

# ECONOMIC CONDITIONS

## REAL ESTATE AND LAND USE

Property values on the east side of the Mississippi increased substantially between 1990 and 1998, but they declined or were stagnant on the west side of the river during the same period.

**Commercial/Industrial property.** Estimated market value of C/I property on the east side of the river increased by \$24.8 million and it increased by less than \$1 million on the west side between 1990 and 1998. After adjusting for the increase in the number of parcels in this category, values increased by 32 percent on the east side and by 0.9 percent on the west side of the river.

	<u>East side</u>	<u>West side</u>
Value 1990	\$63,698,600	<u>\$95,998,900</u>
Number of parcels	162	310
Value 1998	\$88,543,400	<u>\$96,958,300</u>
Number of parcels	197	341
Average change per parcel	+\$126,116	+ \$2,814

**Single family property.** The number of single family residences remained nearly constant on both sides of the river, but the mix of homestead and non-homestead parcels changed, along with their relative values.

On the east side of the river, about 30 more homes were owner occupied in 1998 than in 1990, but on the west side of the river, more than 50 homes that were owner occupied in 1990 were non owner occupied in 1998. A larger share of homes are renter occupied on the west side of the river.

	<u>East side</u>	<u>West side</u>
Non-homestead 1990	187	443
Homestead 1990	734	<u>1,312</u>
Total single family homes 1990	921	1,755
% homestead 1990	<u>79.7%</u>	<u>74.8%</u>
Non-homestead 1998	159	497
Homestead 1998	767	<u>1,281</u>
Total single family homes 1998	926	1,778
% homestead 1998	<u>82.8%</u>	<u>72.0%</u>

In general, property values of single family homes, whether owner or renter occupied, are much lower on the west side of the river than they are on the east side. The difference is even greater when consideration is given to whether the property has been homesteaded or not.

Between 1990 and 1998, the average value of owner occupied homes on either side of the river increased, but the rate of increase on the east side (13.6 percent) was more than three times the rate of increase on the west side (4.3 percent). The average value of non-homestead single family homes (renter occupied) on the east side of the river increased by 6 percent during the same period, but it fell by 17.2 percent on the west side of the river. A consequence of the drop in the value of rental housing is that the ratio of the value of owner occupied to renter occupied housing fell dramatically on the west side while it fell slightly on the east side.

	<u>East side</u>	<u>West side</u>
Owner occupied homes		
Average value 1990	\$60,378	\$53,751
Average value 1998	\$68,603	\$56,070
% change in value	+13.6%	+4.3%
Renter occupied homes		
Average value 1990	\$57,607	\$44,552
Average value 1998	\$61,054	\$36,868
% change in value	+6.0%	-17.2%
Ratio		
average value renter occupied/ average value owner occupied		
1990	95.4%	82.9%
1998	89.0%	65.8%

### **Tax status**

The study areas on both sides of the river are quite similar when it comes to the tax status of the properties in the study. On the east and west sides of the river 16.6 percent and 20.3 percent of the area, respectively, is exempt from property taxes, and 10.1 percent and 13.0 percent of the value on the east and west sides of the river, respectively, is exempt from property taxes. These values are consistent with city-wide averages.

	<u>East side</u>	<u>West side</u>
% of parcels tax exempt	10.1%	13.0%
% of area tax exempt	16.6%	20.3%
% of value tax exempt	33.5%	28.3%

The share of tax exempt property varies from neighborhood to neighborhood, however. In the North River Industrial neighborhood, a west side area which contains almost no residential property 67 percent of the area and 50 percent of the value is exempt from taxes. In contrast, in the McKinley neighborhood, a residential neighborhood also on the west

side, only 7 percent of the area and 5 percent of the value is exempt from property taxes.

## OVERALL EMPLOYMENT: LEVELS AND TRENDS

The most recent comprehensive jobs data available show that in the second quarter of 1997, the study area included 356 firms with a total employment of 11,614. Two thirds of the employers and slightly more than half of the jobs were located on the west side of the river.

