

# Conclusions and Adopted Recommendations

This section provides a summary of conclusions derived from this study and provides recommendations. This section also suggests outcome measures in order to track the effectiveness of recommendations.

## 5.1 Primary Land Use Recommendations: Summary of Options

We submitted three options to address industrial land use in Minneapolis. Providing recommendations as options presents City policy makers with a range of responses. The options differed in relative strength, with the first option providing policy statements to guide land use, the second option outlining criteria for industrial land use decisions, and the third option limiting land use changes.

While three options are outlined, we recommended that City policymakers select Option #3. Option #3 protects industrial land use in areas where the market will support it, and gives policy-makers direction when weighing re-zoning industrial properties in transitioning areas. **Upon review and approval of the document, the policy makers crafted an additional option – Option 2.5 which draws geographic boundaries around long-term industrial areas and strengthens the policy statement to say that these areas are prioritized for industrial uses and that residential uses are strongly discouraged.**

**Option #1    Strengthen policy statement in Minneapolis Plan. NOT ADOPTED**

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

The City should revise the Minneapolis Plan so IBPOAs are clearly designated for the retention, expansion, and attraction of existing and new industrial firms. As mentioned in Section 1.1, the Minneapolis Plan designates seven Industrial Business Park Opportunity Areas. The Plan, however, does not express a firm policy commitment to industrial jobs or land use in the IBPOAs.

**Recommendation #1.2:** Specify that all rezoning decisions need to consider employment impacts.

To coincide with Recommendation #1.1, the Minneapolis Plan should have additional language that states all rezoning decisions affecting industrial-zoned land should consider impacts on:

- living-wage jobs
- jobs available to workers with less than a four-year degree
- employment density.

**Option #2**    **Clearly define Employment Districts; outline city-wide guidelines for rezoning industrial land NOT ADOPTED.**

**Recommendation #2.1:** Clearly define boundaries of Industrial Business Park Opportunity Areas in the Minneapolis Plan.

Because IBPOAs are designated as “points” rather than “districts,” their boundaries are unclear. They lose significance in land use and zoning decisions without boundaries.

As such, we recommend the City adopt Employment Districts to provide geographic boundaries to IBPOAs. Specific geographic boundaries will clarify that industrial is the priority land use and uses that impede industrial businesses should not be permitted.

Employment District boundaries were identified through the following criteria:

