

FOUNDATIONS FOR GROWTH

Shaping Duluth's Industrial Economy

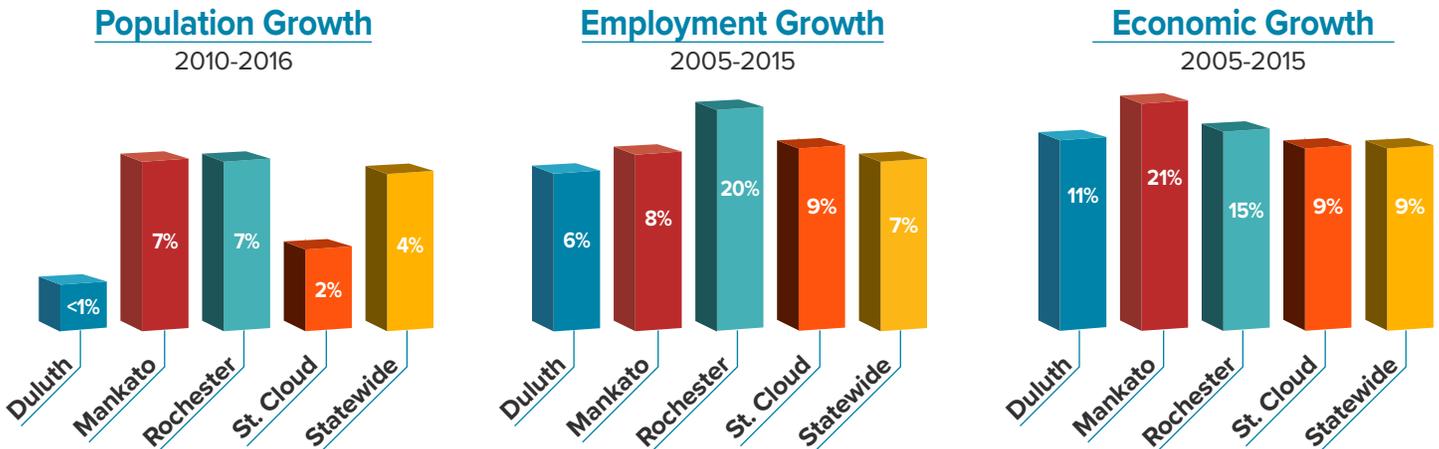
A study commissioned by

A STRONGER FUTURE FOR DULUTH

Begins With Creating Equitable Growth

THERE'S A REASON WHY hundreds of thousands of people have called Duluth home. Duluth is a unique city that has an attractive blend of industry, tourism, recreation and residential neighborhoods. From the outside, Duluth appears to be a city and a wilderness all rolled into one. But if you look a little closer, there's a lot that needs to change as we rebuild a solid foundation for Duluth's future. Fifteen percent of Duluth's population lives below the poverty line, and Duluth lags behind similar U.S. cities in terms of economic development and population growth. People come to Duluth because they love the area – the recreational opportunities, the environment, the lake and more – but they cannot stay without employment. Without good-paying jobs, Duluth's population cannot grow. A thriving industrial sector creates these needed jobs.

DULUTH vs PEER CITIES



A VISION FOR DULUTH'S FUTURE

ECONOMIC INEQUALITY IS A REALITY FOR THE CITY OF DULUTH. Many city residents live below the poverty line, and poverty is concentrated in neighborhoods like Lincoln Park and the Hillside. A stronger future for Duluth begins with creating equitable growth. Duluth has to do more than simply expand the number of jobs. Rather, the city needs more high-quality jobs that are accessible to the broader community. Creating industrial jobs must be part of the solution.

DULUTH'S INTEGRATED ECONOMY

Growth in industry supports the growth of other sectors in Duluth. If the industrial sector expands, these other sectors will grow as well. Collectively these sectors provide diversity with respect to career opportunities and tax base, while enhancing the quality of life for people in the community.

Supporting and growing the industrial sector in Duluth will require leadership from both the public and private sectors. Economic development strategies should recognize the importance of industry alongside other sectors of Duluth's economy.