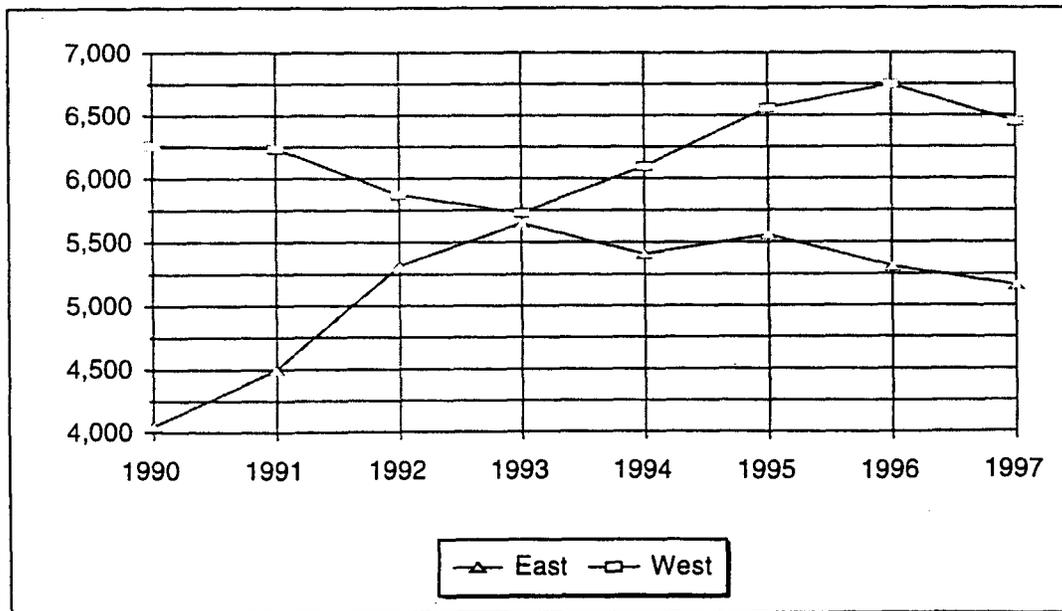
	<u>East side</u>	<u>West side</u>
Totals Employment	5,162	6,452
Number of Employers	119	237

Source: Minnesota Department of Economic Security

We will discuss the changes in employment during the 1990s on each side of the river separately.

**East Side.** Between 1990 and 1997, total employment on the east side of the river grew from just over 4,000 to more than 5,100.

Employment on  
east and west sides of Mississippi river  
1990-1997



Source: Minnesota Department of Employment Security

Actually, employment on the east side grew rapidly between 1990 and 1993. The total number of jobs peaked in 1993, was stable for a couple of years and recently has declined by almost 400 jobs since 1995.

Between 1990 and 1993, the area added almost 1,600 jobs with total employment reaching 5,647 in 1993. Almost three quarters of that increase was in SIC Code 35 - Industrial and Commercial Machinery. Two large employers in this industry came to the area during that time, Graco and Despatch Industries. Together they brought over 1,100 jobs to the study area, the majority of them at Graco. Three other industry groups added a total of over 600 jobs over that period: wholesale non-durable goods, retail building materials, and health services. There were small changes, both plus and minus, in the job levels in other area industries.

Between 1993 and 1995, the level of east side employment stayed relatively constant. However, the job level fell by roughly 200 jobs in both 1996 and 1997. It is a little early to identify this change as trend. Looking at the detailed employment statistics shows that the decrease of 396 jobs in the last two years for which we have data was concentrated in the wholesale non-durable goods sector. Here there was a significant decrease in wholesale grocery employment owing principally to changes at Monarch/Fleming Company. It also appears that a company named Flowers, Etc. left the area at this time contributing to the decline in this sector's employment.

Data on the number of employers in the area show that there has been little change in the number of firms on the east side of the river over the course of the decade, and in fact, very little change even from year to year. There were 126 employers in the area in 1990 and that number had dropped slightly to 119 in 1997 after peaking at 133 in 1994. Our experience has been that the total number of employers in an area is often a very inexact yardstick of activity because of wide disparities in the size of firms as well as the possibility that some may combine with each other.

Returning to the employment statistics, although data for 1998 are not yet available, we are not aware of specific company arrivals or departures which would give an advance indication of the possible change in total jobs during the latest year. On net, it is clear that total employment on the east side of the river has grown significantly during the 1990s. Most recently, it appears that total employment should be classified as stable to slightly declining.

