



9. ECONOMIC DEVELOPMENT

OVERVIEW

One of the core purposes of the Penn Avenue Community Works project is to leverage the introduction of high quality transit service in the Penn Avenue corridor for community economic development. Much of the research and analysis in earlier chapters relates to this purpose, and will support the development of economic development strategies in the corridor.

Important parts of the economic development and business related research will occur in Phase III of the project. However, the research and analysis done to date has allowed us to identify areas of economic development opportunity, and challenges which must be surmounted to realize these opportunities.

The following chapter on economic development addresses the following topics:

- Economic Development opportunities
- Assets Supporting Economic Development
- Economic Development Challenges



COMMUNITY INPUT: ECONOMIC DEVELOPMENT

Shopping/Services: Residents are attracted to local stores, restaurants, and services such as gas stations -- where they are available. More residents mentioned that shopping and services are convenient and close by, rather than highly desirable and appealing. There is a strong interest in more and a wider variety of places to go and things to do in the neighborhood, and especially distributed throughout the corridor. Examples include grocery stores, drug stores, dental and optical services, clothing stores, gas stations, dine-in restaurants, banks, as well as retail and services geared toward African and Asian immigrants. Field observation showed more people at nodes that feature services that meet residents' everyday needs (specifically at Lowry).

Many residents mentioned (particularly during door-to-door surveys) a desire for discount retail chains, and for stores to keep longer hours. At the same time, residents want to support locally-owned businesses that meet their product and service needs. While there was frequent mention of affordable retail, many people mentioned quality brands and options for clothing, food, and alcohol. Teens in particular wanted places where they could buy what they needed – shoes, clothes, etc., as well as more places they could go to be with their friends. There's a consistent sense among residents that they have fewer and narrower choices and opportunities, forcing them to go elsewhere to shop and feeding the cycle of disinvestment.

Community Gathering Spaces: Residents frequently asked for more informal and formal gathering places for both youth and adults (community centers, movie theater, arts performances, clubs, music venues, patios, parks), cleaner commercial areas with more attractive landscaping, and more programming opportunities for youth and families.

Employment: Some adults and teens noted the need for more employment opportunities in the corridor.

Safety: All groups noted that safety and security concerns affected where they shopped, with the greatest impact noted by immigrant families and teens. Coupled with language barriers and limits to culturally and racially-specific shopping and service choices, safety concerns dramatically reduced immigrants' willingness to use local shops and services. Intercept survey and doorknocking respondents suggested a variety of issues and solutions, including more active and visible police patrols and security, better lighting, stopping loitering and public intoxication, and reducing the number of liquor stores. A number of respondents across all groups noted incidents of racism, racial profiling, harassment, and violence related to skin color, religion, or clothing that affected their shopping and transportation decisions.

ECONOMIC DEVELOPMENT OPPORTUNITIES

Enhancement of the Penn Avenue Corridor provides opportunities to strengthen the economy of North Minneapolis in significant ways, as follows.

Economic development through transit connections and transit-oriented development

- Improved transit connectivity links neighborhood residents to additional job opportunities, strengthening household incomes and spending power.
- Improved transit connectivity provides people with reliable transportation at a lower, more predictable cost, reducing household expenses, and strengthening financial stability and spending power.
- Providing a broad range of goods and services needed and desired by residents conveniently on the corridor (e.g. grocery, medical, pharmacy, child care, and laundry) reduces auto dependence and related expenses.

Economic development related to construction and maintenance of BRT infrastructure

- Public sector procurement and hiring approaches that provide opportunity to neighborhood businesses and residents can strengthen business and personal incomes, build business and work experience of residents, and thereby increase local spending power.

Economic development through “living wage” jobs in the Penn corridor

- Employers in certain sectors such as health care, government, and manufacturing typically offer higher wages, full-time hours and benefits – providing greater financial stability to their workers. Larger sites such as NorthPoint and the Humboldt Industrial Area offer an opportunity to grow concentrations of these jobs in the corridor. These job centers could be expanded, and supportive strategies developed to link area residents with the employment opportunities.
- Capturing the spending power of these employers and their workers provides an opportunity for small businesses in the corridor.

