

Tourism vs. Industry: a question of balance

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As the city moves closer to updating its long term community and business plan, dubbed “Imagine Duluth 2035,” representatives of the commercial transportation sector are monitoring the process to ensure industrial land isn’t repurposed for endeavors making less economic impact.

Waterfront conversions are not a new phenomenon. Following World War II, American harbor cities began looking for ways to replace military infrastructure, such as shipyards, with productive peacetime endeavors. Over the ensuing decades, tourism and housing became popular selections.

Duluth Seaway Port Authority staff and commissioners have raised concerns about such redevelopments, which typically are irreversible. Commissioner Chris Dahlberg has addressed them several times in the past.

“We have to be really cautious. These waterfront jobs pay very well. I used to work at Superwood. I knew people who supported families on those incomes,” he said in a December interview.

Similar concerns emerged earlier last year as city and Duluth Economic Development Authority (DEDA) officials began discussing how to best develop Lot D, which is separated from the newly developed Pier B Resort and Marina by a narrow slip of water. A request for proposals was published to redevelop the DEDA-owned parcel, former site of a Jeno’s pizza manufacturing and distribution plant. It is located adjacent to Compass Minerals, an industrial firm that processes salt for ice control, water treatment and agricultural uses.

But that waterfront site isn’t the only one at issue.

“There’s increased community activity in West Duluth. Because the nature of that activity is focused on recreational development, it’s important that we’re there to stress the importance of industry,” Deborah DeLuca, government and environmental affairs director for the Port Authority, told commissioners last July.

Port Authority Executive Director Vanta Coda agreed that people engaged in commercial transportation should monitor ongoing planning efforts. He urged commissioners to lobby the benefits of industrial development whenever they communicate with city officials. Sharing that message, he said, will ensure Duluth’s traditional industrial base remains strong, bolstering the region’s economy.

“Transportation and logistics jobs typically pay 10 percent above the median salary. They sit squarely within light manufacturing or manufacturing positions. Those jobs typically support five additional jobs,” Coda said when his board met July 28.

That’s important in a city having a 22.7 percent poverty rate compared with the much-lower national rate of 13.5 percent. Duluth’s per-capita income during the past 12 months was \$26,171, according to the U.S. Census Bureau. That compares with \$32,647 in Minneapolis.

The tourism factor

Fifty years ago, city fathers saw the need to diversify Duluth’s economy. Automated unloading systems, larger ships and changing commodities had downsized waterfront employment, when closures at U.S. Steel’s Duluth Works, Diamond Tool and Atlas Cement eliminated good-paying production jobs.

In a referendum, voters decided to broaden the economic base by drawing tourists to a harbor attraction. They authorized construction of the Arena-Auditorium complex in 1966. Built along the downtown waterfront, it became

the face of a new neighborhood. With slow but consistent growth, the Arena-Auditorium became the Duluth Entertainment and Convention Center (DECC), and adjacent Canal Park morphed from a gritty industrial district to a funky tourist magnet lined with new or remodeled hotels, restaurants and retail shops. Tourism subsequently expanded to the west, adding Bayfront Festival Park and Pier B to the package, and to the north, with revitalization of the Historic Arts and Theater District.

But how far should the pendulum swing? The Duluth Seaway Port Authority uses a key statistic in a presentation that addresses today's economic mix: The tourism sector employs 25.4 percent of the city's workers. Combined, however, those tourism jobs generate only 12 percent of total wages. Conversely, industrial jobs are responsible for 16.4 percent of local employment, but they pay 24.4 percent of total wages.

"God bless tourism because it's good for the economy, but a lot of the people filling the tourism jobs are college students and young people who are transitioning into the workforce. You can't necessarily support a family with those jobs," Dahlberg said.

Data from the Bureau of Labor Statistics support that contention. The median pay rate for people who prepare and serve food tops out nationwide at about \$23,500 per year. Those employed in retail or bartending jobs earn approximately \$30,700. That compares with \$38,800 for truck drivers and more than \$39,000 for production workers.

"We just need some balance," Coda said.

Three years ago, the St. Paul Port Authority brought a similar message to its own community in a presentation that stressed "Industry is a poverty buster." Like Duluth, 22 percent of St. Paul residents live at or below the poverty line. Approximately one-third of the city's land is zoned industrial. Findings of an economic study concluded:

- Jobs in port centers paid \$49,900 and other industrial jobs paid \$47,600. That compared with an average of \$43,000 for all jobs in St. Paul.
- For every \$1 of taxes collected, residential taxpayers consume \$1.08 to \$1.16 in city services.
- For every \$1 of taxes collected, industrial taxpayers consume 60 cents to 70 cents in city services.

Decisions pending

Currently, developers associated with at least four groups are formulating plans for economic, community and port development. In addition to the long range "Imagine Duluth" plan, the Western Port Area Neighborhood Plan, St. Louis River Corridor Trails Plan and Duluth-Superior Port Land Use Plan are being formulated by professionals and committees. With so many players in the mix – some familiar with the entities and others on a learning curve – it's important to ensure all are familiar with the economic implications, Coda said.

"So far, the city is firm on supporting Compass Minerals and Jeff Foster's warehouse as industrial waterfront properties," said Heather Rand, Duluth's director of business and economic development.

Uncertain, however, is the impact that trail development might have on existing industrial sites and rail corridors in West Duluth.

"We have a public planning process going on for this neighborhood, and different concepts are being talked about," said Duluth Business Resources Manager Heidi Timm-Bijold. Public input will drive the decision-making process, she added, and it would be inappropriate for her to suggest or predict an outcome.

"My fear is that there's a push to make it all green," Dahlberg cautioned, raising the old adage that if a camel gets its nose under the tent, its body will soon follow.

"I think if they put in another commercial development (at Lot D) such as a hotel complex, people will come up from the Twin Cities and say 'my BMW got dust on it from the salt plant,'" he said. "Then, the push will be to get rid of 'the dirty salt plant' and next it will be to get rid of industry entirely."

The Harbor Technical Advisory Committee approved an industrial waterfront plant last year that preserves ongoing transportation initiatives.

"It's not a secret that our group believes that harbor use should coincide with the navigation channel," said Ron Chicka, director of the Duluth-Superior Metropolitan Interstate Council (MIC), which is the area's designated metropolitan planning organization (MPO). But before the plan advances, it also must be approved by the MPO board. "The MIC hopes this plan ends up in the city's comprehensive planning process," Chicka added.

With new neighborhood and citywide plans also being developed, the outcome is difficult to predict, he said. And Dahlberg noted a young generation that is lobbying the virtues of healthy recreation and tourism has gained considerable influence in City Hall.

"Transportation brings a tremendous amount of wealth to the area," he said, noting that it supports thousands of jobs. To retain those positions, advocates must be at the table and voice their desire to support industry, Dahlberg stressed.