**West Side.** As compared to the east side, the west side of the river has experience relatively little change in its overall job level during the period of the 1990s. While the east side has added over 1,000 jobs between 1990 and 1997 the west side added just 191 positions over the same period.

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Apparently, reported total employment on the west side actually declined by about 500 jobs between 1991 and 1993. But our detailed inspection of individual company reports cause us to suspect that any actual decline was much smaller than that and that the reported numbers understate employment in 1992, 1993, and 1994 because a small number of companies' reports may have been missing or misfiled.

Even though we suspect that the actual level of 1994 employment may have been above that shown on the graph above, it nevertheless appears that there was significant job growth on the west side in 1995. We believe that the growth may have been nearer 300 than 500 jobs, the vast majority of which were added when Paragon Cable came to the area in 1995. Between 1995 and 1997, the job level on the west side appears to have been pretty steady.

Of course, the 1998 data are likely to show a drop in total employment on the west side owing to the departure of Japs-Olson Company and its more than 500 jobs. But beyond Japs-Olson we are not aware of any other business arrivals or departures which should have significant impact on the employment numbers. Therefore, while it is likely that the actual data will show that west side employment has declined, the fact that the expected decline is the result of one company's relocation decision should be emphasized. As of 1997, there were 237 firms on the west side, down only slightly from 255 at the beginning of the decade.

## LARGEST EMPLOYERS

On both the East and West sides of the river, a large number of jobs are contained in a relatively small number of firms. However, the largest employers on the East bank are significantly larger than those on the West bank and the supply almost twice the proportion of the areas jobs as do their West bank counterparts.

**East Side.** On the East Bank, fully 66.5 percent of the area's jobs are contained in the largest 13 firms. The table below lists the 13 largest employers of the 119 firms on the East Bank according to 1997 data. Thirteen were chosen because there seemed to be a natural break in the size of firms at that level. For additional clarity, the companies in this table are divided into two groups because there seems to be a natural break in size between the larger and smaller companies among the thirteen.

Upper River  
Large Employers-East Bank

<b>Largest Employers (over 200 employees)</b>	<b>SIC Code and Business</b>
Catholic Eldercare	80 Health Services
Despatch Industries	35 Industrial Testing Equipment
Fleming Companies	51 Wholesale Grocery
Graco	35 Pumps and Pumping Equipment
Honeywell (Systems and Research Center)	38 Control Systems
Sherer Brothers Lumber	52 - Retail Building Materials
<b>Large Employers (less than 200 employees)</b>	
Compassionate Care Group	83 Social Services
Compassionate Homecare Inc.	83 Social Services
Custom Business Forms	27 Business Forms
East Side Neighborhood Services	83 Social Services
Northern States Power	49 Electricity Generation
Tenneco Packaging	26 Corrugated Shipping Containers
Weston Engraving	27 Commercial Printing
Total Employment at 13 companies	3,433
Percent of Total East Bank Employment	66.5%

Source: Minnesota Department of Economic Security

Note: Companies in each group listed in alphabetical order.

All but two of these employers have been in the area since 1990. Compassionate Care Group and Compassionate Home Care came to the area in 1995 and 1996, respectively. The East side has lost only two large employers in the 1990s according to our data. Both were manufacturing companies. Bemis Company left in 1993 and Electric Wire Products Corporation left in 1995 or 1996.

It is important to pay special attention to the largest employers in an area because often job losses or gains for the area are driven by changes in the corporate strategies and circumstances of the larger firms. When Tenneco changed its name from Packaging Corporation of America, there was also some downsizing resulting in average employment at their facility dropping by roughly 50 jobs. Similarly, when Fleming Companies succeeded Gateway Foods of Minneapolis

and Gateway Foods of LaCrosse, there were roughly 100 fewer jobs in the Wholesale Grocery sector after the acquisition.

It is sometimes important to investigate whether all of the jobs reported in an area represent people who are actually working in the area. For example, certain businesses may have a central office in the area but many of its workers may actually spend all or most of their time at other locations. This might be the case with a firm like Compassionate Home Care, for instance. We will investigate the location of workers in even greater detail if it becomes critical to strategic decisions which need to be made in the design phases of this project.