Economic development based on assets, place-making and local, small business growth

- Each node offers unique assets for small business growth (e.g. individual or organizational champions, businesses and organizations, buildings and sites, traffic, etc.). There is an opportunity to build on the unique assets of each node with place-making, complementary business development/growth, support for developers, and support for new and existing businesses. Recirculating spending power through locally-owned businesses can build wealth in the community.
- Transforming Penn Avenue into a community asset can contribute to building stability in the surrounding area. This can help to reduce development risk and attract business and real estate investment.

ASSETS SUPPORTING ECONOMIC DEVELOPMENT

Access to Jobs

The C Line BRT will provide improved transit access to jobs. The proposed C Line BRT would connect at the Highway 55 (also known as Olson Memorial Highway) Station with the future Bottineau LRT, which will eventually run from Downtown Minneapolis out to Brooklyn Park through the northwest suburbs. BRT and LRT connections into and out of Downtown Minneapolis will also increase access to jobs along other major commuter routes including the Northstar Commuter Rail, the METRO Green Line and the METRO Blue Line. Table 9-1 shows a breakdown of the number of workers in the Penn Avenue corridor in addition to half-mile corridors along the Blue Line, Blue Line Extension, Green Line, and Green Line Extension LRT routes.

According to information provided by the Metropolitan Council, improved connectivity from BRT to LRT connections, including all-day, reverse commute bus service routes, would provide workers with access to 745,452 jobs. The average annual wage of jobs in these combined areas is \$61,249 or an average of \$29.44 per hour (assuming 2,080 hours/year).

The jobs data and map on a following pages was compiled by and provided to the consultant team by the Metropolitan Council.

Access to Jobs

Total # of Jobs - 745,452*

Jobs with Average Annual Wage Greater Than \$32,500 in key sectors - 264,333**

**within 1/2 mile of LRT Transit Routes and All Day, Reverse Commute Bus Routes*

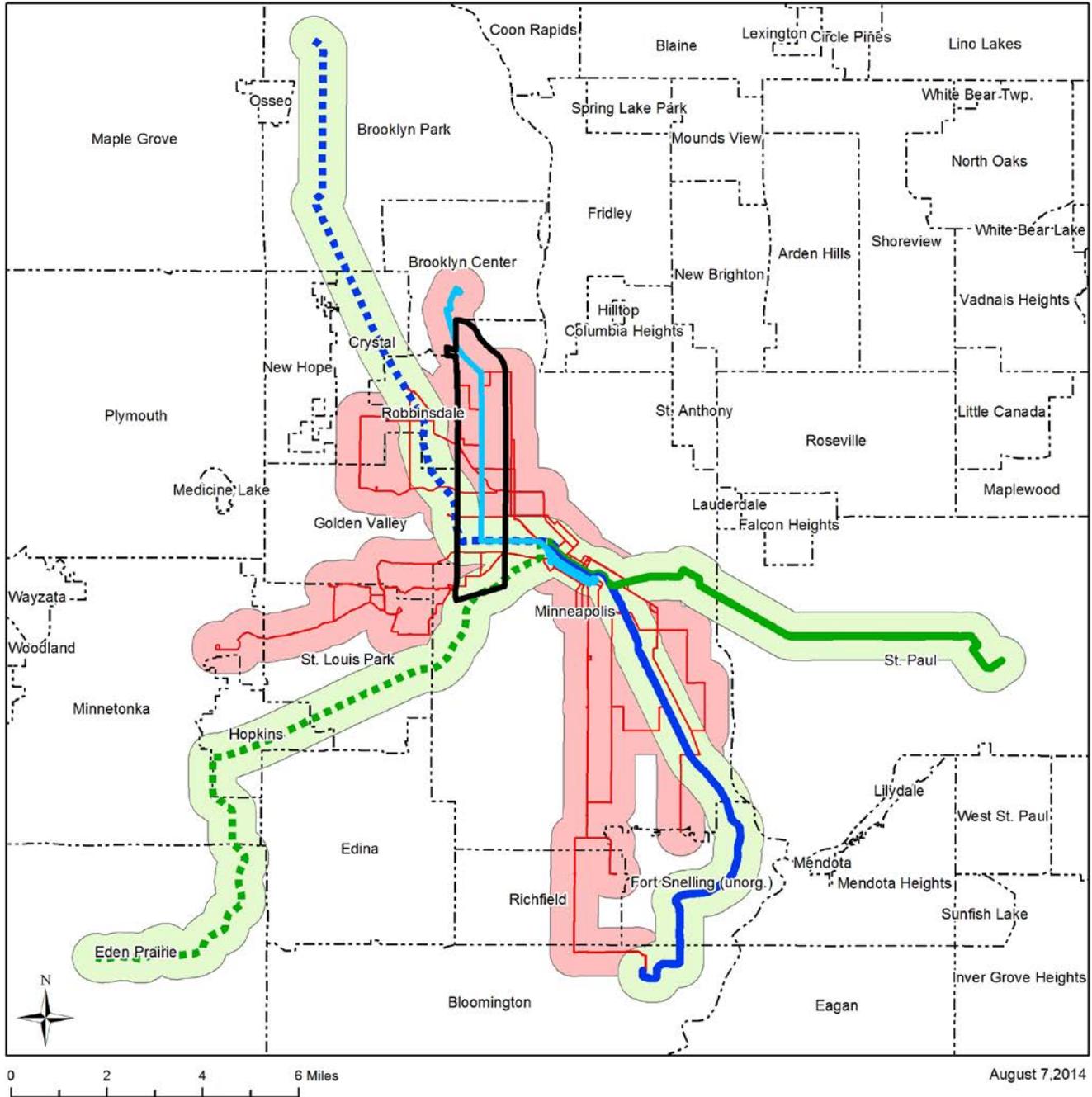
***administrative and support, construction, health care, manufacturing, public administration, transportation and warehousing sectors*

