



**Request for City Council Committee Action from the Department of Community Planning
& Economic Development – Planning Division**

Date: August 24, 2006

To: Council Member Gary Schiff, Chair of Zoning and Planning Committee, Council Member Lisa Goodman, Chair of Community Development Committee

Referral to: Zoning and Planning Committee

Subject: Industrial Land Use Study & Employment Plan

Recommendation: See report from the City Planning Commission

Previous Directives: Not applicable.

Prepared by: Jennifer Jordan, Principal City Planner (612-673-3859)

Approved by: Jason Wittenberg, Supervisor, CPED Planning-Development Services

Permanent Review Committee (PRC) Approval _____ Not Applicable _X_

Policy Review Group (PRG) Approval _____ Date of Approval _____ Not Applicable _X_

Financial Impact (Check those that apply)

X No financial impact (If checked, go directly to Background/Supporting Information).

_____ Action requires an appropriation increase to the _____ Capital Budget or _____ Operating Budget.

_____ Action provides increased revenue for appropriation increase.

_____ Action requires use of contingency or reserves.

_____ Business Plan: _____ Action is within the plan. _____ Action requires a change to plan.

_____ Other financial impact (Explain):

_____ Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other: See staff report from the City Planning Commission

Background/Supporting Information Attached

This cover letter calls out comments from the City Planning Commission on specific policy recommendations from the Industrial Land Use Study & Employment Plan. The policy recommendations as presented to the City Planning Commission are as follows:

Primary Land Use

Option #3 Adopt Industrial Employment Districts; prohibit zoning amendments for residential uses in Industrial Employment Districts

Recommendation #3.1: Define boundaries of Industrial Business Park Opportunity Areas by adopting Employment Districts into The Minneapolis Plan. Note: the Employment District concept proposed here does not have to be restricted to industrial land. It could be applied in other areas of The Minneapolis Plan for industry sectors such as health care (i.e. Life Sciences Corridor).

Recommendation #3.2: Prohibit residential uses and Industrial Living Overlay Districts (ILOD) in Industrial Employment Districts within Industrial Business Park Opportunity Areas.

General Land Use

Recommendation #4: Allow more conditional uses in ILODs.

Recommendation #5: Incorporate industrial uses into small area plans for locations adjacent to Employment Districts.

Recommendation #6: Within the Industrial Employment Districts, make religious institution places of assembly (churches, mosques, synagogues, etc.) a conditional use as opposed to a permitted use. Exclude all primary, secondary and post-secondary schools in the employment districts except those where the curriculum is targeted to preparing students for careers associated with business and industry.

Recommendation #7: Encourage and implement buffering through the site plan review process.

Economic Development

Recommendation #8: Set aside at least half of available industrial business assistance for targeted industrial employers.

Recommendation #9: Align workforce investments with targeted industrial employers.

Recommendation #10: Increase resident employment at existing and new industrial businesses.

Recommendation #11: Institute bi-annual survey of industrial businesses.

Recommendation #12: Improve outreach to the business community.

Recommendation #13: Continue efforts to streamline the development process.

Recommendation #14: Coordinate infrastructure investments made through the Public Works Department to align with targeted industrial employers.

Recommendation #15: Pursue industrial redevelopment through public-private partnerships.

City Planning Commission comments were made on the following policy recommendations:

Recommendation #3.2: Prohibit residential uses and Industrial Living Overlay Districts (ILOD) in Industrial Employment Districts within Industrial Business Park Opportunity Areas.

The Commission felt that prohibit may be too strong and said that it may be better to establish a set of criteria specific to industrial properties over and above the standard list of findings. Applications that seek to rezone industrial properties would have to meet those findings in order to proceed. Eliminating the word "prohibit" would preserve flexibility and provide for discretion.

Recommendation #7: Encourage and implement buffering through the site plan review process.

The Commission felt that this recommendation should include more specific language regarding buffering of residential areas from industrial areas. Specifically, new residential development locating adjacent to existing industrial uses should be required to install items that would provide a greater degree of buffering and screening (i.e. more landscaping, fencing, thicker window glass, etc.).

Recommendation #14: Coordinate infrastructure investments made through the Public Works Department to align with targeted industrial employers.

The Commission discussed whether utility companies should be added to the recommendation as well as whether Public Works should be deleted to make the recommendation more general. The Commission decided it was more important to highlight Public Works in the recommendation since their involvement in constructing infrastructure is often important to encouraging new development.

In addition to Planning Commission comments, CPED proposes an alternative option for boundaries for two of the employment districts – Upper River and North Washington Jobs Park. The alternative options address concerns of consistency with the existing adopted Upper River Master Plan and are attached to this document.