**West Side.** In contrast, the largest employers on the West side of the river are not nearly as large as those on the East and, as a group, they contain a much smaller percentage of total area jobs. The table below lists the 15 largest employers on the West side of the river. Unlike the breakdown of the largest firms on the East side of the river, there is no natural break between the larger and smaller firms in this group. Therefore, the entire group is listed together alphabetically.

Upper River  
Large Employers - West Bank

<b>Large Employers (all less than 300 employees)</b>	<b>SIC Code and Business</b>
Brin Northwestern Glass Co	17 Contracting - Glass and Glazing
Clover Leaf Plant	20 Food Products - Dairy
Electric Repair and Construction	17 Special Trade Contracting
G & K Services	72 Industrial Laundry
GAF Materials Corporation	29 Roofing Products
Goodin Company	50 Wholesale Plumbing, Heating Equipment.
Graphics Unlimited	27 Commercial Printing
Illbruck/USA	30 Plastic Foam Products
Impact Mailing	73 Business Services
Mentor Urology	38 Medical and Surgical Devices
Moore Business Forms	27 Commercial Printing
Paragon Cable	48 Cable TV Services
Pioneer Metal Finishing	34 Metal Finishing
Stone Container	26 Corrugated Shipping Containers
Target Stores	53 General Merchandise
Total Employment at 15 companies	2,469
Percentage of Total West Bank Employment	35.1%

Source: Minnesota Department of Economic Security

Note: Companies listed in alphabetical order.

Most of these fifteen companies have been operating in the study area since the beginning of the 1990s. Paragon Cable is an exception, having located in the area in 1995. From the employment data, it also appears that GAF only began operating in the area in 1991.

Until recently, the West side had not experienced the departure of a large employer. But, in 1998, Japs-Olson, a commercial printing firm which had been the largest employer on this side of the study area departed, taking with it over 500 jobs. Prior to that, the only other departure of any size was by Flexible Products Company in 1994, a firm only about a fifth the size of Japs-Olson. The City and the surrounding neighborhoods remain very sensitive to the possibility that other significant employers may consider expansion and/or relocation which would take them out of the area.

### KEY INDUSTRY SECTORS

There are 9 key industry sectors which account for 52 percent of total employment in the study area. Four are primarily concentrated on the east side of the river and five have most of their employment on the west side.

**East Side.** The four industry sectors which comprise 48 percent of employment on the east side of the river are listed in the table below.

<b>SIC Code</b>	<b>Industry Name</b>	<b>Sector Employment</b>	<b>Largest Company</b>
35	Industrial Machinery	1,235	Graco
51	Wholesale Non-Durables	518	Fleming Companies
80	Health Services	403	Catholic Eldercare
83	Social Services	316	East Side Neighborhood Service
	Total	2,490	
	Share of total East Side	48.2%	

Source: Minnesota Department of Economic Security

These four industries have relatively different needs and different connections to the surrounding area. The health services and social services provide services to residents in the nearby neighborhoods and, in some cases, to a larger clientele in the Metropolitan area. Their proximity to the people they serve is an important element in location choice.

On the other hand the manufacturing and wholesaling businesses tend to value ease of access to highways and truck routes since much of their output is shipped

initially, or completely, through surface transport. *If* these businesses expand, they also have a need for additional land, quite often in a contiguous parcel.

**West Side.** Five industry sectors each employ more than 300 people on the west side *of* the river. Together they account for 39 percent *of* the jobs in that area. They are listed in the table below.

SIC Code	Industry Name	Sector Employment	Largest Company
17	Special Trade Contractors	577	Electric Repair and Construction
27	Commercial Printing	505	Moore Business Forms
50	Wholesale Durable Goods	665	Goodin Company
72	Personal Services	307	G & K Services
73	Business Services	463	Impact Mailing <i>of</i> Minnesota
Total		2,517	
Share <i>of</i> total West Side		39.0%	

Source: Minnesota Department of Economic Security

Commercial printing remains a concentration on the west side of the river even after the departure of Japs-Olson. However, other printing firms may experience similar needs for expansion space. Contracting firms are very sensitive to the business cycle, or, more precisely, the construction cycle, and it can be expected that employment at those firms will fluctuate as that activity ebbs and flows. Wholesale durable goods companies also are more sensitive to the business cycle.