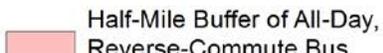
Sources: Metropolitan Council Research staff; Economic Development Services, Inc.

TABLE 9-1: JOB TOTALS BY INDUSTRY AND GEOGRAPHIC EXTENT

<i>Penn Ave Community Works Study Area and Half Mile Corridor along Blue Line, Blue Line Ext., Green Line, and Green Line Ext. LRT Routes</i>					
INDUSTRY TYPE	NAICS CODE	WORK SITES	TOTAL EMP	TOTAL QUARTERLY WAGES	AVG ANNUAL WAGE
Construction	23	511	10,891	199,333,810	73,208
Finance and Insurance	52	1,587	77,090	1,778,148,723	92,264
Public Admin	92	371	43,166	684,372,467	63,417
Health Care	62	1,416	80,925	1,001,359,671	49,496
Manufacturing	31-33	645	22,823	383,932,152	67,290
Transportation and Logistics	48-49	241	22,142	326,360,443	58,957
All Other*		13,970	397,396	6,553,323,587	65,963
Total		16,643	566,452	8,949,348,320	63,196
<i>Penn Ave Community Works Study Area, Half Mile Corridor along LRT Transit Routes and All-Day, Reverse Commute Bus Service Routes (All-Day, Reverse Commute Bus Service includes 4 lines running Monday-Friday from at least 4 AM to 1 AM)</i>					
INDUSTRY TYPE	NAICS CODE	WORK SITES	TOTAL EMP	TOTAL QUARTERLY WAGES	AVG ANNUAL WAGE
Construction	23	716	13,479	237,974,084	70,619
Finance and Insurance	52	1,842	83,152	1,897,948,765	91,301
Public Admin	92	385	44,260	701,016,619	63,354
Health Care	62	1,949	109,579	1,424,707,204	52,006
Manufacturing	31-33	783	27,971	475,585,662	68,010
Transportation and Logistics	48-49	292	23,794	344,459,525	57,908
All Other*		16,716	443,216	7,018,323,728	63,340
Total		20,125	648,820	9,964,092,738	61,429
<i>*The highest paying Industries in this group are Professional and Management.</i>					
<i>Source: Minnesota Department of Employment and Economic Development's Quarterly Census of Employment and Wages (QCEW), 2nd Quarter, 2012.</i>					

FIGURE 9-1: PROPOSED TRANSIT NETWORK



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|--|--|--|
|  Penn Avenue Corridor | Transit Route: |  City, Township & Unincorporated Boundary |
|  C Line Arterial BRT |  Blue Line |  Half-Mile Buffer of LRT Routes |
| |  Green Line |  Half-Mile Buffer of All-Day, Reverse-Commute Bus Service |
| |  Blue Line Extension | |
| |  Green Line Extension | |
| |  All-Day, Reverse-Commute Bus Service | |

Source: Metropolitan Council

Reduced Automobile Dependence

Reducing automobile dependence can increase personal wealth and spending power because of reduced costs of operating a vehicle daily to commute to work.

