



Economic Development Focus Group
March 7, 2017

Agenda:

- Welcome! and Introductions
- Group Exercise; Top 3 Priorities
- Research Questions – data and analysis *(30 to 40 Min)*
- Reactions to Research Data; Other Questions We Should Look At; What did We Miss?
- Group Exercise Revisited; Did Your Priorities Change?
- Other Items; Conclusion/Summary; Next Dates

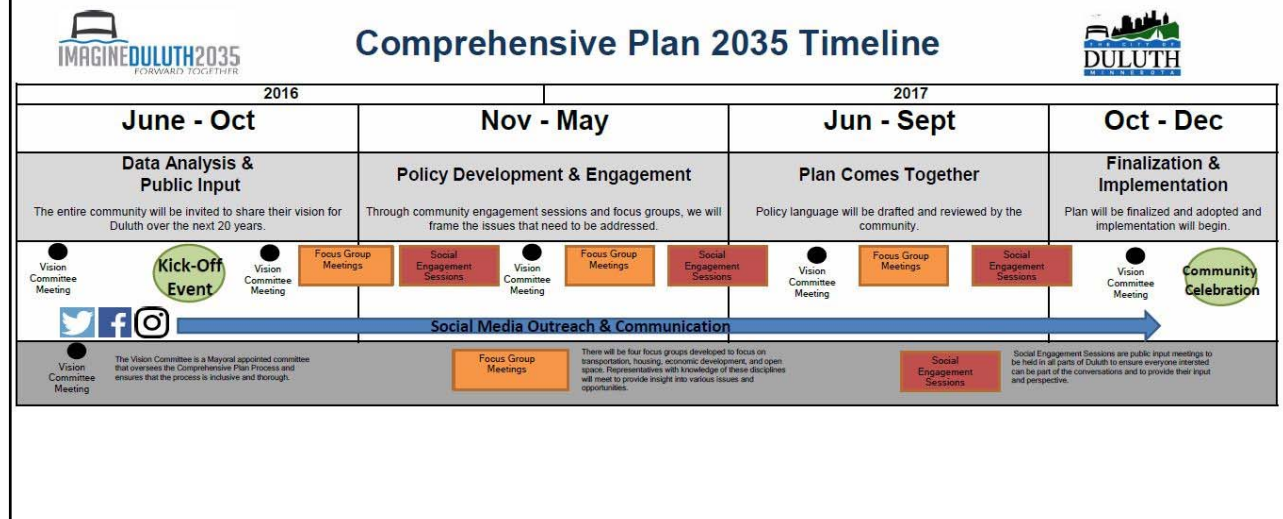
What Is Economic Development?

-Economic Development can be defined as the process in which an economy grows or changes and becomes more advanced, especially when both economic and social conditions are improved (Cambridge Dictionary).

-Economic development is often associated with two objectives: (1) creation of jobs and wealth and (2) improvement of quality of life (International Economic Development Council).

-Growth is a quantitative increase, while development is a change aimed at a particular goal. In other words, growth is more about quantity, while development is more about quality. Do you want your community to grow or do you want it to develop?

Timeline & Process



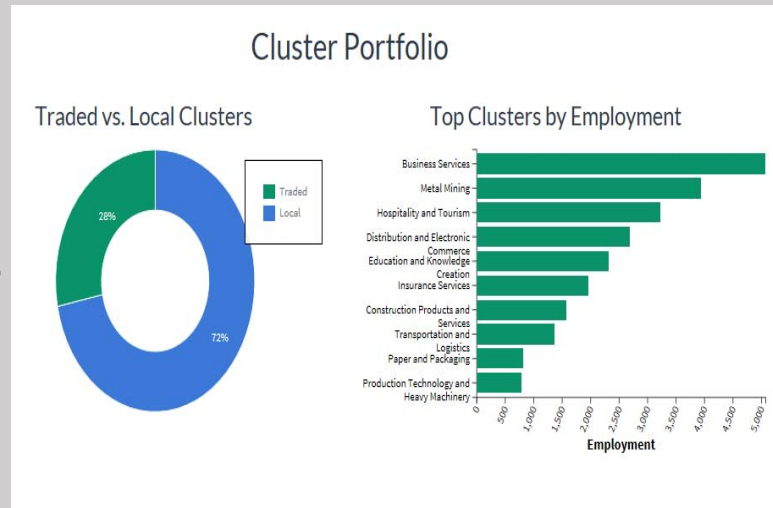
Group Exercise

Economic Development Research Questions

Economic Development Research Questions

Question: How do we encourage the development that we want?

- What do we have?
- What do we want?
- How do we encourage it?



Economic Development Research Questions

Question: What are the strongest industry clusters in our region and how can the City help position them for future success?



Economic Development Research Questions

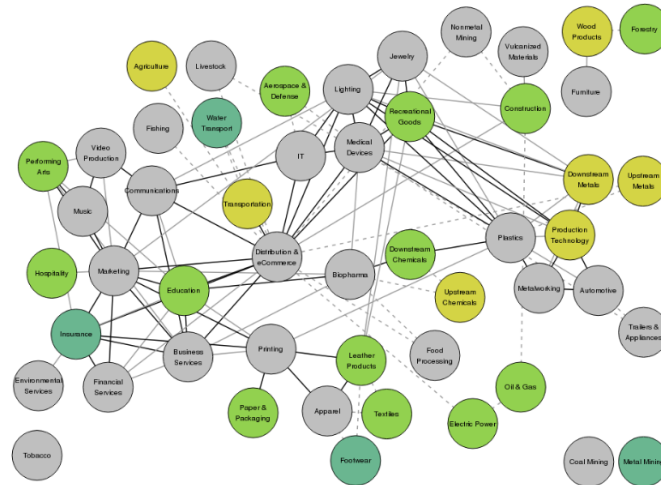
Cluster Linkages and Economic Diversification

Duluth, MN Metropolitan Area, 2014

Cluster Specialization

- Strong clusters above 90th percentile specialization
- Strong clusters above 75th percentile specialization
- Other specialized clusters (LQ > 1.0)

BCR >= 95th pctile & RI >= 20%
BCR 90th-94th pctile & RI >= 20%
- - Next closest clusters not meeting above criteria



Economic Development Research Questions

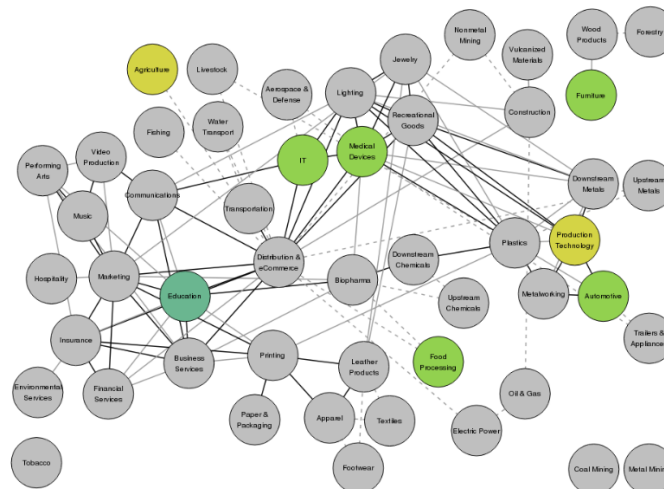
Cluster Linkages and Economic Diversification

