

**CITY OF SAINT PAUL**

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Date: January 19, 2012
To: Comprehensive Planning Committee
From: Industrial Zoning Study Staff (Patricia James, Penelope Simison, Allan Torstenson)
Subject: Industrial Zoning Study – Analysis and recommendations on additional topics and questions

Background.

The industrial zoning study covers four broad topics in response to policies in the *Saint Paul Comprehensive Plan*: revisions to the industrial use list, revisions to design standards for the IR district, code amendment governing residential uses in industrial districts, and minor text amendments. During discussion on preliminary draft recommendations, Committee members raised questions on additional topics, which this memo addresses.

1. Should the IR Light Industrial Restricted District and I1 Light Industrial District be combined into one light industrial district?Zoning Code intent language

The intent of the IR Light Industrial Restricted District is “to provide sites for commercial, office and light industrial uses that are compatible with any nearby parks, parkways, or residential uses.”

The intent of the I1 Light Industrial District is “to accommodate wholesale, warehouse, and industrial operations whose external physical effects are restricted to the area of the district and in no manner affect surrounding districts in a detrimental way. The I1 district is intended to permit, along with other specified uses, the manufacturing, compounding, processing, packaging, assembly, or treatment of finished or semifinished products from previously prepared material.”

Analysis

The IR district was changed in 2006 to address planning issues in the Phalen-Atlantic area on the city’s East Side pertaining to proximity of the industrial area to residential neighborhoods and Johnson Parkway. In 2011 parcels along University Avenue between Hampden and Transfer Road were rezoned to IR (from I1 and I2) as part of the Central Corridor Zoning Study to implement the *Central Corridor Development Strategy* and LRT Station Area Plans.

While the use lists and standards for uses permitted in the two districts are different in some key ways, the IR district provides greater protection to nearby parks and residential uses. Some I1

uses are not permitted in IR: public utility plant, public works maintenance facility, gun shop and shooting gallery, mortuary, outdoor commercial uses (including outdoor fireworks sales), adult entertainment, car wash, bus garage, taxi dispatching and maintenance, recycling collection center, indoor recycling processing center, rental storage facility, tire retreading. Other uses, such as auto body shop, auto convenience market, auto service station, auto specialty store, auto repair station, and outdoor auto sales and rental, that are permitted uses in the I1 district require a conditional use permit in the IR district, and have significant additional restrictions on them consistent with the intent of the IR district. There are also a number of parking placement standards, design standards, and park setback requirements that apply in the IR district and not in the I1 district.

Staff recommendation

- The IR and I1 districts should remain as separate industrial districts.
- Change “IR Light Industrial Restricted” to “*IT Transitional Industrial District*.”

Changing the name of the IR Light Industrial Restricted district to “*IT Transitional Industrial District*” would better describe the purpose and role of the district as one designed to relate in a more compatible way with nearby residential areas, pedestrian-oriented commercial and transit station areas, parks, and parkways. “*IT Transitional Industrial*” would also be better at distinguishing the district from the *I1 Light Industrial* and *I3 Restricted Industrial* districts.

- To be consistent and help avoid confusion, it is recommended that industrial districts no longer be numbered, as follows:
 1. Change “I1 Light Industrial” to “*IL Light Industrial District*.”
 2. Change “I2 General Industrial” to “*IG General Industrial District*.”

2. Should the I3 Restricted Industrial District be eliminated and incorporated into the proposed IG General Industrial District?

Zoning Code intent language

The intent of the I3 Restricted Industrial District is “to provide sites for uses which are or can be objectionable or hazardous unless surrounded by other types of industrial districts.”

The intent of the I2 General Industrial District is “primarily [for] manufacturing, assembling and fabrication activities, including large scale or specialized industrial operations whose external effects will be felt in surrounding districts. The I2 district is intended to permit the manufacturing, processing and compounding of semifinished products from raw material and prepared material. The processing of raw material in bulk form to be used in an industrial operation is a permitted use in the I2 district.”

The only two I3 sites left in the city are an 8 acre tank farm on James Ave. at Shepard Road and a 17 acre parcel on Red Rock Road south of Pigs Eye Lake.

Analysis

There are only four uses currently permitted solely in the I3 district. Two are listed as permitted uses in the I3 district:

Petroleum and gasoline tank farm

Rendering plants and tanning

The other two are listed as conditional uses in the I3 district:

Concrete, asphalt and rock crushing facility

Infectious waste incinerator

Of these, “rendering plants and tanning” is a specific use that no longer needs to be listed in the industrial use table. The Minneapolis zoning code does not specifically list *rendering plants*, and it was recently removed from the industrial use table in the Anoka zoning code. In the Minneapolis code, the production or processing of a number of things including tanned hides and leather is part of the description of “*general industrial use*.”

If the I3 district were to be incorporated into the *IG General Industrial District*, the other three uses that are currently unique to the I3 district could be conditional uses in the *IG General Industrial District*, with a distance requirement from non-industrial districts to meet the intent of the I3 district to provide an industrial district buffer between these uses and non-industrial districts. This would also involve amendments to Chapter 65 that would define and specify conditions. In the Minneapolis zoning code, “*concrete, asphalt and rock crushing facility*” is listed in the industrial use table as a conditional use in the *General Industrial district*, and processing of petroleum is part of the description of “*general industrial use*.”