The American Public Transit Association estimates that the monthly transit savings (i.e. the amount saved by individuals who ride public transportation instead of driving to work) to the average transit user in Minneapolis is \$887 (April 2014 estimate). This estimate is based on the cost of owning and operating an automobile, the average cost of gas according to AAA (\$3.64 per gallon), and the average national cost of an unreserved parking stall. Because not all workers pay for parking, we have opted to use a more conservative approach that assumes no cost of parking.

Our estimate is based on the current IRS mileage rate of \$.56 per mile and an average 20-minute commute time for employed residents of the corridor. Based on mapping of average commute times reported to the US Census, the average commute distance can be estimated at 12 miles one-way or 24 miles round trip. This results in a monthly savings of \$196.67 and an annual savings of \$2,360. This figure assumes only the cost of transportation. It assumes that most households will continue to own a vehicle although they may use public transit for commuting.

If five percent of people who currently drive to work alone or in a carpool switched to transit, there would be an additional \$268,000 in spending power among residents within a half-mile of the Penn Ave corridor, based on the average monthly savings of \$197. Increased adoption of transit could further enhance the wealth and spending power of area residents.

Improved transit options benefits both residents who own and do not own a car. Seventeen percent of corridor residents do not own a vehicle (similar to Minneapolis as a whole at 18.5 percent). This means that the 83 percent of corridor residents who own a vehicle, could increase their spending power and/or save money by utilizing public transit. A portion of those who own a vehicle and switch to transit, may eventually decide they do not need a vehicle to commute or for personal use. Those who do not own a vehicle would benefit from increased access to jobs through more efficient public transit options.

FIGURE 9-2: 10 MILE RADIUS – INTERSECTION OF PENN AND BROADWAY. GREATER MSP ZOOMPROSPECTOR

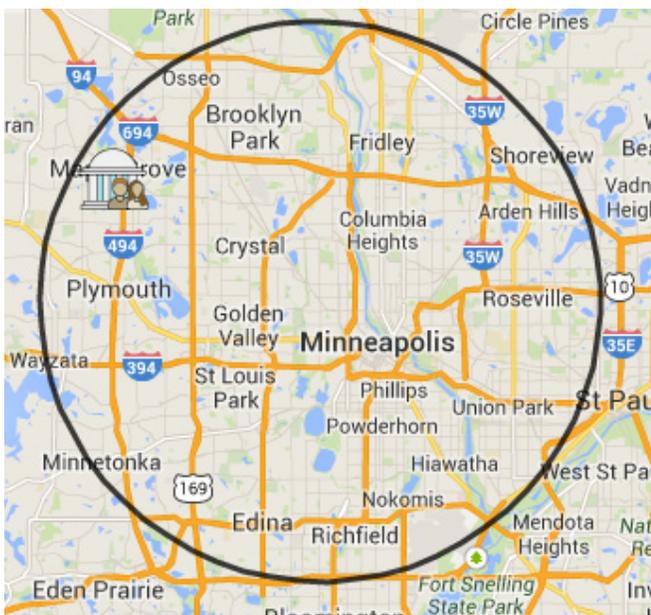
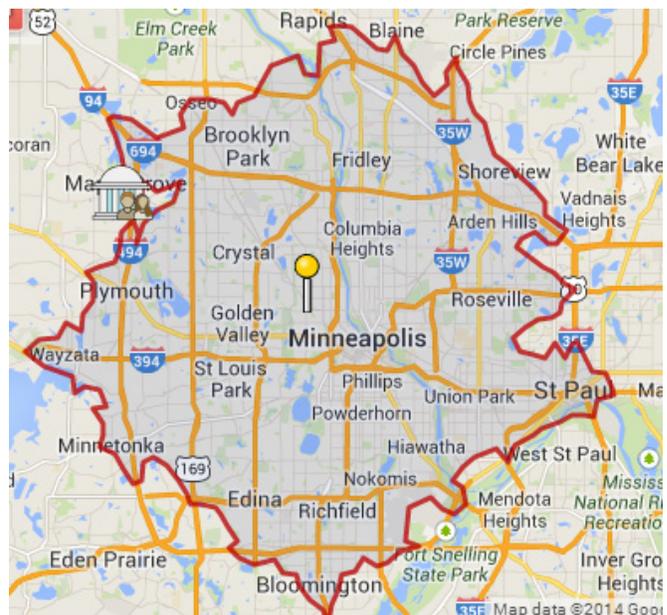


