNEAPOLIS INDUSTRIAL LAND & EMPLOYMENT STRATEGY

(MILES)

PUBLIC PURPOSE

Light industrial businesses are extremely important to maintaining the economic health of the City of Minneapolis. According to the State of the City 1989, 40,400, or 14%, of the jobs in Minneapolis are in the manufacturing field. The average annual manufacturing wage in Minneapolis in 1988 was \$29,200, while the average annual wage for all type of jobs was \$25,000.

Due to the higher average wages paid to workers employed in light industrial occupations, and the fact that Minneapolis residents hold a high percentage of the jobs offered by light industrial businesses in Minneapolis, increasing and retaining such employment opportunities in the City will support the long-term viability of housing and retail services.

The number of industrial jobs in Minneapolis has been declining rapidly. Taking the city neighborhoods alone, total actual employment declined one percent, but manufacturing employment declined 22 percent and trade declined 334.5 percent. In relative terms, the neighborhoods lost 23,300 jobs. (34%), to the rest of the state, of which 15,800 were in manufacturing and 4,700 were in wholesaling.

Actual Manufacturing employment is projected to decline in City Neighborhoods by 1.4 percent 1990-1992, with the biggest decline, 1.5%, occurring in durable goods.

A migration study done in 1988 by the MCDA indicated what the major reason for businesses leaving the City was lack of suitable sites or facilities

for expansion. The currently available industrial buildings in Minneapolis are, for the most part, no longer suitable for modern manufacturing.

Good paying jobs are the cornerstone of the economic health of our city. They provide employees with the money to purchase and maintain homes, and the money to patronize the commercial establishments in their neighborhoods. The real estate taxes generated by the employers fund our schools, city, county and state activities.

PREVIOUS DIRECTIVES

The City of Minneapolis, since at least 1977, has recognized the importance of maintaining and increasing its industrial job base, through passage of a series of resolutions and policies designed to give priority to and encourage job-producing industrial development. The most recent of these have been the Jobs and Light Industrial Policy approved by the City Council in February, 1989, and the 1991-95 Community Development Framework, adopted by the Council in February, 1991. These documents address goals of targeting industrial jobs to City residents of low income and coupling this effort with training programs designed to qualify persons for advancement. Vacant and underused sites are targeted for acquisition and conversion to industrial use. The Framework mandates acquisition of a sufficient inventory of industrial parcels to better respond to the expansion needs of existing businesses, and proposals from new businesses, as they arise.

PROGRAM OBJECTIVES AND GOALS

In order to respond to these directives calling for increasing job opportunities and available land for the expansion needs of light industrial businesses, CPED continues to operate its current industrial projects such as Seward South. In addition to these ongoing efforts, another extremely critical component is necessary, an industrial land and employment strategy, with the following objectives:

1. To provide light industrial jobs for Minneapolis residents, primarily the creation of new job opportunities and secondarily the retention of existing jobs.
2. To maintain an inventory of developable industrial land of sufficient acreage, to meet the annual demand.
3. To expand the City's tax base.
4. To improve the environment in the City's neighborhoods by:
 - a. Removing blight;
 - b. Eliminating incompatible land uses;
 - c. Stabilizing compatible land uses; and
 - d. Removing potential environmental hazards, such as asbestos and soil pollution, where financially feasible.
5. To achieve the efficient utilization of light industrial land.

6. To eliminate the barriers to the private redevelopment of industrial land. These barriers include the following:
 - a. Extensive lead time, which is usually required to acquire and clear sites, relocated tenants, and, often, to remove soil pollution;
 - b. High costs of site acquisition and preparation. These costs are usually in excess of the market value of the property and must be initially publicly absorbed and subsequently recouped through tax increment; and
 - c. Difficulties in acquiring or assembling properties, which often require the use of the City's eminent domain authority.
7. To encourage redevelopment that will bolster adjacent neighborhood improvements.

POTENTIAL BENEFITS

In addressing the objectives listed above, the program will provide the following benefits.

1. Based on the funding request of \$11.0 million for 4 years, and the historical average price paid per square foot for industrial land (\$8.26), staff estimates that up to 31 acres of land may be acquired.
2. With a goal of 40% site coverage and between 1 and 1.5 jobs retained or created per 1,000 square feet of development, the program is expected to cause the creation or retention of at least 535 and as many as 811 jobs. Since 1984, approximately 37% of the jobs resulting from industrial redevelopment in Minneapolis have been newly created jobs. Assuming this ratio continues, 197 to 300 new light industrial job opportunities will result from this program's activities.
3. Generation of additional real estate taxes. These additional real estate taxes will then be used to repay public costs associated with a project, and to provide funds for the City's Neighborhood Revitalization Program.
4. Increased spending on housing and retail services. It is assumed that manufacturing workers currently spend one-third of their incomes for housing; thus, for every 100 newly-created light industrial jobs that are held by Minneapolis residents, almost \$1 million per year will be spent on housing in the City. Also, those employees whose jobs are retained in the City as a result of this program's activities will continue to be able to make their housing and retail expenditures within the City.