There is concern among some stakeholders that growing the industrial sector would conflict with an environmentally responsible community. In fact, today's industrial sector has transformed in many respects – there is incredible focus on innovation and technology to appeal to the future workforce. Duluth's aggregate industrial sector includes both traditional and contemporary businesses (e.g. construction, manufacturing, transportation, publishing, telecommunications, data processing, aviation and breweries). These employers understand the importance of and adhere to today's stringent environmental and worker protection regulations.

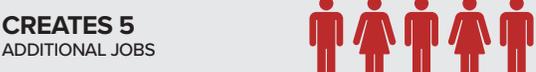
-  Professional, scientific and technical services
-  Wholesale trade
-  Healthcare and social assistance
-  Retail trade
-  Lodging and food services



PEOPLE COME TO DULUTH because they love the area – the recreational opportunities, the environment, the lake, and more – but they cannot stay without employment.

INDUSTRY SUPPORTS A STRONG DULUTH

Duluth’s industrial sector is often viewed as part of the past rather than the future – yet industry drives significant economic growth in the region. On a per job basis, the aggregate industrial sector generates a higher share of jobs and tax revenue than the rest of the economy. Further, industry supports accessible and quality jobs, offering high wages and benefits, which can create greater economic equality in the city. **While the rest of Duluth’s economy may be five-times larger, the industrial sector generates three-times more local tax revenue per job.**



IN
2016

DULUTH’S INDUSTRIAL SECTOR
provided, supported and contributed:

9,449
industrial jobs in Duluth

8,419
additional jobs in the county

\$3.8B
to Duluth’s economy

\$236.4M
in state and local taxes

Of the \$236.4M in taxes
\$107.3M
supported the Duluth economy

EQUITABLE JOBS IN INDUSTRY
offer accessibility to multiple education levels, high wages, competitive benefits and great opportunities for career advancement.





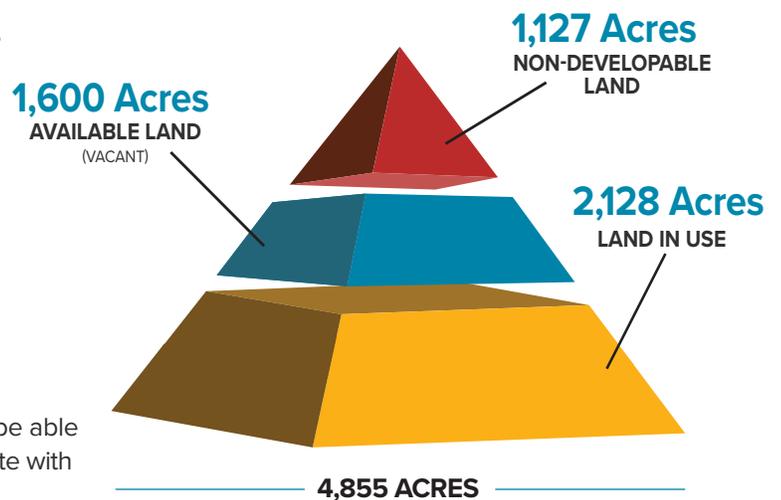
INDUSTRIAL GROWTH REQUIRES LAND

GROWING DULUTH'S INDUSTRIAL SECTOR will require significant land development or redevelopment. Duluth currently has 4,855 acres of industrial zoned land. These acres fall into three categories: land in use, land available for development and non-developable land.

The **1,600 acres of available land** face additional challenges to development, including:

- Inadequate infrastructure and access
- Environmental constraints
- Insufficient size or dispersed parcels
- Challenging location
- Complex or unclear land records
- Lack of incentive for current owners to move/sell

Without sufficient development-ready sites, Duluth will not be able to retain industrial businesses that are expanding or compete with other cities in attracting new companies to Duluth.





THE POWER OF JOB CLUSTERS

Job clusters are groups of closely related industries operating within a specific geography. Clusters often reflect the unique assets and core competencies of a region, creating competitive advantages for different business sectors. Emerging clusters also provide future opportunities for growth and a new competitive advantage for Duluth.