FIGURE 9-3: 20 MINUTE DRIVE TIME – INTERSECTION OF PENN AND BROADWAY. GREATER MSP ZOOMPROSPECTOR



Average Commute to Work Savings

Monthly - \$197

Annually - \$2,360

Based on the average 20-minute commute time of employed persons within 1/2 mile of Penn Avenue at the IRS mileage rate, less \$4/day transit expense. Savings will be greater if employee pays for parking.

Sources: Metropolitan Council and Economic Development Services, Inc.

Existing Businesses

There are nearly 2,200 businesses in North Minneapolis, employing a total of 14,548 people. These businesses have an average employment size of 8 workers. Industry sectors represented in this count include all of the major sectors such as construction, retail trade, manufacturing, food service, professional and technical services, education, health services, administrative support, and real estate. Represented in limited capacity are financial services and information jobs. Strategies that encourage local business development and expansion can benefit corridor residents and create additional spending power that can be put back into the local economy.

ECONOMIC DEVELOPMENT CHALLENGES

Capitalizing on these opportunities requires surmounting certain challenges, which will need to be addressed as strategies are formulated in future stages of this project. Some of these challenges are unique to the individual opportunity categories noted above. Others are more general and crosscutting.

Rent levels. With rent levels for existing commercial space commonly in the range of \$10 to \$12 per square foot, it is difficult to attract retail tenants that will pay the \$20 or more per square foot rents required to support new retail construction. A similar challenge exists for new rental housing where current rents are averaging about \$0.95 per square foot and product is dominated by single-family residences. Pricing for new market rate multi-family housing is averaging about \$1.90 to \$2.00 per square foot or higher.

Investment Risk: Developers and investors face a variety of risks in the corridor and in North Minneapolis overall. In addition to the uncertainties that any development faces in negotiating the City's regulatory review processes, Penn Avenue sites expose developers to risks associated with perceptions of crime and safety, as well as the scarcity of comparable developments in many development categories which would allow for an accurate estimate of rents and absorption rates and the ability to achieve a standard rate of return.

If there are higher development risks, then items that add to overall development costs reduce the pool of investors and may increase their need for support from the public sector and foundation community. This information was gathered through conversations with economic development organizations headquartered in north Minneapolis.

Public Financial Support. North Minneapolis is considered a high priority for public intervention. However, the public financial tools commonly used to support development and public realm improvements do not work well for some of the types of improvements and interventions that may be important for catalyzing change. In particular, there is a need to address certain types of financial gaps and provide short-term temporary support for mixed-use commercial and housing development or market rate housing. The use of tax increment financing may be limited because of regulations and restrictions. The use of eminent domain has also been significantly reduced due to litigation.

Parking: Market potential exists for additional health care services, and a large site is available that will allow for the expansion of NorthPoint. This provides an important opportunity to grow the concentration of living wage healthcare jobs, many which could be accessible to area residents. However, growth of NorthPoint will require an investment in structured parking. NorthPoint has outgrown its current clinic facilities and there is a need to increase business space and provide additional parking. Enhanced transit options such as the BRT and future potential connection to Bottineau LRT could reduce the number of parking stalls needed over the long-term.

Commercial activity at the Penn and West Broadway intersection is currently impacted by access to parking. Many employees, reluctant to park and walk from adjacent neighborhoods due to safety concerns, will park in the on-street spaces closest to

businesses – spaces that are needed to strengthen commercial activity. The lack of safe, readily accessible customer parking at this node is perceived as barrier to growth by some.

The tension between gentrification and the benefits of reducing concentrations of poverty: Concentrations of poverty limit human development and health in a variety of well-documented ways. Transforming an area to reduce the concentration of poverty without displacing residents is challenging. Insights and lessons from other communities that have addressed this challenge will be needed to inform development strategies.