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**Economic Development Focus Group – Meeting 2**  
**Tuesday, March 7, 2017, 5:00 p.m.**  
**Duluth Public Library Green Room**  
**Main Library – 5<sup>th</sup> Ave W and Michigan Street**

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1. Welcome & Introductions
2. Group Exercise; Top 3 Priorities
3. Research Questions – data and analysis (*30 Min +/-*)
4. Reactions to Research Data; Other Questions We Should Look At?
5. Group Exercise Revisited; Did Your Priorities Change?
6. Other Items; Conclusion/Summary; Next Dates

**2006 Comprehensive Plan Economic Development Policies**

Land use and infrastructure decisions affect areas of the City that are attractive for economic investment. The Plan's governing principles identify the importance of both the City's traditional economic base and emerging economic opportunities.

-Principle #3 – Support traditional economic base – recognizes the necessity of preserving Duluth's location-dependent economic infrastructure (port facilities, access to shipping channels, railroad, airport).

-Principle #4 – Support emerging economic sectors – recognizes Duluth's current economic engines and that land use and infrastructure must be responsive to new economic opportunity. Other principles also guide land use relating to economic activity.

-Principle #9 – Support private actions that contribute to the public realm – prioritizes investment that enhances the physical form of Duluth's streets, public areas, and open space.

-Principle #10 – Take sustainable actions – encourages economic development that minimizes its ecological footprint through better site design, waste minimization, and continuously reducing risks to air, water, and land.

ED 1 Duluth will encourage economic expansion and increase economic diversity to support local and regional communities.

ED 2 Duluth will protect location-dependent economic uses, including port, railroad, and airport facilities from encroachment from incompatible uses.

ED 3 The City encourages development that is consistent with that of the staging of development identified in the Comprehensive Plan. Priority will be given to investment that reuses previously developed lands.

ED 4 The City will work with higher education institutions on development within the Higher Education Overlay.

ED 5 The City will work with medical institutions to accommodate their growth within medical districts, including the following policies:

- A. Support new investment in medical district.
- B. Improve physical, social and business connections with the community.
- C. Support housing affordability within and adjacent to the district.
- D. Support medical district improvements and neighborhood transitions.
- E. Preserve, restore, and reuse historic structures.

ED 6 The City will work with private landowners, other units of government and institutions in areas or significant change or large redevelopment. Such as U.S. Steel site, antenna farm, and other areas where master planning is needed.

- A. Address community and neighborhood concerns for institutional expansion.
- B. Create mixes of new land uses that sustain investment over the long term.
- C. Use existing infrastructure capacity.
- D. Meet goals of the sensitive lands and higher education overlays
- E. Include natural area corridors through or around development and consider community and public uses.

ED 7 The City will use its resources to direct private investment towards older industrial areas to reduce blight, and create social activity in the central corridor of the city and promote preservation or reuse of historic commercial or industrial structures.

ED 8 The City will support expansion of industrial parks where infrastructure capacity exists.

ED 9 The City will apply eco-industrial principles in economic redevelopment.

ED 10 The City will continue to enhance tourism and recreation business opportunities.

- A. Emphasize tourism and recreational development to bring in tourists year round.
- B. Cluster recreation and tourism businesses to maximize pedestrian and non-motorized access.
- C. Identify recreation or tourism opportunities along Duluth's waterfront.
- D. Identify historic commercial structures, encourage their preservation and promote reuse. Also promote education of Duluth's commercial and industrial past.

## Summary of Information Learned from Research Questions

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?

--Do we have an adequate supply of undeveloped land and building space for future economic development? Three things Duluth can do to provide adequate space for future ED include: 1) Secure resources and establish incentives for brownfield redevelopment, 2) create incentives/ a program to redevelop existing, blighted/outdated building stock, 3) Create zoning that is more open and flexible to accommodate new types of business and the changing nature of manufacturing (encourage mixed-use areas).

--Where do new businesses want to locate? What types of sites are in greatest demand, by industry type? Of the top 10 factors, five are directly related to development and operation costs, and three surround the availability of a qualified workforce. Businesses prefer to locate in communities with a dependable pipeline of talent and those that offer lower costs of doing business. Duluth should focus on two key initiatives: Ensuring sufficient housing exists to accommodate seniors and retirees as they downsize and exit the workforce; Creating a strategic plan to attract the workforce our region will need in the coming decade