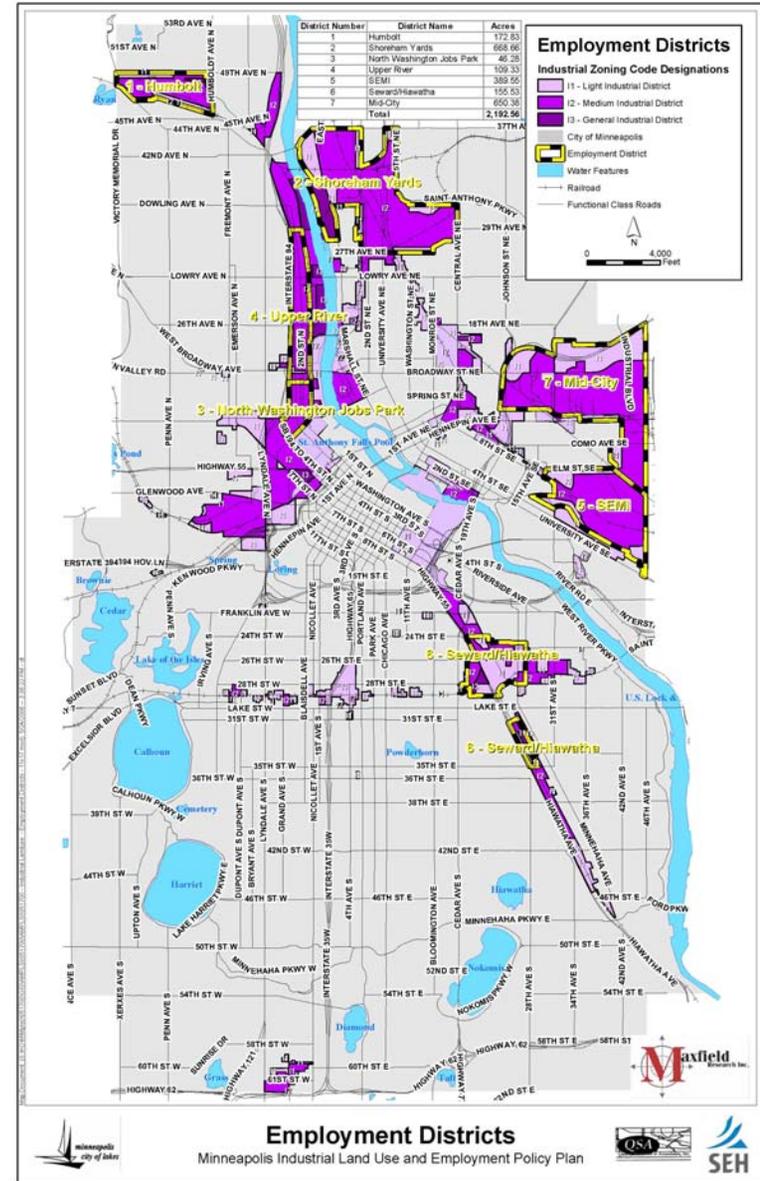
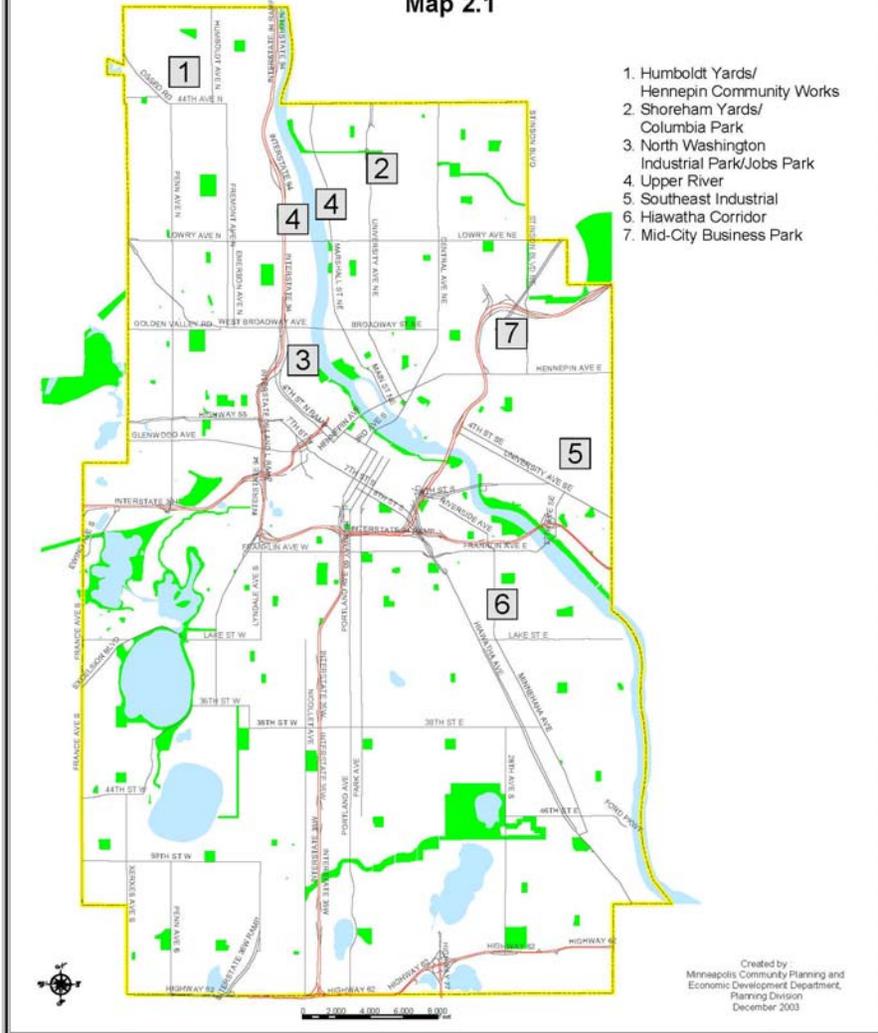
- Contiguous and Significant Area
- Marketable Sites
  - Access
  - Proximity to Recent Market Investment
  - Proximity to/Buffering from Residential Uses
- Small Area Plan
  - Envisioned Land Use

The proposed boundaries designate 2,193 acres for continued industrial use, which represents 55% of industrial-zoned acreage and 70% of industrial-used land in 2004.