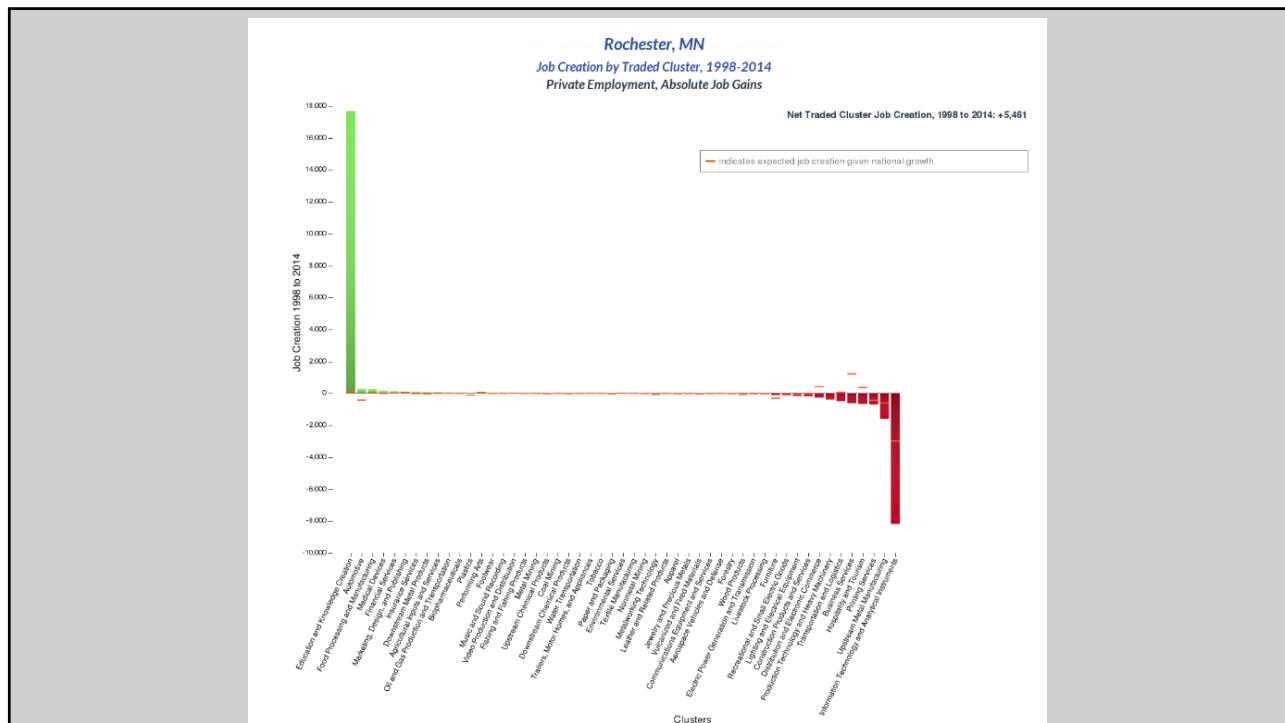
Rochester, MN Metropolitan Area, 2014

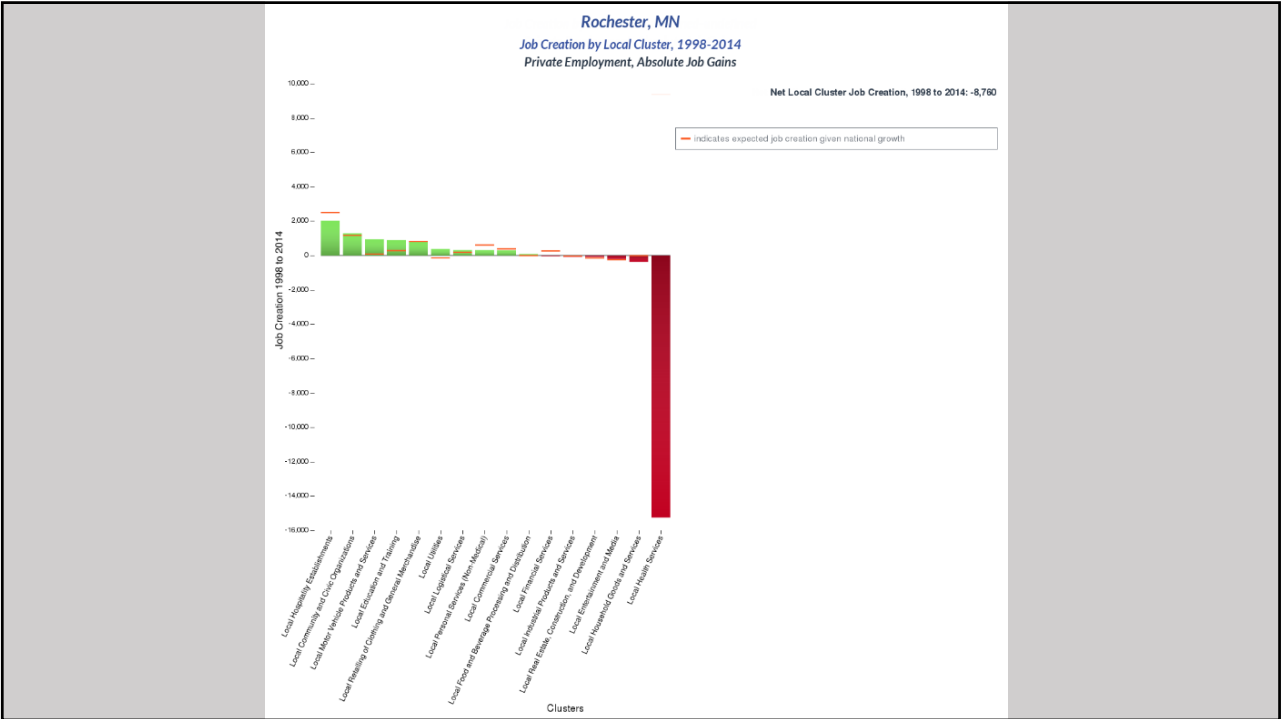
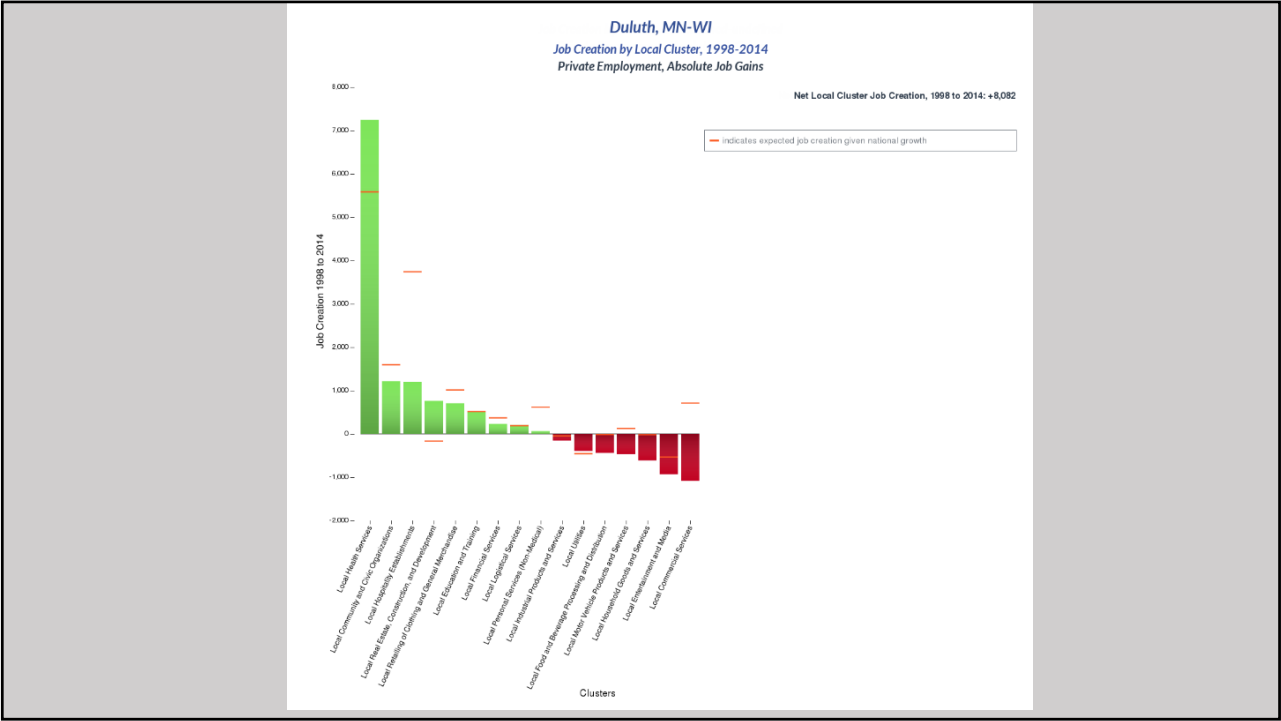
Cluster Specialization