DULUTH'S 10 STRONG AND EMERGING COMPETITIVE INDUSTRIAL CLUSTERS

<u>STRONG INDUSTRIAL CLUSTERS</u>	<u>EMPLOYEES IN DULUTH 2015</u>	<u>EMPLOYMENT GROWTH 2011-15</u>
Local Utilities	839	+1%
Aviation	400-1,400*	+10%
Paper & Packaging	387	-5%
Water Transportation	382	-24%
Printing Services	162	<1%
End-User Chemical Products	89	-5%
Leather & Related Products	38	+181%

<u>EMERGING INDUSTRIAL CLUSTERS</u>	<u>EMPLOYEES IN DULUTH 2015</u>	<u>EMPLOYMENT GROWTH 2011-15</u>
Local Logistical Services	633	+11%
Transportation & Logistics	130	+13%
Synthetic Polymers	45	+41%

Industry continues to present a competitive advantage for both Duluth and the region and will drive future economic growth. The majority of jobs in these clusters are accessible – requiring less than a bachelor's degree to enter – and offer competitive wages. The industrial sector also supports the growth of other business sectors in Duluth, including healthcare, education and tourism. If the industrial sector expands, these other sectors will grow as well.

*The employee range is due to data discrepancies between various sources. Our primary analysis uses data from the U.S. Census Bureau, which draws from administrative records. For this particular cluster, the Census estimate (404 employees) appears to underestimate employment within the cluster. For example, in 2015, the Minnesota Department of Employment and Economic Development reported that Cirrus Aircraft employed 675 employees in Duluth (Minnesota Department of Employment and Economic Development, 2015). In 2014, the University of Minnesota Extension estimated that there were 1,400 jobs in the aviation industry in Duluth-Superior (University of Minnesota Extension, 2014).

CATALYSTS FOR GROWTH

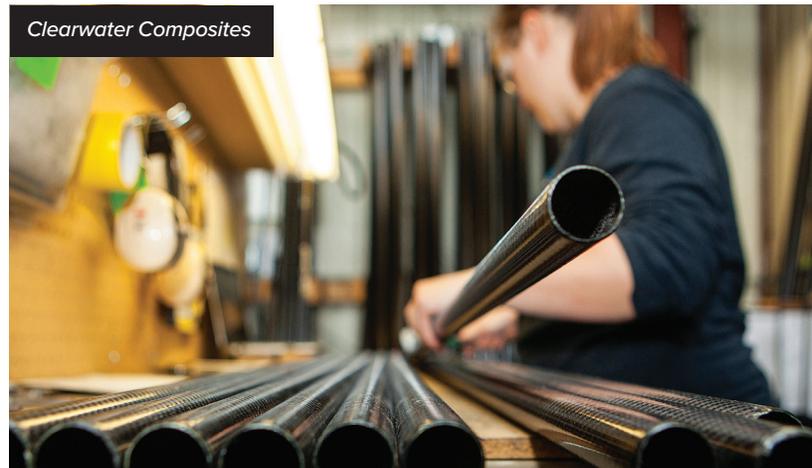
- 1 Prioritize Equitable Job Opportunities**

Supporting and growing the industrial sector in Duluth will require coordinated development strategies that recognize the importance of industry alongside other sectors of Duluth's economy.
- 2 Invest in High-Return Assets**

Duluth is fortunate to have many industrial assets. Targeted investment in high-return industrial assets will spur growth in both the industrial sector as well as Duluth's overall economy.
- 3 Accelerate Industrial Cluster Growth**

While clusters occur organically and reflect the unique assets and competitive advantages of a region, cluster growth can be accelerated, and the impact maximized through strategic interventions to address issues such as workforce development, support of entrepreneurs and zoning.
- 4 Support Business Through Policy**

Finally, there is a need to develop policies that create a more supportive business environment for industry. Duluth needs to be competitive to attract, retain and expand industrial companies. Local policies from land use to wastewater and utility rates can have a significant impact on the industrial sector.



The design and layout presented in this document was directed by the Duluth Seaway Port Authority using research and analysis conducted by the Initiative for a Competitive Inner City (ICIC) in 2018.