The following maps display the IBPOAs and proposed Employment Districts. Maps of each Employment District are presented in Appendix B.

# City of Minneapolis

## Industrial & Business Park Opportunity Areas Map 2.1



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

In Section 525.280 of the Minneapolis Zoning Code, the planning commission is required to make findings on five issues, including comprehensive plan compliance, whether the amendment would be in the public interest, compatibility with adjacent uses, whether the existing use is reasonable, and any transitions that have occurred in the character of the general area.

In addition to these considerations, the following criteria need to be addressed when considering rezoning amendments for industrial areas:

- *Job Impacts.* Consider number of living-wage jobs lost, existing and future job opportunities for residents with less than a four-year degree, and job density at the site.
- *Tax base impacts.* Evaluate tax base impacts relative to job impacts.
- *Viability.* Prioritize developments with immediate users over potential uses without users lined up.
- *Transition.* Consider the cost of transitioning a property from one use to another through zoning. Properties made non-conforming may suffer years of deferred maintenance until a viable user surfaces. Public resources may also not be available to change a property's use.
- *Adjacency to viable industrial areas.* Consider negative impacts of residential users on adjacent and viable industrial sites, such as land price uncertainty and conflict with residents.

**Option #2.5 Strengthen policy statement in Minneapolis Plan; Clearly define Employment Districts. ADOPTED NOVEMBER 3, 2006.**

**Recommendation #2.5.1:** Revise Minneapolis Plan to clarify that Industrial Business Park Opportunity Areas (IBPOA) are prioritized for industrial use.

**Recommendation #2.5.2:** Clearly define boundaries of Industrial Business Park Opportunity Areas in the Minneapolis Plan.

Because IBPOAs are designated as “points” rather than “districts,” their boundaries are unclear. They lose significance in land use and zoning decisions without boundaries.

As such, we recommend the City adopt Employment Districts to provide geographic boundaries to IBPOAs. Specific geographic boundaries will clarify that industrial is the priority land use and uses that impede industrial businesses should not be permitted.

Employment District boundaries were identified through the following criteria:

- Contiguous and Significant Area
- Marketable Sites
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  - Proximity to Recent Market Investment
  - Proximity to/Buffering from Residential Uses
- Small Area Plan
  - Envisioned Land Use

The proposed boundaries designate 2,193 acres for continued industrial use, which represents 55% of industrial-zoned acreage and 70% of industrial-used land in 2004.

The following maps display the IBPOAs and proposed Employment Districts. Maps of each Employment District are presented in Appendix B.

**Option #3    Adopt Employment Districts; prohibit rezoning amendments for residential uses in Employment Districts. NOT ADOPTED.**

**Recommendation #3.1:** Clearly define boundaries of Industrial Business Park Opportunity Areas by adopting Employment Districts into the Minneapolis Plan. See Recommendation #2.1.

**Recommendation #3.2:** Prohibit residential uses and Industrial Living Overlay Districts (ILODs) in Employment Districts.

Residential uses and ILODs clearly have a disturbing effect on the stability of industrial areas. First, ILODs introduce conflicting uses and friction between businesses and new residents. Second, industrial land prices and lease rates rise. Third, uncertainty among land owners also often brings deferred investment and possible relocation.

Industrial sites in Employment Districts are different than in industrial conversion sites in Downtown Minneapolis. Industrial buildings in Downtown are often older, functionally obsolete, and attractive because of premium architectural features. Industrial sites in an Employment Districts are less likely to be obsolete, and have attributes –like close access to highways- that make industrial the long-term highest and best use.

In order to prevent disruptive residential developments where long-term market demand is expected for industrial use, ILODs should be granted only outside of the Employment Districts.

Two routes exist for prohibiting ILODs in Employment Districts. The City could revise the Minneapolis Plan. Updated language would state ILODs, and other zoning districts that permit residential uses, are prohibited in Employment Districts. In Section 525.280 of the Zoning Code, the city planning commission must find a zoning amendment is “consistent with the applicable policies of the comprehensive plan” to approve it. The other route is to revise the Zoning Code in the City Ordinances to prohibit application of new ILODs in Employment Districts.

Three important distinctions to consider:

- 1) Employment Districts are designed to protect prime industrial space with strong long-term market fundamentals. Industrial businesses can continue to operate outside of the Employment Districts, but without added protection from residential conversions.
- 2) Employment Districts present an opportunity for the City to support targeted industrial users, such as *21<sup>st</sup> Century* and *Opportunity* industrial employers, and redevelop underutilized sites.
- 3) The restrictions would apply only to future residential zoning amendments and not existing residential uses in Employment Districts.