- Strong clusters above 90th percentile specialization
- Strong clusters above 75th percentile specialization
- Other specialized clusters (LQ > 1.0)

BCR >= 95th pctile & RI >= 20%
BCR 90th-94th pctile & RI >= 20%
- - Next closest clusters not meeting above criteria







Economic Development Research Questions

Question: What economic sectors are projected to grow and do we have enough infrastructure to support?

Table 24. Industry Employment Statistics, 2015

WDB 4 - City of Duluth	2015 Annual Data				2010-2015		2014-2015	
	Number of Firms	Number of Jobs	Total Payroll (\$1,000s)	Avg. Annual Wage	Change in Jobs	Percent Change	Change in Jobs	Percent Change
NAICS Industry Title								
Total, All Industries	2,580	60,344	\$2,771,553	\$45,916	2,111	3.6%	658	1.1%
Health Care & Social Assistance	335	18,066	\$975,417	\$53,976	589	3.4%	404	2.3%
Retail Trade	427	6,505	\$154,863	\$23,816	124	1.9%	88	1.4%
Accommodation & Food Services	240	6,002	\$95,242	\$15,808	247	4.3%	-31	-0.5%
Educational Services	84	5,252	\$252,072	\$47,996	7	0.1%	38	0.7%
Public Administration	62	3,698	\$223,958	\$60,580	-49	-1.3%	31	0.8%
Manufacturing	97	2,769	\$154,612	\$55,796	82	3.1%	182	7.0%
Professional & Technical Services	235	2,761	\$186,589	\$67,704	653	31.0%	89	3.3%
Construction	174	2,506	\$155,415	\$61,880	606	31.9%	271	12.1%
Other Services	263	2,099	\$47,241	\$22,464	214	11.4%	56	2.7%
Finance & Insurance	151	1,917	\$113,231	\$59,072	-259	-11.9%	-290	-13.1%
Admin. Support & Waste Mgmt. Svcs.	90	1,826	\$49,139	\$26,884	-319	-14.9%	-158	-8.0%
Transportation & Warehousing	68	1,429	\$81,786	\$57,200	226	18.8%	40	2.9%
Wholesale Trade	92	1,216	\$65,356	\$53,716	80	7.0%	-18	-1.5%
Arts, Entertainment, & Recreation	69	1,159	\$21,239	\$18,304	-39	-3.3%	-33	-2.8%
Information	41	957	\$47,090	\$49,192	#N/A	#N/A	-21	-2.1%
Real Estate & Rental & Leasing	117	800	\$23,892	\$29,848	115	16.8%	47	6.2%
Utilities	7	768	\$74,112	\$96,408	72	10.3%	-9	-1.2%
Management of Companies	21	580	\$48,880	\$84,344	-71	-10.9%	-27	-4.4%

Source: DEED Quarterly Census of Employment & Wages (QCEW) program

Economic Development Research Questions

Question: Where do new businesses want to locate?

According to a 2016 survey of corporate real estate executives (Site Selector), the top 10 criteria for site selection were ranked accordingly:

1. Workforce Skills
2. Incentives
3. State and local tax scheme
4. Transportation infrastructure
5. Land/building prices and supply
6. Workforce development
7. Utilities (cost, reliability)
8. Higher education resources (*tied for 7th)
9. Ease of permitting and regulatory procedures
10. Quality of life

Economic Development Research Questions

As Duluth looks towards the horizon and how it can better its economy, there are tools that it can use to incentivize the creation of the types of jobs and sectors that it would like to see develop. These tools include:

- **Tax Increment Financing (TIF)**
- **Tax Abatements**
- **Loan Programs**
- **Bonds**
- **Utility Abatements**
- **Land**

Economic Development Research Questions

Other factors that strongly contribute to encouraging quality economic development are those that create an environment where it is attractive and competitive for businesses to locate. These include:

- **Quality of Life**
- **Cost of Living**
- **Infrastructure**
- **Education**
- **Workforce**

Economic Development Research Questions

Question: Do we have an adequate supply of undeveloped land and building space for future economic development?

Two basic types of development:

- 1) New development on a "greenfield" (i.e. never-before developed property)
- 2) Redevelopment opportunities with existing buildings or now-vacant sites that historically housed some operation.



Economic Development Research Questions

Three things Duluth can do to provide adequate space for future ED include:

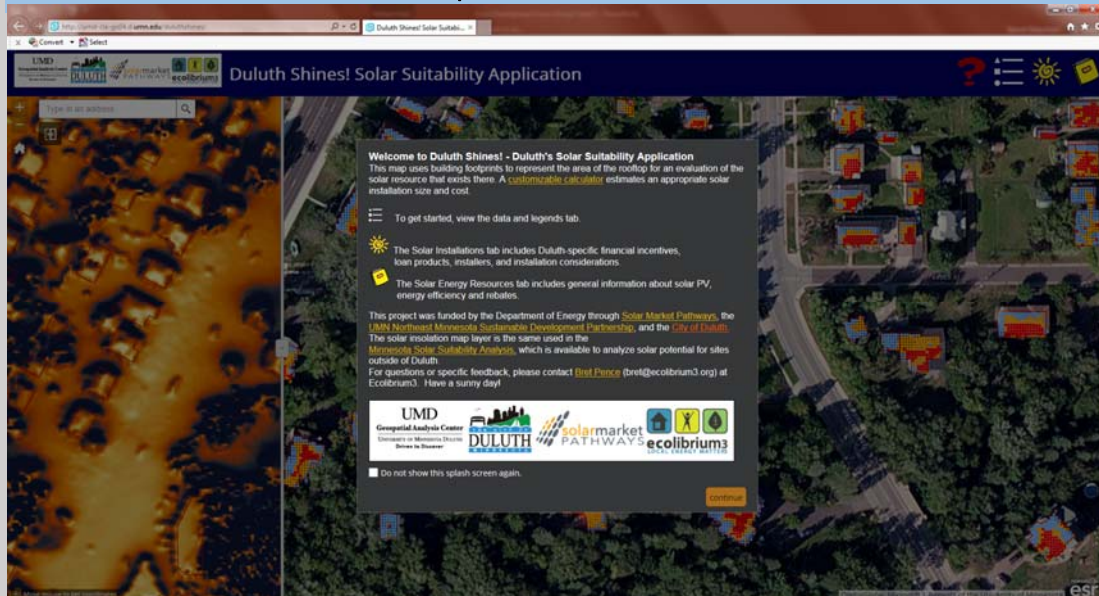
1. Secure existing resources and establish incentivizes for brownfield redevelopment
2. Create incentives/ program/s to redevelop existing blighted and outdated building stock
3. Offer zoning that can accommodate new types of business and the changing nature of manufacturing (encourage mixed-use areas)

Economic Development Research Questions

Question: How can we promote solar technology resources and wind alternative energy sources for our economic sustainability?

- Raise awareness around existing programs:
 - Minnesota PACE
 - Federal government tax credits
 - 30% tax credit for PV solar systems installed by 12/31/19
 - Minnesota Power's SolarSense
- Educate owners on what forms of sustainable energy are best for their business
 - Wind...?

Economic Development Research Questions



Economic Development Research Questions

Question: For outdoor recreation (OR) and tourism what resources could help to continue growing those two sectors?

- Overview

- City investment into new trail systems and improvement of existing trails
 - Especially along the St. Louis River corridor.
- Duluth increasingly known in the Midwest as an OR hub
- Approximately 20% of Duluth's total land is greenspace and city park-land.
- The variety of and easy access to OR opportunities = among Duluth's greatest assets and opportunities to encourage future ED.



Economic Development Research Questions

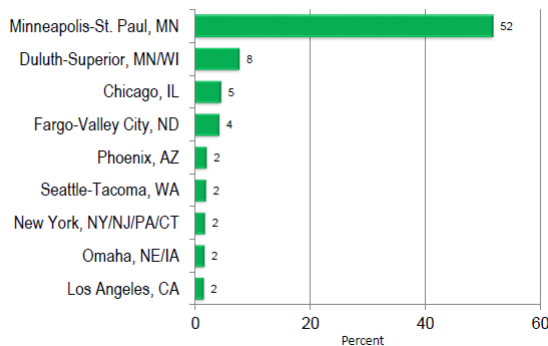
- Tourism accounted for approximately 10% of the entire world's GDP (2015)
 - 1 in 11 jobs caters to the tourism industry.
- "11 signs that a city will succeed"
 - Duluth arguably exhibits 7-8 of these signs
 - Four are tourism-related.
- Tourism in Duluth in 2015 (Longwoods International 2016 report):
 - 6.7 million+ visitors
 - 3.3 million from the Twin Cities metro
 - \$319 million in direct spending
 - \$957 million (estimated) economic impact
 - 52% of overnight visits and 57% of day-trip visitors come from the Twin Cities



Photo by Hansi Johnson

Economic Development Research Questions

Base: Overnight Person-Trips to Duluth



Opportunities

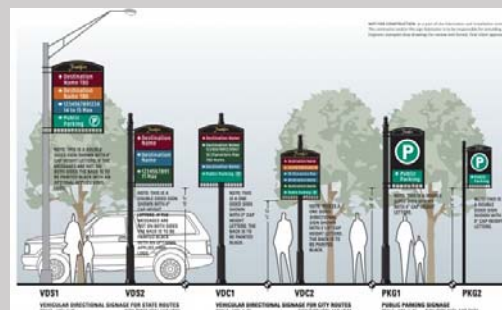
- Potential for stronger collaboration among:
 - DEDA
 - Visit Duluth
 - City Parks and Rec
 - Outdoor recreation community organizations (e.g., COGGS, DXC)
- Capitalize on existing tourism to bolster the number of future visits: Keep them coming back.
- Tactically promote Duluth's OR in the metro area

Economic Development Research Questions

Opportunities Continued

Two tangible things Duluth could do now to grow these sectors:

1. Wayfinding!
 - We have OR amenities, but how do people get to them?
 - Whether pointing out local shops, directing visitors toward landmarks, improving signage on city trails, or highlighting public parking opportunities, the City has been encouraged by a variety of reports to improve wayfinding
2. Package and promote our existing and future outdoor recreation opportunities to the region



Economic Development Research Questions

Question: How do we plan for the technology and web based industries?

The needs of web based industries are different than other traditional agricultural, retail, or industrial industries (not the need for land/large structures). Also while web based businesses generate employment and sales tax, they typically have a little impact on local government property taxes.

It is anticipated that changes in technology and web based businesses in the next 5 to 10 years will result in more demand for data, subsequently resulting in more requests for cell towers/micro sites, and creation of more offices/home based business.

Economic Development Research Questions

Question: How do we plan for the technology and web based industries?

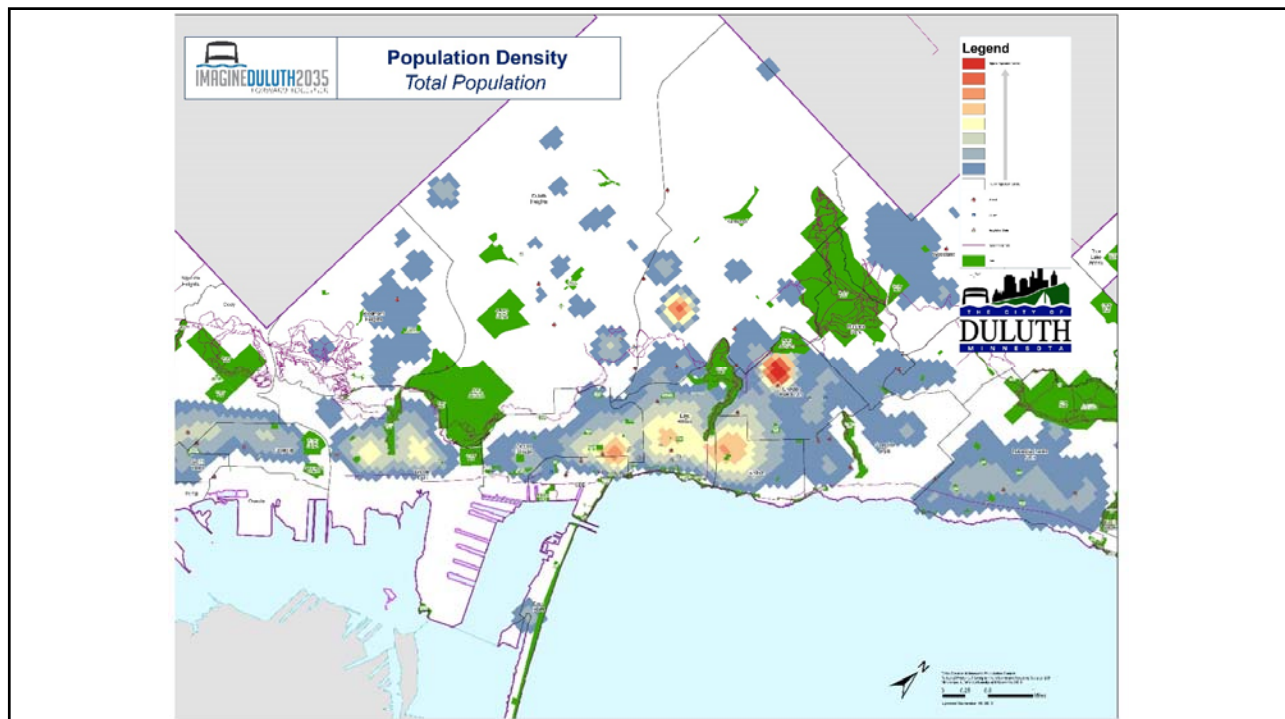
- **-Consider amending the city rules to relax standards and promote the use of home based businesses that have no impacted on adjacent residential properties.**
- **-Consider an expedited administrative review process for micro cell sites that feed into existing, legal, cell towers, to promote internet access (coverage and capacity).**
- **-Continue to support an educated and talented workforce (which are in demand with high tech industry) and a high quality place/community (important to attract and retain highly skilled employees)**