Department of Community Planning and Economic Development – Planning Division
Industrial Land Use Study & Employment Plan

Date: June 12, 2006

Project Name: Adoption of the Industrial Land Use Study & Employment Plan and amendment to incorporate the land use policy and maps into *The Minneapolis Plan*

Planning Staff and Phone: Jennifer Jordan, (612) 673-3859

Ward: All

Neighborhood Organizations: Citywide including Above The Falls Citizen Advisory Committee (AFCAC)

Existing Minneapolis Plan Designations:

- **Industrial Business Park Opportunity Areas**

Zoning Plate Numbers: All

Background

Above the Falls, A Master Plan for the Upper River in Minneapolis was a small area plan adopted in June 2000 that proposed change in land use from industrial to other uses for the upper Mississippi River area. A condition of that approval directed the Minneapolis Planning Department and the Minneapolis Community Development Agency to review principles set forth in The Minneapolis Plan related to heavy industrial uses in the city with recommendations on implementation of an industrial policy. A review of the City's comprehensive plan showed that policy direction for industrial land uses was not clearly laid out in the plan and that there was a need for a more detailed policy framework to guide industrial land uses citywide.

Project Scope

From April 2004 through September 2004, CPED Planning and Economic Development division staff met to formulate a detailed Request For Proposals (RFP) regarding an industrial land use plan. It became clear in preparing the RFP that employment was intricately linked to land use so the scope of the project was expanded to include an analysis of employment. The RFP was posted on the CPED website for public comment. The City Planning Commission reviewed and commented on the RFP on November 18, 2004. The City Council approved issuance of the RFP on January 28, 2005. The project steering committee reviewed proposals and selected the consultant team in March 2005.

The RFP detailed a series of questions that the City wanted to have answered with regards to three major areas: current conditions, trends and national models, and future directions. Specific project deliverables included the following:

- Written analysis of trends and future direction of the industrial sector within the US, region, Twin Cities metropolitan area, and how those trends or direction apply to the City of Minneapolis.
- Comprehensive database inventory and assessment of existing industrial uses.
- Comprehensive database, GIS layers and map of locations, potential uses and assessment of value of potential sites for industrial development and/or redevelopment
- Written feasibility analysis for potential sites for development and/or redevelopment.
- Written analysis of effect of industrial jobs in the creation of other jobs in support of industry – existing and potential.
- Formulate detailed policy direction regarding light, medium and heavy industrial uses.

The consultant team has produced three documents that cover the requirements of the project deliverables: 1 – Industrial Land Use Study and Employment Policy Plan; 2 – Redevelopment Analysis; and 3 – Technical Report.

Community Engagement

Citizen participation occurred throughout the process and in numerous ways.

Steering Committee

The Steering Committee was put together via: 1.) appointments by the Mayor and the City Council; 2.) CPED director and manager input; and 3.) community volunteers. Steering Committee membership consisted of interested citizens, industrial

property owners and businesses, real estate professionals and organized labor. CPED Planning and Economic Development staff and Public Works staff served as technical members for the group. The Steering Committee met a total of six times over the course of the process to provide input on study direction, data analysis, findings and recommendations.

Online Participation via CPED Planning Division website

All meeting notices, documents, maps, and documentation were placed on the Industrial Land Use & Employment Study page on the CPED Planning Division website for the public to view. In addition, viewers could provide input or get questions answered via a separate e-mail box at Industrial@ci.minneapolis.mn.us.

Public Meetings

The consultant team organized the industrial areas within the city into five geographic areas. This was done in order to gather public input from a geographic perspective and to help efficiently schedule public meetings. The geographic areas were as follows: Area 1 – Humboldt and Camden Industrial Areas, Area 2 – Northside, Upper River and Northeast, Area 3 – Southeast Minneapolis Industrial (SEMI) and Mid-City Industrial Areas, Area 4 – Seward and Hiawatha Corridor. An additional area, Area 5 – Downtown, was added to include a round of meetings for the Downtown area.

Two rounds of public meetings were held for each geographic area. The first round of meetings was to introduce the study process to the neighborhoods and to gather initial feedback about how residents viewed industrial land uses and employment within their neighborhoods. The second round of public meetings were held to present data analysis and findings. In total, fifteen public meetings were held for the plan process.

Industrial Business Survey

A survey was conducted of industrial businesses in Minneapolis with 247 responding out of 651 for a response rate of 38 percent.

Focus Groups

Small-scale focus groups were held with commercial real estate brokers, business associations, the Above The Falls Citizens Advisory Committee and the University of Minnesota.

Council Study Sessions

Two council study sessions were held. The first study session occurred in January 2005 to present preliminary data and findings to the Mayor and Council Members and to directly engage them for input. A second study session was held in May 2005 to present the preliminary policy recommendations to the Mayor and Council Members.