**Recommendation #3.4:** Adopt guidelines to consider when evaluating rezoning amendments in areas outside of the Employment Districts.

This recommendation applies #2.2 outside of the Employment Districts.

*Industrial space in Employment  
District VII - Mid-City.*



Figure 5.1.1 below shows how the three options compare to actions undertaken by six other cities that completed an industrial land use study. All six cities designate specific areas for industrial use with geographic boundaries. Most restrict or ban re-zoning from industrial to other uses in these designated areas. Three of the six cities go further and ban existing and future non-industrial uses in the designated areas.

In juxtaposition to the other six cities, Minneapolis currently sits on the beginning of the continuum of actions. Minneapolis currently designates areas with a policy statement expressing the importance of industrial jobs (IBPOAs).

Option one reiterates the importance of these areas, but not much more. Option 2 provides geographic boundaries and a city-wide re-zoning criteria. Option 3 moves the city further in addressing the problem by applying a re-zoning criteria outside of the Employment Districts and banning residential re-zonings in Employment Districts.

A full discussion of actions undertaken by other cities can be found in Appendix C.

**Figure 5.1.1**  
**Land Use and Zoning Responses**  
**Cities that Completed an Industrial Land Use Study**

	Designate Area w/Policy Statement		Limit Conditional Uses in Designated Area	Restrict Re-Zoning to Non-Industrial Uses				Ban Existing Non-Industrial Uses in Designated Areas		More Restrictive
	Primary Zoning is Industrial	Geographic Boundaries		Policy Statement Not to Re-Zone	Additional Review for Re-Zonings	Re-Zoning Criteria	Ban on Re-Zoning to Residential	Residential	Office	
<b>City</b>										
Chicago	X	X	X		X	X		X	X	
Portland	X	X	X		X					
Baltimore	X	X	X			X	X	X	X	
Boston	X	X	X							
San Francisco	X	X				X	X	X	X	
New York City	X	X	X	X						
Minneapolis	X									
Option 1	X									
Option 2	X	X				X <sup>1</sup>				
Option 3	X	X				X <sup>2</sup>	X <sup>3</sup>			

<sup>1</sup> = Apply a city-wide re-zoning criteria.

<sup>2</sup> = Apply a re-zoning criteria outside of Employment Districts

<sup>3</sup> = Ban re-zoning to residential within Employment Districts

Source: Maxfield Research Inc.

## 5.2 General Land Use Recommendations

ADOPTED NOVEMBER 3, 2006

**Recommendation #4:** Allow more conditional uses in ILODs.

ILODs have become a specialized zoning tool to transition areas from industrial to residential uses. Initially created to protect historic structures and promote the creation of affordable housing, ILODs now give developers and the city a way to zone a parcel for residential use while maintaining the primary industrial zoning. These districts may become entirely residential and need to be rezoned as such.

One issue that surfaced is that some commercial uses are limited under the ILOD designation. The City should allow a wider range of conditional commercial uses in ILODs, when applied in transitioning areas.

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

In community meetings, residents frequently said they are very interested in having job opportunities available for residents and most are satisfied with their relationship to industrial businesses. Likewise, many employers are very interested in developing ongoing, mutually beneficial relationships with neighborhoods and community groups. The small area planning process presents an excellent opportunity for the City to foster this relationship.

To that end, the City should encourage communities participating in small area plans to partner with business associations and seek input from neighborhood employers. While several plans submitted sought input and participation from the business community, there is room for improvement.

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**Recommendation #6:** Within the Employment Districts, make churches 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.

Currently, churches are a permitted use in the I-1 and I-2 zoning districts. The Religious Land Use and Institutionalized Persons Act (S.2869-June 2, 2005) states that no government shall impose a land use policy that totally excludes religious assemblies from a jurisdiction or unreasonably limits religious assemblies, institutions or structures from within a jurisdiction. As such, Minneapolis cannot exclude churches from the employment

districts. We believe however, that identifying specific industrial employment districts through employment boundaries may steer churches toward other areas nearer residential neighborhoods and more conducive to attracting their constituencies.