PROGRAM TARGET

Blighted industrial land within the City of Minneapolis is the main target of this strategy. In addition, land which is currently zoned commercial or residential but which would be appropriated for conversion to light industrial

uses will be analyzed, in conjunction with the Planning Department and neighborhood groups, for possible inclusion in the MILES program.

SITE SELECTION CRITERIA

Sites considered for acquisition through this program must meet at least one of the following criteria. Where limited funding precludes the acquisition of all sites being considered, priority will be given to those sites meeting the largest number of criteria.

1. **MARKETABILITY**: The land once acquired and prepared for redevelopment, must be marketable for light industrial redevelopment. The factors involved in this criteria are:
 - a. Site Size – priority will be given, within funding constraints to sites in excess of 4 acres. This will provide flexibility to subdivide for smaller users or, meet the needs of large businesses:
 - b. Adequate access to the site; and
 - c. Location.
2. **JOB CREATION**: The potential re-use of all sites must provide significant job creation or retention, with priority given to the creation of new job opportunities.
3. **BLIGHTED, VACANT, UNDERUTILIZED**: Sites considered for selection must meet the standard for the blight findings required by state law.
4. **SOIL PROBLEMS**: Sites will be considered which have poor soil conditions or soil contamination.
5. **ASSEMBLY PROBLEMS**: Sites will be considered that have assembly problems, such as multiple owners, unwilling seller, title problems, and lack of public infrastructure.

Acquisitions proposed by an owner or developer will be included, if the need for public involvement can be justified. The Agency could respond to owner requests for acquisition or may respond to a proposal from a potential user.

PROGRAM OPERATION

1. **ACQUISITION**: Activities to be funded under this program would include appraisals, soil testing purchase (and eminent domain proceedings, if necessary), relocation, demolition, pollution cleanup and soil correction.
2. **MARKETING**:
 - a) The IMPLAN/IPASS system identifies manufacturing and light industrial firms that have the greatest impact for both short and long-term economic stability. IMPLAN/IPASS will be used to generate a list of priority industries, which will then be used to prioritize staff contacts with firms that, in their small business survey response, expressed an interest in expanding or relocating.

The IMPLAN/IPASS system can also be used to assess the immediate and future impact of a particular development proposal. This will assist staff in analysis of proposals and, if necessary, choosing between completing proposals. The following criteria will be used to evaluate economic impact: high employment, labor intensiveness, value added per worker and projected future growth, and increased property taxes resulting from private construction activity.

- b) Individual Contacts: CPED staff will meet with small business survey respondents who indicate a desire to relocate or expand. This will serve two purposes: First, information about the land needs of the City's businesses can help identify land to acquire. Second, the contacts can be used to market both the land inventory and the Agency's financing programs. To make the best use of staff time, the IMPLAN/IPASS system prioritization noted above will be used to prioritize staff contacts.

3. CONTACT WITH OWNERS OF VACANT INDUSTRIALLY ZONED LAND:

Through this process, Staff will identify why a currently vacant parcel is not being developed and what the Agency can do to impact the situation. The most cost effective way to assist development will be identified and implemented.

- 4. LAND LEASE PROGRAM:** In the past, the majority of industrial land marketed by the MCDA has been sold to developers or businesses. The Land Lease program will be used whenever feasible, in order to provide a flexible, stable, long-term source of revenue that can be linked to the Neighborhood Revitalization Program and other redevelopment needs. The program will allow CPED the flexibility to structure redevelopment projects so that the City, its neighborhoods and businesses all benefit.

- 5. JOB LINKAGE PROGRAM:** The Living Wage/Jobs Linkage Program will be used whenever possible. The goals of this program are to:
- a. Strengthen the existing employment components of CPED's programs through a more concerted effort to encourage client businesses to participate in City employment programs.
 - b. Expand the customized training program operated on a pilot basis by Seward Redesign in 1989.
 - c. Establish stronger employment links for CPED Revitalization Resources programs such as industrial revenue bond financing and the land lease program.

PROGRAM COSTS AND FUNDING

The initial funding request will be for \$11 million of common project funds over the next four years. This will fund the acquisition of approximately 31

acres of land. Issuance of bond will be considered in the future to increase the funding for the program. The issuance of bonds will require approval by the City Council.

Depending on the results of the neighborhood workshops to be held beginning in early 1991, additional funding for this acquisition program could be made available through the Neighborhood Revitalization Program.

CITIZEN PARTICIPATION

The acquisition process will begin at the neighborhood level, with neighborhood group notification that a site is being considered. Guidelines and Criteria for project areas will be revised or newly drafted if necessary in coordination with the Planning Department, Public Works, Park Board, et al. The Guidelines and Criteria will then be reviewed and approved by the neighborhood group. Following Planning Commission review, the City Council will be requested to approve the Guidelines and Criteria, Common Project Modification, Tax Increment Finance Plan, if appropriate, and the specific acquisition and related activities as necessary. Following the approval process, site acquisition activities would be initiated.

RESPONSIBLE AGENCY

CPED staff is responsible for implementation of this program.