A 45-day public review period for the draft documents began on April 20, 2006 through June 3, 2006. Hard copies of the draft documents were circulated to the Mayor and Council Members. Electronic copies were distributed to all CPED directors and managers. Electronic copies of the report were available on the CPED Planning Division website. At the conclusion of the review period, comments received were reviewed and analyzed for incorporation into the document as practical.

Policy Plan Summary

Industrial Employment and The City of Minneapolis - What does “Industrial” mean today?

The definition of the industrial sector is changing. Today, industrial can mean high-wage, life sciences research and development jobs as well as traditional manufacturing. Industrial means growing and living-wage utility technician jobs that help Minneapolis residents move up the economic ladder. Industrial means laboratories and flex space just as much as warehouse space.

The industrial sector contributes to the City’s property tax revenue. Industrial uses currently contribute a higher median tax payment per square foot than residential uses. The analysis shows a considerable tax base increase and tax revenue shift at housing conversion sites but the market won’t necessarily support conversions in areas where the highest and best use remains industrial. Above and beyond the property tax impact, the net economic impact of a conversion depends on a host of factors.

The industrial sector has a long-standing history of providing living-wage jobs accessible to people with less than a four-year education. Industrial jobs are traditionally thought of as physically demanding jobs that provide a good wage. The industrial sector continues to provide economic mobility for residents but the types of jobs have changed. The City of Minneapolis can choose to invest in industrial jobs that will provide high wages and high job density for the future.

Job Type	Definition	Job Density	Growth Outlook	Examples
21 st Century Industrial Jobs	Greater percentage	Medium to	High	• Pharmaceutical

	require a four-year degree and are the production part of the knowledge-based economy	High		and medicine manufacturing <ul style="list-style-type: none"> • Scientific research & development services
Opportunity Industrial Jobs	Most require a two-year or vocational degree and/or three-year apprenticeship programs that provide entry level opportunity and are typically	Low to Medium	Medium	<ul style="list-style-type: none"> • Building equipment contractors • general freight trucking • medical equipment and supplies manufacturing
Traditional or Run-Of-The Mill Industrial Jobs	Lower education level with lower skill level	Low to Medium	Medium	<ul style="list-style-type: none"> • Warehousing & storage • Grocery wholesalers • Food manufacturing

Minneapolis Industrial Land and Building Supply

Minneapolis is losing industrial land. The 1990s saw a decline in the City's industrial land supply which has continued during the current decade. Another 31% of industrial land will change use if all of the city-adopted small area plans are fully implemented.

The industrial land supply shows low market values per square foot and smaller parcel sizes relative to the Twin Cities Metro Area and potential remediation costs exist. However, Minneapolis industrial sites have strong market fundamentals due to central locations and proximity to workforce. Minneapolis industrial buildings show smaller sizes, older ages and lower market values than the metropolitan area. Minneapolis also has more warehouse product, lower rents and more volatile vacancy rates than the metro area.

The industrial real estate market is recovering and Minneapolis is positioned to capture demand. Traditional site attributes still matter, brownfield redevelopment is becoming more financially feasible, and scatter-site production is more common. Redeveloping sites for flex space will also work to the City's advantage.

Industrial Employment in Minneapolis

The industrial sector is significant but contracted. The 2000-2004 recession period affected the overall local economy but industrial employment especially suffered. Employment projections show a recovery but an industry and zoning shift is expected to take place among industrial businesses. The shift is expected to move Minneapolis away from heavy industrial users such as manufacturing industries toward light and medium industrial users like transportation and warehousing industries.

Industrial jobs pay living wages, while incomes in many retail and service industries are below a living wage. Industrial jobs are also available to people with modest levels of education and 42% of survey respondents indicated that 40% of their employees are Minneapolis residents. Taken together, industrial jobs provide economic opportunity for Minneapolis residents whose job prospects are made difficult in a global economy.

Redevelopment Analysis Summary

Based on market demands, the results of the employer survey, and discussions with the steering committee and focus group members, the following variables were determined to be important in identifying redevelopment sites within industrial employment districts.

- **Access:** Good access to major arterial routes
- **Presence of Underutilized Parcels:** Development will gravitate toward low-cost underutilized parcels with marketable characteristics
- **Proximity to Recent Market Investment:** Developers look for evidence of market feasibility in successful developments nearby
- **Proximity to Residential Uses:** Industrial businesses want to avoid neighborhood conflicts over truck traffic, noise and odor by using distance and buffering
- **Public Resources:** Existing and planned public investments can help catalyze development
- **Guiding Land Use Plan:** Sites envisioned to remain industrial in a land use plan are more marketable because developers and industrial business will be more inclined to invest in properties if they know the zoning will be stable for the long-term
- **Potential Remediation Costs:** Public involvement in sharing the cost burden for pollution remediation costs improves a project's financial feasibility

Policy Recommendations

Policy recommendations were divided into three categories: **Primary Land Use, General Land Use and Economic Development**. A range of policy options were formulated under the Primary Land Use category to provide flexibility for policy makers as to the degree of advocacy and protection sought. The consultant team, staff and members of the Steering Committee recommend that policy makers adopt **Option #3** policy guidance for Primary Land Use.