Excluding 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. This recommendation is intended to reduce potential conflicts between school children and industrial operations. Schools that focus on training and future employment in business and industry would prepare future workers to fill industrial positions. Currently, schools are permitted uses in I-1 and I-2 zoning districts and locate in these areas primarily because of low lease rates and low density building structures. This situation limits the ability to redevelop these sites and/or preserve them for industrial use.

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

For new structures within the employment districts and new structures in transition areas, we recommend that appropriate buffering be implemented to reduce conflicts between existing industrial uses and sites that may have a land use different from an industrial use.

For example, in a number of transition areas, former historic warehouse buildings are being converted to residential dwellings. In some cases, industrial sites are redeveloped with new construction. New users to the area should bear the burden of applying buffering to mitigate potential conflicts with existing industrial or commercial users that are already in the area.

Typically, conflicts most often arise between residential uses and industrial uses in close proximity to one another. As the residential use is moving into a traditionally industrial area, it seems appropriate through site plan review and approvals to require an appropriate amount of buffering.

## 5.3 Economic Development Recommendations

ADOPTED NOVEMBER 3, 2006

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

CPED staff report that industrial business assistance is typically provided on a first-come-first-serve basis. While assistance can be provided quickly, it does not guarantee capital goes to businesses that provide the greatest return to Minneapolis.

We recommend setting aside at least half of the available industrial business assistance for *21<sup>st</sup> Century* and *Opportunity* industrial employers. While there are tradeoffs between these both groups, supporting *21<sup>st</sup> Century* and *Opportunity* employers raises the possibility of greater economic benefits for Minneapolis -higher wages, better job opportunities for residents without a four-year degree, and high-growth potential.

Targeting specific industrial users would emulate the Life Sciences Corridor initiative. The current initiative provides city assistance and state bioscience tax credits to life science firms in order to further grow the medical institutions and business in the corridor.

Some of the medicine-oriented *21<sup>st</sup> Century* industrial users may also be eligible for the bioscience sub-zone tax credit by locating in the SEMI Employment District.

The City should actively market the targeted industrial business assistance through one-on-one meetings with business owners and managers, outreach to industry organizations, and continued contact through business associations.

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

There is a role for the City in workforce development. The City should encourage the skill attainment and hiring of Minneapolis residents, which ultimately benefits both employer and employee. Health Careers Institute is an example of a City-funded job training program that benefits both job seekers and the employer.

We submit three recommendations:

### Industry Scorecard

A “scorecard” of industries is presented in Appendix A on pg. 76. It shows qualities such as employment growth, living wage jobs, density, percentage of occupations requiring a 4-year degree, and estimated demand for space for three groupings of industries:

- 21st Century industrial jobs
- Opportunity industrial jobs
- Run of the Mill industrial jobs

- 1) CPED staff should maintain and continue to develop strong relationships with the Minneapolis Workforce Investment Board, the Minnesota Department of Employment and Economic Development, the Minnesota State Colleges and Universities, the University of Minnesota, and the Minneapolis School District.
- 2) Workforce development programs should be customized and targeted to *21<sup>st</sup> Century* and *Opportunity* industrial employers.
- 3) Encourage on-site job training among workforce development programs. Employer interviews reveal that a number of employers believe the best form of job training is on-site. In fact, CPED may be in a unique position to identify where onsite job training may be most needed and where resources could best be applied to benefit Minneapolis residents.

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**Recommendation #10:** Increase resident employment at existing and new industrial businesses through workforce development.

Helping employers find and hire skilled Minneapolis workers is a more constructive approach to increasing resident employment than mandated hiring requirements. The City already works to place Minneapolis residents with Minneapolis employers through the living wage ordinance and job linkage agreements. Instead of a strategy to force employers to hire Minneapolis residents, we recommend the City pursue resident hiring through the workforce development strategies outlined above.

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**Recommendation #11:** Institute biannual survey of industrial businesses.

We believe that conducting a reoccurring survey would accomplish two goals: provide an opportunity to collect data on industrial wages, education levels, resident employment, business needs, and satisfaction with City services; and provide an opportunity for outreach to businesses.

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**Recommendation #12:** Improve outreach to business community.

In addition to the survey, we also recommend using face-to-face meetings with business owners and managers, ongoing outreach to industry organizations, and continued contact with area business associations. An instructive example is the proactive business visitation program coordinated by ComEd, World Business Chicago, and the City of Chicago (see Appendix C, page 99).