In contrast, the personal service and business services sectors go through cycles with probably smaller amplitude than the overall business cycle, and therefore contribute to some stability of overall job levels. However, in a small area such as the study area, the actual dynamics of job change will be driven more by the unique circumstances of individual companies than by the overall business cycle.

## MANUFACTURING EMPLOYMENT TREND

Over the decade of the 90s, manufacturing has become relatively more important in the area as a whole. Manufacturing employment has grown dramatically on the east side *of* the river and, until the Japs-Olson departure, had remained quite constant on the west side, as the following table shows.

	<u>East Side</u>	<u>West Side</u>
1997 Manufacturing Employment	2,611	2,157*
Share total employment	50.6%	33.4%*
1990 Manufacturing Employment	1,533	2,708
Share total employment	37.8%	43.2%

Source: Minnesota Department of Economic Security

\*Note: 1997 West side figures have been adjusted to exclude Japs-Olson even though the company was actually still operating in the area in 1997. If Japs-Olson were included, the manufacturing share of total west side employment for 1997 would have been roughly 42%.

On the east side of river, the most significant factor in the growth of manufacturing jobs was the arrival of Graco. However, there has been a net addition of industrial jobs on this side of the river in addition to those provided by Graco.

On the west side, manufacturing employment had been virtually unchanged until the Japs-Olson relocation. Although, there is a perception that there is a general movement for manufacturers in central cities to relocate to suburban sites, there has not been an apparent exodus from this study area to this point. Based on past data, Japs-Olson's is not part a trend in this area of the city, though there is understandable concern that other companies may make similar choices in the future.

## RETAIL SECTOR EMPLOYMENT

Even without appeal to the employment statistics, it is obvious that there is very little retailing activity in the study area. The table below indicates the precise share of retailing employment on each side of the river.

SIC Code	Retail sector	East side		West side	
		Firms	Jobs	Firms	Jobs
52	Building Materials, Hardware	2	***	3	***
53	General Merchandise Stores	0	0	3	***
54	Food Stores	2	***	6	36
55	Auto Dealers, Gas Stations	2	***	4	49
56	Apparel	0	0	3	***
57	Home Furnishings	0	0	3	***
58	Eating and Drinking Places	11	131	14	289
59	Miscellaneous Retail	3	***	12	204
Totals		20	459	48	813
Share of Totals for Side		16.8%	8.9% <sup>c</sup>	20.3%	12.6%

\*\*\*Note: To protect individual company information some industry employment data are not reported separately but are included in totals.

The amount of retail activity appears to be in line with area purchasing power. If the redevelopment of the river were to create an amenity which drew people from other parts of the Metropolitan Area, there would seem to be the potential for addition of new retail businesses. It is likely that many of these businesses would be in different sectors than the current businesses in the study area. So, aside from the bars and restaurants and some miscellaneous retailers, area businesses serving the resident population would not feel much of an impact from the redevelopment. However, if the overall redevelopment included or induced expansion of residential development in the study area, then local businesses serving residents would feel a greater impact.

## SUMMARY

A number of preliminary conclusions seem to flow from our analysis of local economic data to this point in the study:

- As property value and land use data make clear, the east bank is appreciating in value while the west is, at best, maintaining, its dollar values and declining in real (inflation adjusted) value.
- Residential properties located inside the study area on the west side of the river are declining sharply in value and being abandoned or converted to rental.
- The share of tax exempt properties in the study area is in line with other parts of the city.
- Employment levels in the study area seem to be relatively steady in the recent past, with exception of the recent Japs-Olson relocation decision.
- Changes in total employment in the area will tend to be driven by changes in the fortunes of a few large employers. Of course, redevelopment efforts will also have a potential effect.