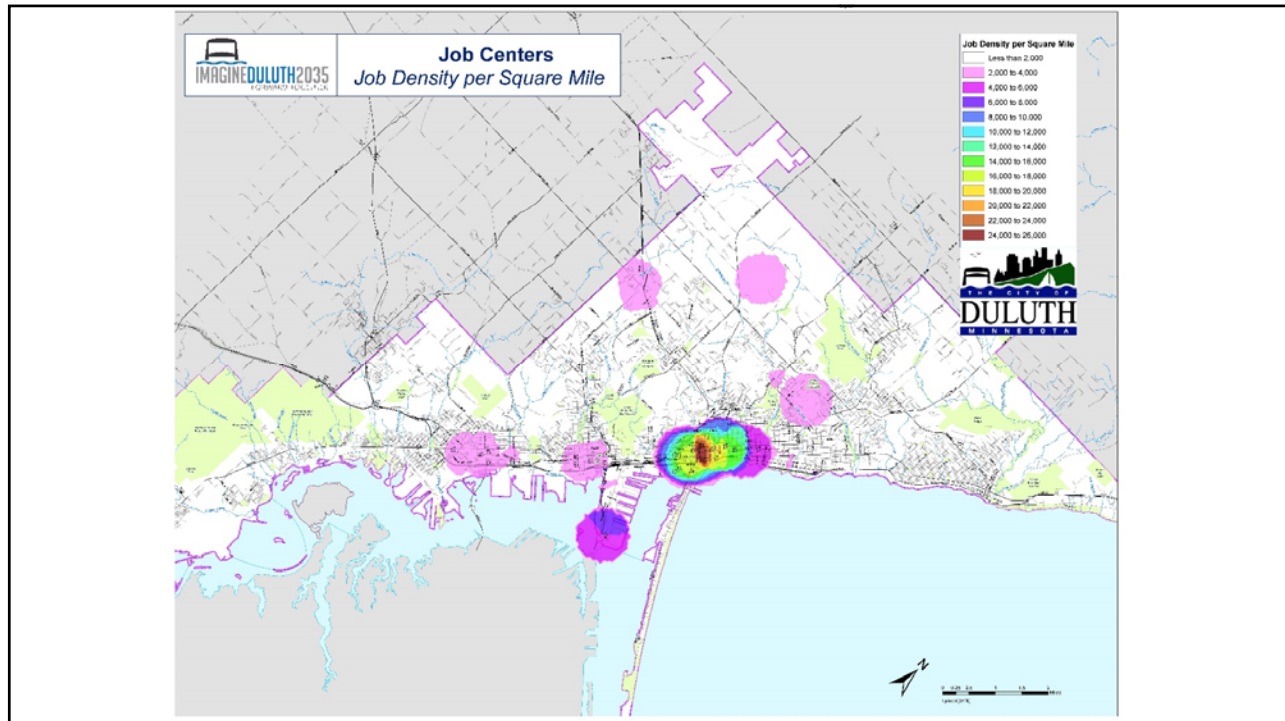
Economic Development Research Questions

Question: Are the city's job centers accessible from or integrated with residential areas?

According to 2014 employment data (primary jobs), the major employment centers are: 1) Downtown Duluth and Canal Park 2) Garfield/Port Area, 3) Lincoln Park Neighborhood 4) Spirit Valley Neighborhood 5) UMD and St Scholastic College and 6) Miller Hill Mall Area, and 7) Airport and Airpark Business Park

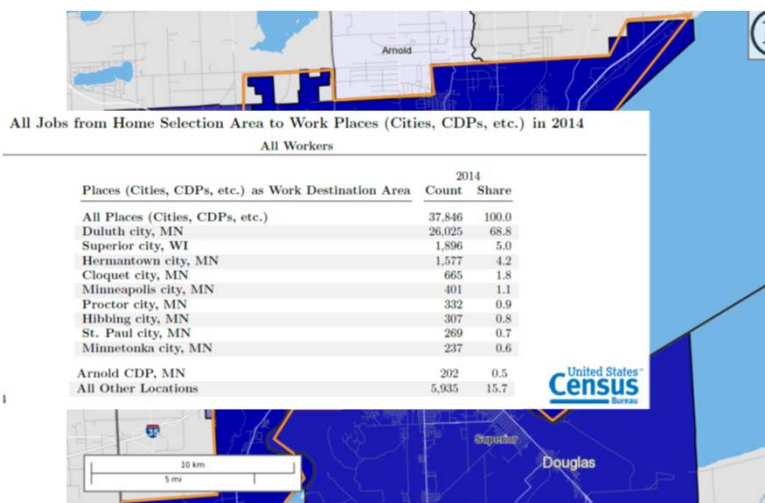
Most industrial uses (which were the larger employers) had significant negative impacts (noise, dust, traffic, pollution). Traditional zoning attempted to separate residential uses from commercial and industrial uses





Where do residents work?

2014: 37,846 residents of Duluth are employed



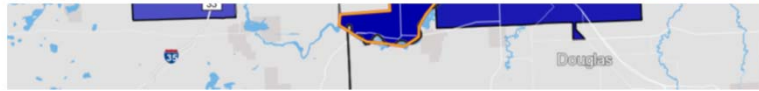
Where do workers live?