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

Minneapolis has made great strides in streamlining its development and redevelopment process through the Minneapolis One Stop, but still has room for improvement. Through community meetings and individual interviews, business owners and developers expressed frustration in dealing with development and property issues through the City. Many also expressed optimism about Minneapolis One Stop, and felt that it represented a good effort that would result in streamlined services. We believe the Minneapolis One Stop program will be critical for industrial redevelopment in the City and recommend that CPED continue to be an effective and collaborative partner in these efforts.

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**Recommendation #14:** Coordinate infrastructure investments with needs of targeted industrial employers.

In general, there appears to be little coordination between Public Works and CPED on industrial development and redevelopment issues. Improvement in this area represents an opportunity for the City to show industrial developers and businesses its commitment to developing a competitive and supportive business environment.

Two actions could catalyze industrial redevelopment. First, the City should develop a mechanism where CPED industrial development priorities are submitted to Public Works for incorporation into their project work plan. Second, CPED should ask about the infrastructure needs of industrial businesses when conducting business outreach (see Rec. #8) and coordinate remedies with Public Works.

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

Two strategies for industrial redevelopment are available to the City. The first strategy is traditional site acquisition and assembly, in which the City purchases and eventually turns over land as part of a redevelopment project. The North Washington Jobs Park has recognizable products of this strategy. St. Paul Port Authority developments provide other examples.

However, a number of constraints currently affect the City's traditional acquisition and assembly program.

- Little money is available. According to CPED staff, the MILES program is the only resource for traditional acquisition and only \$1.8 million remains available.
- Industrial land prices are high. At high land prices the City's limited resources won't buy much land. High land prices drive up the eventual City subsidy per job.
- The state political climate is hostile to using eminent domain for redevelopment, which reduces the City's negotiating position in a land sale.

In order to overcome these constraints to industrial redevelopment, we recommend a second strategy: partner with industrial business owners and developers. We recommend proactively reaching out to growing targeted industrial businesses and developers and guiding these businesses to potential redevelopment sites. Once a site is selected, the City should help redevelop an underutilized parcel through business assistance funds.

A number of advantages exist to partnering with business owners and developers. For example, unlike the traditional site assembly strategy, other financing becomes available, such as pay-as-you-go tax increment financing, low-interest loans, and industrial revenue bonds. The City also does not pay the carrying cost and carry the risk during the intermittent years. The business operator or developer might also negotiate with landowners more effectively.

Redevelopment also presents an opportunity to clean-up environmentally contaminated and polluted sites. Hennepin County and the State of Minnesota will be important partners in recycling polluted land. In turn, the City should work to insure any targeted industrial business receiving financial assistance does not environmentally damage a site.

Finally, redevelopment presents a chance to introduce emerging industrial development concepts. The market feasibility of mixed-use and vertical industrial space is relatively undetermined in the current marketplace. However, these development concepts may help industrial and residential uses cohabitate and could be explored.

## 5.4 Measuring Outcomes

Stated as a goal of this analysis, the recommendations seek to outline a policy and land use framework for supporting high quality industrial jobs. Throughout the analysis, quality industrial jobs have been defined as those that pay a living wage, provide employment opportunities to workers without a 4-year degree, and are at facilities that have low impacts and high employment density.

Using these goals, we outline four outcome measures for tracking the success of this policy and land use plan. The following four measures would be determined through data collected in the survey outlined in Recommendation #9. The survey conducted as a part of this study establishes baseline data.

- 1) An increase in the percentage of living wage jobs;
- 2) An increase in the number of *21<sup>st</sup> Century* and *Opportunity* industrial jobs;
- 3) An increase in the number of Minneapolis residents employed at industrial businesses; and
- 4) Scores of “satisfied” or “very satisfied” on questions about the quality of specific City services.

In addition, the City can use the Minnesota Pollution Control Agency data presented in this report (page 23) as a baseline to measure:

- 5) A decrease in the number of polluted sites on industrial land.

We believe these are critical outcome measures to use when determining whether the City has accomplished its goals through this policy and land use plan.

## 5.5 Study Conclusion

The preceding recommendations put forward a policy and land use framework designed to grow high-quality industrial jobs. They are grounded in an understanding of industrial market trends – employment, industry, labor force, land and building supply – as well as neighborhood and employer viewpoints.

Additional project components submitted alongside this document include:

- Technical Document
- Redevelopment Analysis
- Industrial Land and Building Supply Database
- Employment Database