- Manufacturing employment in the area has been quite stable during the 90s with the exception of two large events, the arrival of Graco on the east side and the departure of Japs-Olson from the west.
  - Retailing is not currently important in the study area. The character and extent of any additional retail expansion will be dependent on redevelopment plans, and especially dependent on whether those plans include or bring forth residential development.
  - If one of the desired objectives of river redevelopment is to provide an amenity which adds value to the surrounding area, then, based strictly on economic considerations the west side of the river is much greater need of assistance than is the east side. This should be taken into account in the design process and phasing plans.
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'INNER' Study Area Boundary  
Neighborhood Boundary

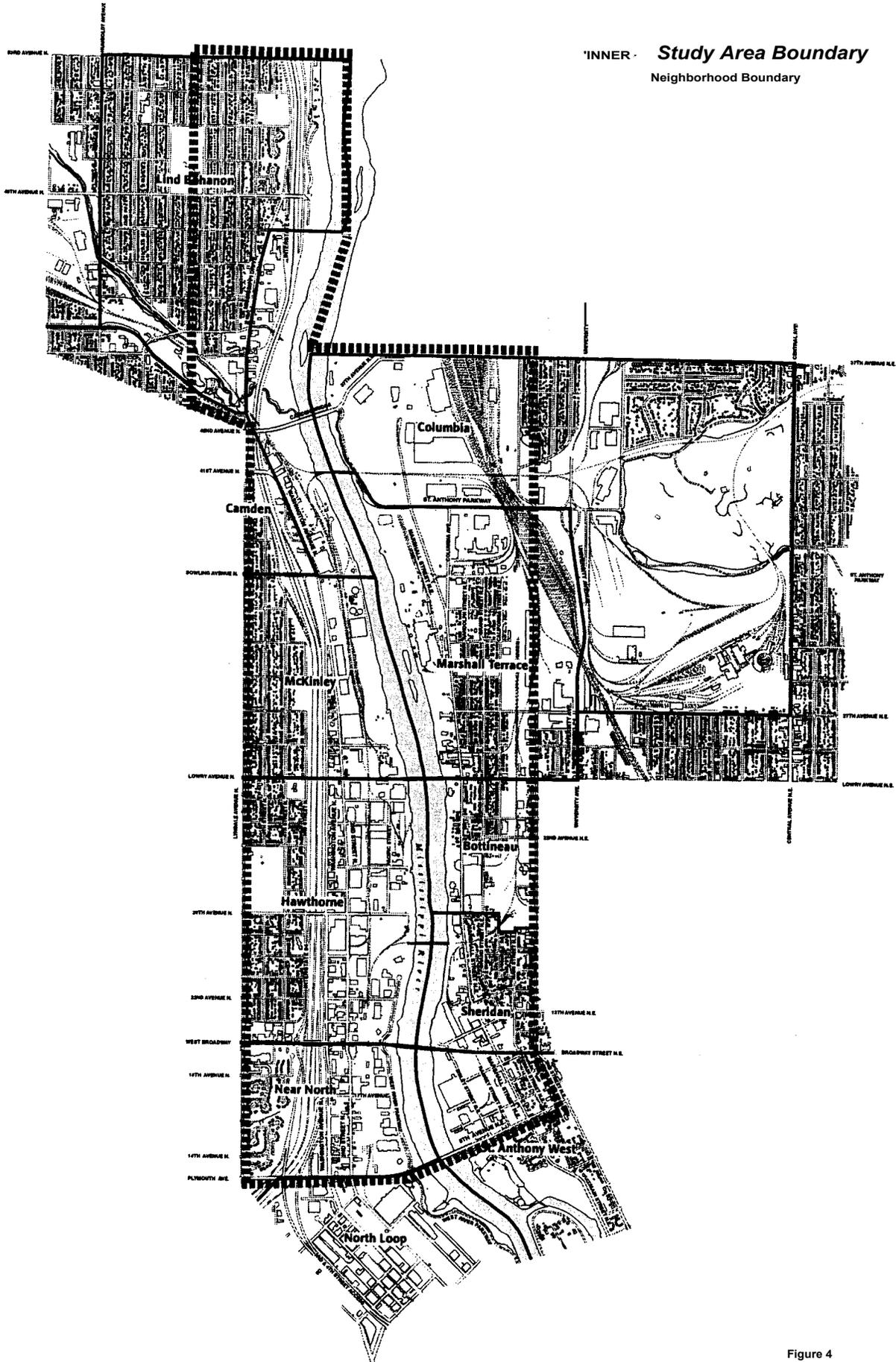


Figure 4

Study Area Boundary