2014: 63,180 people working for companies within the City of Duluth

Counts of All Jobs from Work Selection Area to Home Places (Cities, CDPs, etc.) in 2014
All Workers

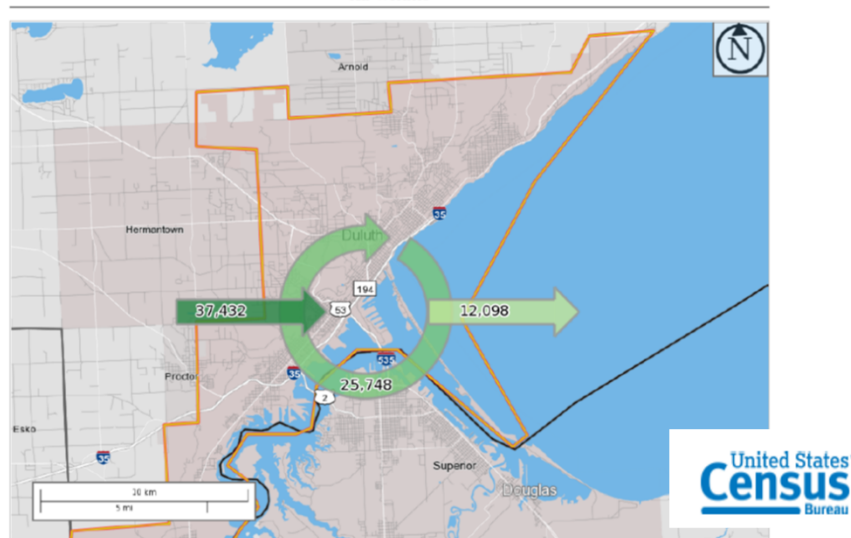
Places (Cities, CDPs, etc.) as Home Destination Area	2014	
	Count	Share
All Places (Cities, CDPs, etc.)	63,180	100.0
Duluth city, MN	25,696	40.7
Superior city, WI	4,210	6.7
Hermantown city, MN	2,683	4.2
Cloquet city, MN	1,307	2.1
Arnold CDP, MN	948	1.5
Proctor city, MN	804	1.3
Minneapolis city, MN	666	1.1
St. Paul city, MN	554	0.9
Hibbing city, MN	440	0.7
Esko CDP, MN	420	0.7
All Other Locations	25,452	40.3

United States[™]
Census
Bureau

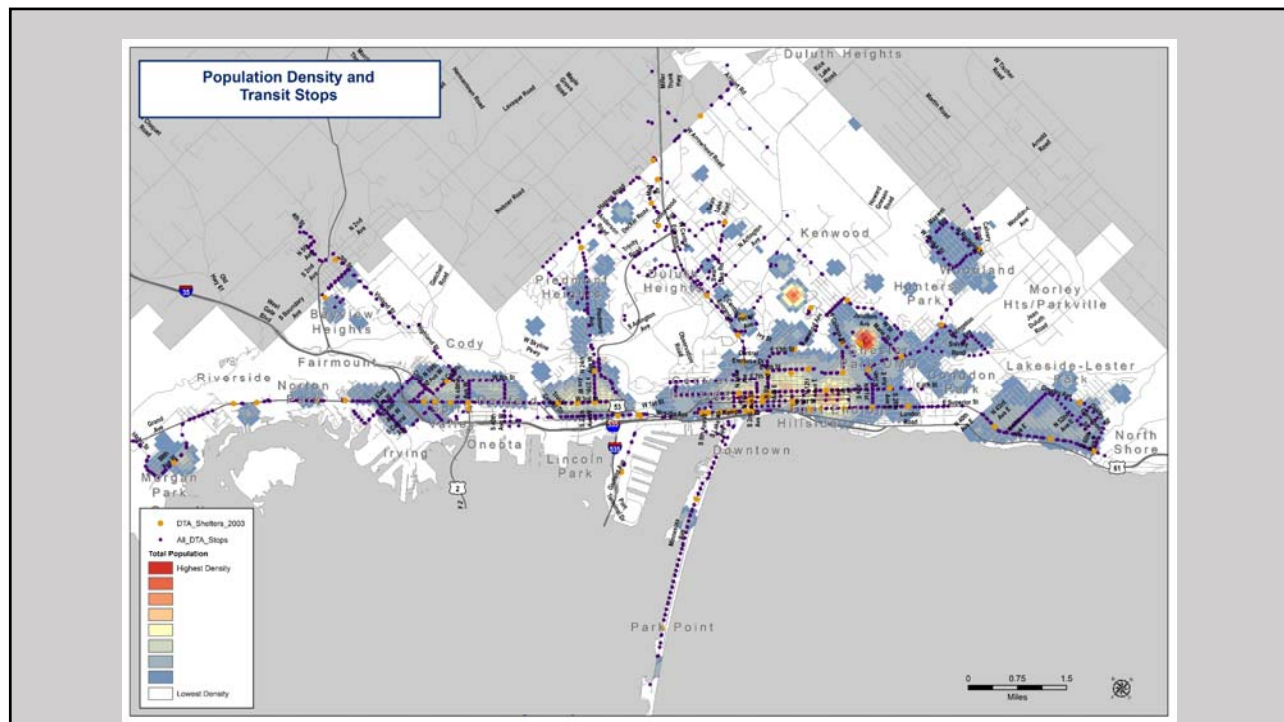


What does that look like?

Inflow/Outflow Counts of All Jobs for Selection Area in 2014
All Workers



United States[™]
Census
Bureau



Economic Development Research Questions

Question: How do we strengthen our employment base?

-How do we know what is the economic base of a community?

-Location quotient is a tool used to quantifying how concentrated a particular industry or occupation is in a region as compared to the nation. **It can reveal what makes a particular region unique in comparison to the national average.** If an LQ is equal to 1, then the industry has the same share of its area employment as it does in the reference area. An LQ greater than 1 indicates an industry with a greater share of the local area employment than is the case in the reference area.

-The more an LQ is above one, the greater the strength we have in our belief that this sector is an exporter for the local area. The closer the LQ drops toward zero, the more likely people in that county are importing goods or services in that sector from somewhere else.

Economic Development Research Questions

2015 Duluth Mn-WI MSA US Dept of Labor BLS

- 00-0000 All Occupations 1.00
- 19-0000 Life, Physical, and Social Science Occupations 1.47
- 21-0000 Community and Social Service Occupations 2.10
- 29-0000 Healthcare Practitioners and Technical Occupations 1.33
- 31-0000 Healthcare Support Occupations 1.46
- 37-0000 Building and Grounds Cleaning and Main. Occupations 1.04
- 39-0000 Personal Care and Service Occupations 1.80
- 47-0000 Construction and Extraction Occupations 1.07
- 49-0000 Installation, Maintenance, and Repair Occupations 1.17

Economic Development Research Questions

Question: What is the present mix of industry types in Duluth by job, or value created? What are wages per job in various industries in Duluth?

• NAICS Industry Title	Number of Firms	Number of Jobs	Total Payroll (\$1,000s)	Avg. Annual Wage
• Utilities	7	768	\$74,112	\$96,408
• Management of Companies	21	580	\$48,880	\$84,344
• Professional & Technical Services	235	2,761	\$186,589	\$67,704
• Construction	174	2,506	\$155,415	\$61,880
• Public Administration	62	3,698	\$223,958	\$60,580
• Finance & Insurance	151	1,917	\$113,231	\$59,072
• Transportation & Warehousing	68	1,429	\$81,786	\$57,200
• Manufacturing	97	2,769	\$154,612	\$55,796
• Health Care & Social Assistance	335	18,066	\$975,417	\$53,976
• Wholesale Trade	92	1,216	\$65,356	\$53,716
• Information	41	957	\$47,090	\$49,192
• Educational Services	84	5,252	\$252,072	\$47,996
• Total, All Industries	2,580	60,344	\$2,771,553	\$45,916
• Real Estate & Rental & Leasing	117	800	\$23,892	\$29,848
• Admin. Support & Waste Mgmt. Svcs.	90	1,826	\$49,139	\$26,884
• Retail Trade	427	6,505	\$154,863	\$23,816
• Other Services	263	2,099	\$47,241	\$22,464
• Arts, Entertainment, & Recreation	69	1,159	\$21,239	\$18,304
• Accommodation & Food Services	240	6,002	\$95,242	\$15,808

Economic Development Research Questions

Question: How can we establish metrics to follow and track community development? Former Prosperity Index elements:

housing (How much of the population is considered "cost-burdened" by spending more than 30% of their household income on housing. What percentage of single-family homes are owner-occupied?),

income and poverty (What percentage of the population has an income less than 200% of the federal standard for poverty? How close is Duluth's median household income to the state's median household income?),

Workforce and jobs (What is the average weekly wage that workers in Duluth earn and how close is it to the state's average weekly wage? What is the percentage of adults in Duluth that are in the workforce?),

education (What is the total education level of everyone over 25 in Duluth?)

business climate (How many jobs are there in Duluth?).