--What economic sectors are projected to grow and do we have enough infrastructure to support? Healthcare – Currently responsible for approximately 30% of the total jobs in Duluth (DEED). Aviation – Cirrus Aircraft, Duluth's largest manufacturer (by employment) currently has 780 Full Time Equivalents. Transportation & Warehousing – This sector grew in employment by 18.8% from 2010 – 2015. Manufacturing – grew 7.0% from 2014-2015 (182 jobs added). Since Duluth metro area currently has a tight industrial space market at 3.5% vacancy rate (CoStar), more buildings/sites would be needed to accommodate continued growth specifically light and specialty manufacturing. Professional and Technical Services – With an impressive 31.0% growth in jobs (653 added jobs) from 2010 – 2015, this sector has high average annual wages of \$67,704 and is an area for continued potential growth. With a tight office market of 4.4% vacancy rate (CoStar), more quality office space would be needed to accommodate continued growth in this sector. Construction – The construction sector was the highest growing sector (by percentage) with a growth rate of 31.9% between 2010 – 2015, and a 12.1% increase from 2014-2015 alone.

--How do we encourage the development that we want? Tax Increment Financing (TIF) – Net increases in property taxes (up to 25 years) are captured to provide gap financing for projects that would not have happened “but for” the TIF dollars Tax Abatements – A specific amount of the City's portion of property taxes can be waived over a fixed time period to incentivize and assist a development. Brownfield Revolving Loan Fund – An EPA grant that provides lower interest loan program to assist with the development of brownfield (contaminated) sites. Bonds – Issued by City, money is used up front for development project and paid back to City over longer term with lower interest. Utility Abatements – Waiving the costs of new utilities over a fixed amount of time. Land – City land can be conveyed or sold at a low cost to attract development/ job creation. 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, and Workforce

-- How can we promote solar technology resources and wind alternative energy sources for our economic sustainability? The best way to promote clean energy technologies is to research, review and consolidate existing resources/opportunities and bring them to the attention of our business community. Educating business owners and residents about solar opportunities is key to successfully championing the expansion of the technology in Duluth.

--For outdoor recreation and tourism what resources could help to continue growing those two sectors? Approximately 20% of Duluth's total land is greenspace and city park-land. In 2015, tourism accounted for approximately 10% of the entire world's GDP Two things Duluth should do now to grow these sectors: Package and promote our existing and future outdoor recreation opportunities to the region, Invest in clear and concise city-wide wayfinding.

-- What are the strongest industry clusters in our region and how can the City help position them for future success? The region has many strong clusters; many of these industries are tied to either the mining and natural resources industries or the oil and gas production/transportation industries. While these industries may have more direct jobs that are located outside of the City of Duluth borders, the regional impact that these industries have is tremendous. -The Aviation/Aerospace industry has a great impact on the Duluth area -Other strong clusters above the 90<sup>th</sup> percentile in specialization are Education, Insurance, Water Transport and Footwear

--Duluth and the surrounding region can ensure continued growth and support of its industry clusters a through focusing on -workforce development, -educational resources, -transportation/logistics, -roadway infrastructure and water transportation, -and supporting business services.

-- 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)

-- 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. Historically most industrial uses (which were the larger employers) had significant negative impacts (noise, dust, traffic, pollution), and were kept separated from residences. Most employment centers may not be integrated with residential areas, but that is changing over time as more mixed use developments move forward.

--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? Highest annual wage: Utilities: \$96,408, Management of Companies: \$84,344, Professional & Technical Services: \$67,704, Construction: \$61,880. Highest employers Health Care & Social Assistance 18,066 jobs (\$53,976), Retail Trade: 6,505 (\$23,816), Accommodation & Food Services: 6,002 (\$15,808), Educational Services 5,252 (\$47,996).

--How can we establish metrics to follow and track community development? In 2010, the city created the "prosperity index"; a tool to measure prosperity and success in the community. The five key elements of the index were "community development" implies weighing both economic and social elements. The prosperity index is no longer being used, but 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. Both are important elements to a community, and together help to paint a clearer picture of the community's health. Tracking should consider both economic factors and social factors

--How can we support green infrastructure and recreation opportunities? -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, 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.

-- 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. The region has many strong clusters: tied to either the mining and natural resources industries or the oil and gas production/transportation industries, the Aviation/Aerospace industry, and other strong clusters above the 90<sup>th</sup> percentile in specialization are Education, Insurance, Water Transport and Footwear.

-- 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; and 9% of the city is zoned for mixed uses 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. 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 (cost of greenfield vs brownfield).

--Survey Question 8 What should be the City of Duluth's highest priorities over the next 20 years? 34.0% Attract new employers; 14.6% Encourage the growth of existing employers. Survey Question 7: Where should the city encourage business and commercial growth over the next 20 years? 63.9% In existing neighborhood commercial centers, 53.3% In downtown, 40.0% In previously developed areas (brownfields)