The Minneapolis Plan currently has these policy statements regarding industrial:

2.2 Minneapolis will support the existing economic base by providing adequate land and infrastructure to make city sites attractive to businesses willing to invest in high job density, low impact, light industrial activity.

9.26 Minneapolis will prioritize growth in light industrial land uses to increase the tax base and create jobs for city residents.

The policy recommendations detailed below build on the existing comprehensive plan policy framework and will provide greater specificity to industrial land use and employment policy for the City of Minneapolis.

Primary Land Use

Option #1 Strengthen policy statement in Minneapolis

Recommendation #1.1: Revise The Minneapolis Plan to clarify that Industrial Business Park Opportunity Areas are prioritized for industrial use.

Option #2 Define Industrial Employment Districts; outline city-wide guidelines for rezoning industrial land.

Recommendation #2.1: Define boundaries of Industrial Business Park Opportunity Areas in The Minneapolis Plan.

Recommendation #2.2: Adopt city-wide criteria to consider when evaluating zoning amendments related to industrial land.

Option #3 Adopt Industrial Employment Districts; prohibit zoning amendments for residential uses in Industrial Employment Districts

Recommendation #3.1: Define boundaries of Industrial Business Park Opportunity Areas by adopting Employment Districts into The Minneapolis Plan. Note: the Employment District concept proposed here does not have to be restricted to industrial land. It could be applied in other areas of The Minneapolis Plan for industry sectors such as health care (i.e. Life Sciences Corridor).

Recommendation #3.2: Prohibit residential uses and Industrial Living Overlay Districts (ILOD) in Industrial Employment Districts within Industrial Business Park Opportunity Areas.

General Land Use

Recommendation #4: Allow more conditional uses in ILODs.

Recommendation #5: Incorporate industrial uses into small area plans for locations adjacent to Employment Districts.

Recommendation #6: Within the Industrial Employment Districts, make religious institution places of assembly (churches, mosques, synagogues, etc.) a conditional use as opposed to a permitted use. Exclude all primary, secondary and post-secondary schools in the employment districts except those where the curriculum is targeted to preparing students for careers associated with business and industry.

Recommendation #7: Encourage and implement buffering through the site plan review process.

Economic Development

Recommendation #8: Set aside at least half of available industrial business assistance for targeted industrial employers.

Recommendation #9: Align workforce investments with targeted industrial employers.

Recommendation #10: Increase resident employment at existing and new industrial businesses.

Recommendation #11: Institute bi-annual survey of industrial businesses.

Recommendation #12: Improve outreach to the business community.

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Recommendation #15: Pursue industrial redevelopment through public-private partnerships.

Map Recommendations – Industrial Employment Districts for Industrial Business Park Opportunity Areas

Below are text descriptions of the proposed industrial employment districts. The districts are listed using the geographic organization as defined by the study process. Please see attached maps for specific boundaries.

Area 1 – Humboldt and Camden Industrial Areas

Industrial Employment Districts Proposed:

- Humboldt

Area 2 – Northside, Upper River and Northeast

Industrial Employment Districts Proposed:

- Shoreham Yards
- North Washington Jobs Park
- Upper River (Extension of North Washington Jobs Park north between freeway and rail tracks)

Area 3 – Southeast Minneapolis Industrial (SEMI) and Mid-City Industrial Areas

Industrial Employment Districts Proposed:

- SEMI
- Mid-City Industrial

Area 4 – Seward and Hiawatha Corridor

Industrial Employment Districts Proposed:

- Seward
- Hiawatha Corridor from Lake Street to East 35th Street

Area 5 – Downtown

Industrial Employment Districts Proposed:

- None at this time

RECOMMENDATION OF THE DEPARTMENT OF COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT PLANNING DIVISION:

Recommended Motion: The Department of Community Planning and Economic Development – Planning Division recommends that the City Planning Commission and City Council **approve** the Industrial Land Use Study & Employment Policy Plan, amend the City’s comprehensive plan to incorporate policy direction and land use maps, and **adopt** the specific policy recommendations as follows:

Primary Land Use

Option #3 Adopt Industrial Employment Districts; prohibit zoning amendments for residential uses in Industrial Employment Districts

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Attachments

- Proposed Boundaries – Industrial Employment Districts
- Policy Plan
- Redevelopment Analysis
- Technical Report