Economic Development Research Questions

-Tracking a community's progress should continue even if negative results are found; it takes a while to turn around items, and it is important to identify not only a community's strengths, but also areas that need improvement.

-Note there are a lot of external factors that can impact a community's success that the community has little control over (such as federal spending or federal regulation).

-How you measure a community's success can be looked at through several different perspectives. In this question's context, though, the term "community development" implies weighing both **economic** and **social** elements. Tracking should consider both economic factors and social factors, and should be easily measurable or quantifiable, or obtainable on a quarterly or annual basis.

Economic Development Research Questions

Duluth Median household income:	\$45,034 (www.census.gov)
i. State Average	\$61,492
Duluth Median home value:	\$149,700 (www.zillow.com/duluth-mn/home-values/)
i. State Average	\$200,700
Duluth Unemployment rate:	3.8% (MN DEED 2016 report)
i. State Average	3.7%
Cost of living [St. Louis County]:	\$48,575 for a family of 4 with 1 FT income (MN-DEED)
i. State Average	\$56,856 for a family of 4 with 1 FT income
ii. Duluth's COL is between 90-96% of the national average (various sources)	
Duluth College attainment:	37.1% with Associates degree or higher (MN-DEED)
i. State Average	43.7% with Associates degree or higher

Economic Development Research Questions

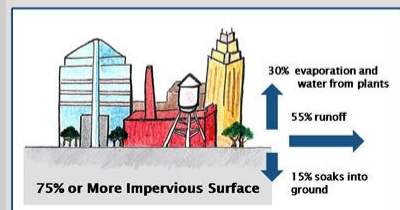
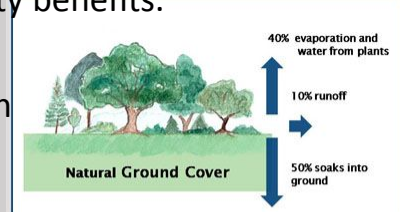
Question: How can we support green infrastructure and recreation opportunities?

-Green infrastructure is a cost-effective, resilient approach to managing wet weather impacts that provides many community benefits.

-While conventional piped drainage and water treatment systems is designed to move urban stormwater away from the built environment, green infrastructure reduces and treats stormwater at its source while delivering environmental, social, and economic benefits.

-Stormwater runoff is a major cause of water pollution in urban areas. The stormwater runoff carries trash, bacteria, heavy metals, and other pollutants from the urban landscape.

-Higher flows resulting from heavy rains also can cause erosion and flooding in urban streams, damaging habitat, property, and infrastructure.



Economic Development Research Questions

Green infrastructure uses vegetation, soils, and other elements and practices to restore some of the natural processes required to manage water and create healthier urban environments.

Examples of green infrastructure include rain gardens, green roofs, permeable pavement, bio swales, and planter boxes. Green infrastructure can be less expensive than conventional storm water detention and treatment as it can require less site grading and paving and less land required for storm water ponds. An added benefit of green infrastructure is that green infrastructure can mitigate flood risk by slowing and reducing storm water discharge.



Photo: www.wilkeseastna.org/node/628

Economic Development Research Questions

- Soils – Duluth has mostly type D soils, cohesive clay soils with low permeability – hence low infiltration – the main focus of Green Infrastructure.
- Duluth also has exposed or shallow bedrock, again low infiltration rates. Also shallow ground water is a concern with the MPCA for infiltration from BMPs, as it may contaminate the groundwater with runoff from parking lots/roofs/.
- Steep slopes are an issue with BMP placement and design, flatter sites have more options for BMP selection. Steep sites are able to have BMPs, it will increase the cost and footprint of the BMPs.

Economic Development Research Questions

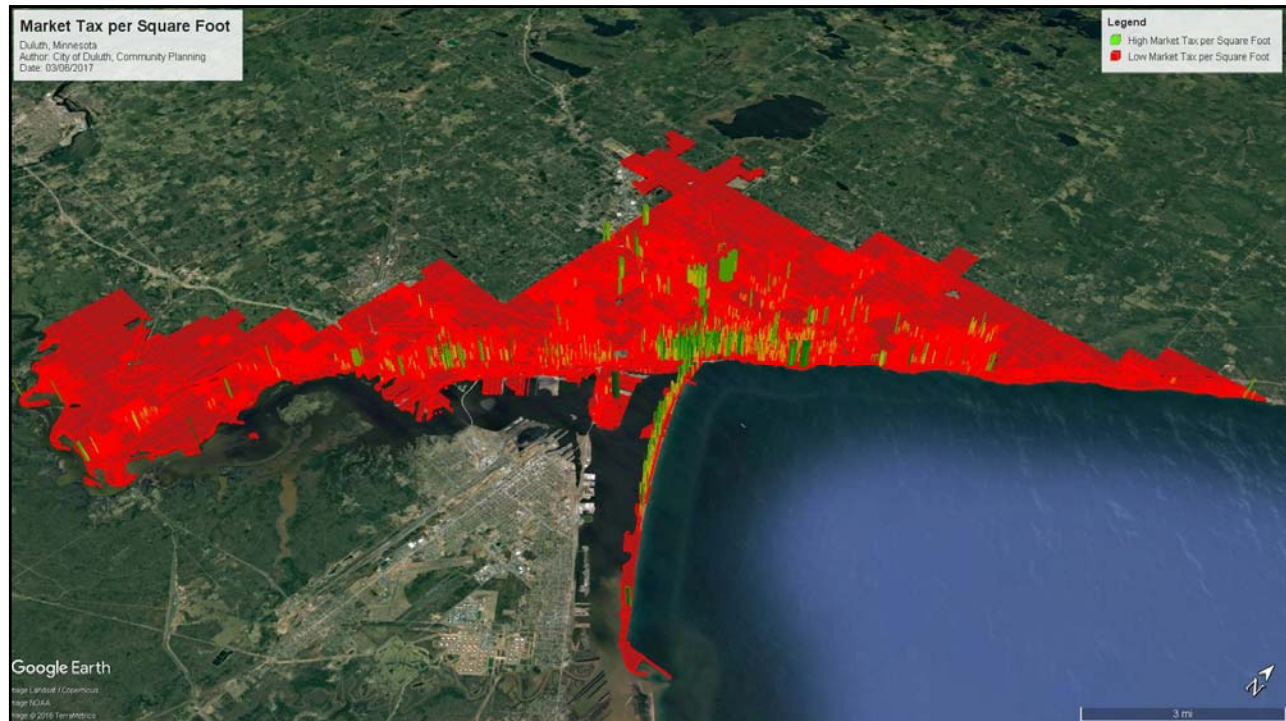
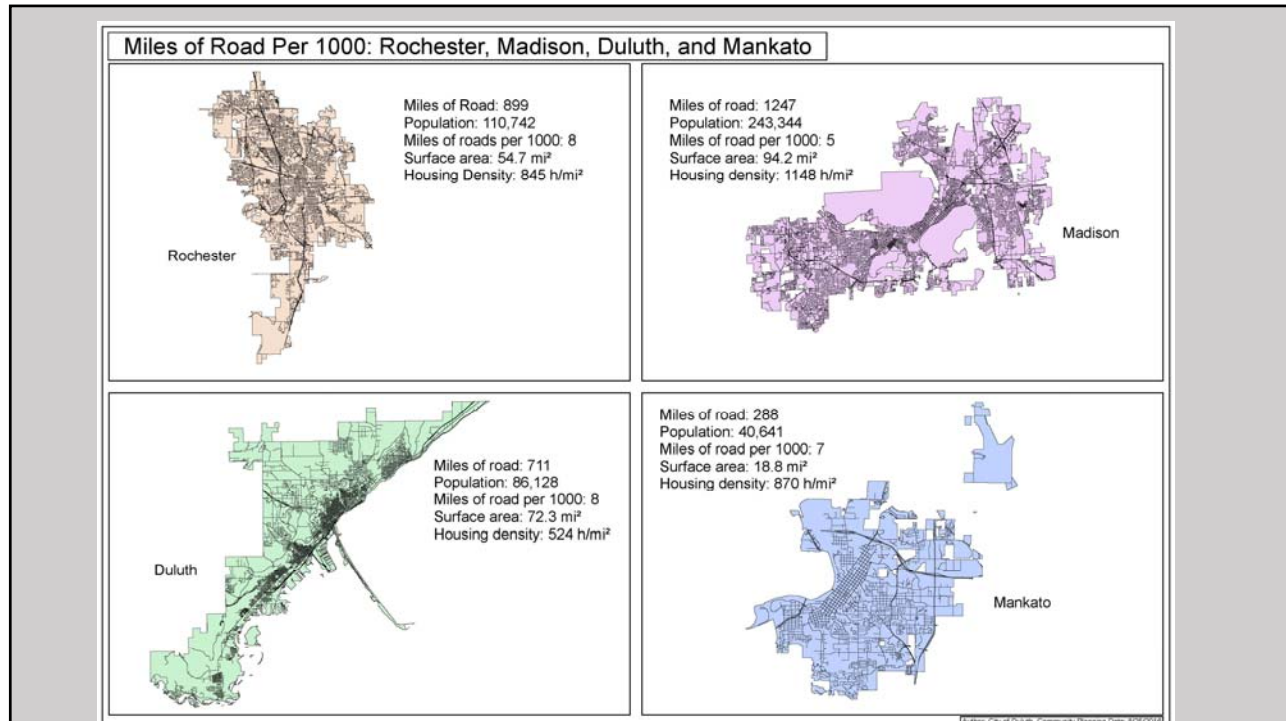
Duluth can do the following to promote green infrastructure:

- Consider allowing new developments to provide green infrastructure in lieu of, or in conjunction with, required landscaping or buffering features
- Consider allowing new development to exceed parking maximums if they provide green infrastructure to capture and hold water in excess of what is required by normal stormwater requirements
- When offering tax abatement or TIF to new developments, or allowing new private roads, require green infrastructure (where appropriate by topography)
- Consider additional discounts off of stormwater fees for property owners that utilize green infrastructure to capture stormwater runoff in excess of the minimum required by stormwater rules.
- Consider requirements for increased tree planting, and buffers to wetlands.

Economic Development Research Questions

Question: How does a city's economic development blueprint serve to strengthen its downtown? What industry clusters are presently in Duluth's downtown, and where are the possibilities for growth?

An economic development blueprint can identify economic assets and opportunities in the community, and support investment in business development and job opportunities. Ideally an economic blueprint would provide broad summary of economic conditions at the national, state and regional levels, and then examine the more specific economic characteristics of Duluth.



Economic Development Research Questions

Question: What is the infrastructure capacity level for the currently designated commercial and industrially zoned properties?

Approximately 13% of the city is zoned for industrial use; that includes Industrial-General (I-G), and Industrial-Waterfront (I-W).

Approximately 9% of the city is zoned for mixed use; that includes Mixed Use Neighborhood (MU-N), Mixed Use Commercial (MU-C), Mixed Use Institutional (MU-I), Mixed Use Business (MU-B), Mixed Use Waterfront (MU-W) and Mixed Use Planned (MU-P). Approximately 1% of the City is zoned for a form district, which includes mostly retail or entertainment uses with some residential uses.

Economic Development Research Questions

-There may be localized issues with specific sites in Duluth due to limitations with narrow water or sewer lines, but generally speaking, water pressure is sufficient throughout the city for most new commercial and industrial uses, with the exception of Park Point.

-Park Point would not be a good location for a new water-intensive industry due to potential limitations on water.

-Sanitary Sewer is generally good throughout the city, although for certain industries with high flows of nutrient rich effluent (such as a cheese factory or vegetable cannery), additional research would be necessary to ensure adequate infrastructure capacity.

-Many undeveloped/underdeveloped areas of the city lack sufficient city services to allow significant development. Presences of bedrock, etc, increases costs for extension of additional city utilities.

Survey Results Relating to Economic Dev.

Question 7: Where should the city encourage business and commercial growth over the next 20 years? Choose no more than two options. 3,556 Respondents

- 63.9% In existing neighborhood commercial centers
- 53.3% In downtown
- 40.0% In previously developed areas (brownfields)
- 13.7% Commercial strips along roads and highways
- 8.6% In previously undeveloped areas (greenfields) or tax forfeited land
- 6.4% Other (please specify)

Survey Results Relating to Economic Dev.

Question 8: What should be the City of Duluth's highest priorities over the next 20 years? Choose no more than 2 options. 3,589 Respondents

34.0% Attract new employers

- 26.5% Improve our existing road network (even if it means raising taxes or fees)
- 23.8% Preservation of natural resources or open space
- 18.8% Improve our existing water, sewer, and storm water systems (even if it means raising taxes or fees)
- 15.9% Better transportation options (more bus routes, more sidewalks, more or safer bike lanes)

14.6% Encourage the growth of existing employers

- 14.2% Support efforts to reduce homelessness
- 13.7% Provide incentives to increase housing options
- 11.6% Provide more recreational opportunities (more parks, extending the lakewalk, more sidewalks and trails)
- 9.6% Support efforts to promote youth enrichment
- 9.1% Other (please specify)
- 7.0% Historic or cultural preservation
- 4.3% Lower taxes or fees (even if it means less maintenance on our road or water/sewer/storm water system)

Group Exercise

Next Steps

1. Review

- Review the handout, send us your suggestions
- Are we missing an important question?

2. Attend the next Economic Development Focus Group meeting

- Date and time TBA