Staff recommendation

- The I3 Restricted Industrial District should be eliminated and incorporated into the *IG General Industrial District*. Rezone existing I3 parcels *IG General Industrial*.
- Delete “*rendering plants and tanning*” from the industrial use table. List the other three uses that are currently unique to the I3 district as conditional uses in the *IG General Industrial District*, with appropriate distance requirements from non-industrial districts.

3. Should “non-industrial” commercial uses allowed in commercial zoning districts be permitted only as accessory uses or as a percentage of the primary “industrial” use in industrial districts?

Analysis

Industrial zoning districts have always been used for major employment areas where a wide range of commercial and industrial uses are allowed with less regulation. This is consistent with the North American Industrial Classification System (NAICS) which does not narrowly define industry, but rather covers all economic endeavors. This is especially important as the U.S. economy has shifted towards services and information technology and away from heavy manufacturing.

Staff used business data to determine the types and numbers of businesses found in Saint Paul's industrial districts (see attached). There are 1,706 businesses in all industrial districts. Of those, only 28 percent (473) are the kinds of businesses traditionally considered "industrial," such as construction, manufacturing, transportation, communication, utility and wholesale businesses. Sixty-three percent (1075) of them are retail, finance, insurance, real estate, and service businesses that are also permitted in non-industrial districts. This split is found in I2 as well as in I1. Only 27 percent (102) of the 383 businesses in I2 are the above kinds of businesses traditionally considered "industrial," while 61 percent (232) are retail, finance, insurance, real estate, and service businesses.

Many businesses that are not traditionally considered "industrial" are ones that employ the most people. As an example, in the West Midway industrial area, there are a total of 15,096 jobs in financial, educational, administrative and business services, information technology, and healthcare/social services. There are also 4,952 jobs in construction, manufacturing, production, printing, publishing, distribution and transportation, the kinds of businesses traditionally considered "industrial."

Making commercial uses that are allowed in commercial zoning districts, but not traditionally considered "industrial," permitted only as accessory uses and as a percentage of the primary "industrial" use in industrial districts would tend to discourage reinvestment in these businesses in industrial districts, make financing difficult for them. Such an approach would thus reduce employment and property values in industrial districts, counter to goals and policies in the *Comprehensive Plan*. A 2008 City economic development strategy (not part of the *Comprehensive Plan*) concentrates efforts on sectors with the greatest potential for job creation and those less likely to be outsourced. Sectors with the greatest potential for job creation tend to be limited production and processing, office, service and commercial uses that are permitted in T2-T4, B3 and B5 districts as well as in industrial districts.

Limiting "non-industrial" uses in industrial districts may also put downward pressure on investment in industrial development. To give investors flexibility, buildings for industrial employment are often designed to accommodate a broad range of production, processing, manufacturing, office, service, and related commercial uses. In response to market forces and changing needs, for example, space used for production may change to medical offices or laboratories later. Zoning needs to accommodate such use changes without a difficult, unpredictable, or time-consuming permitting process.

The industrial districts use list includes a number of commercial uses that may not be best located in commercial districts closer to residential neighborhoods. Other commercial uses, such as restaurants and retail, are in industrial districts because there is a market for them there and they serve the people who work in the area. At the November 17, 2011, panel discussion on the industrial zoning study, an industrial park developer said one of the things developers look for is a place with support services such as restaurants and banks.

The decision of a retail business to locate in an industrial area is somewhat self-limiting. Functionally, many chose the location primarily to serve the market in an industrial district. If a location is not easily accessible and visible to a broader retail market, a business that is dependent on a broader retail market would not locate there.

Staff recommendation

The industrial district use list should not be amended to designate “non-industrial” commercial uses as accessory to the principal industrial use or to limit the amount of land these uses can occupy.

4. Should the industrial districts use list be more restrictive (beyond the changes already proposed), permitting fewer uses or made simpler, with fewer uses listed?

Analysis

As noted in the analysis for question # 4 above, the industrial districts use list includes, in addition to the kinds of businesses traditionally considered “industrial,” a wide range of institutions, offices, retail, auto services, and other commercial businesses that are an important part of the city’s employment base that *Comprehensive Plan* policies are aimed at maintaining. Some are commercial uses that may not be best located in commercial districts closer to residential neighborhoods. Some provide services to other businesses and the people who work in industrial districts.

Further restrictions on congregate living facilities permitted in industrial districts is being looked at as part of the current comprehensive congregate living zoning study so that what is permitted in industrial districts is coordinated with what is permitted in other districts and there is adequate provision for needed congregate living facilities in the city.

Most industrial uses are covered by, and permitted under, the broad definitions of *limited production and processing*, *light manufacturing*, and *general industrial*. Specific uses on the use list have been added in response to proposals for a smaller and/or restricted version of a general industrial use in a more restrictive zoning district, and when a specific use has unique impact that needs to be addressed by standards and conditions unique to the specific use. Breweries are an example of this. They have always been permitted in the I2 General Industrial District. Then, smaller micro and regional breweries were added as permitted uses in I1 and IR districts. More recently, even smaller and more restrictive uses, *brew on premises store* and *malt liquor production*, have been permitted in T2-4 and B2-5 districts. Since the Zoning Code was rewritten in 1975, the following uses have been added to the industrial use list: brewery, micro, regional and national; rock crushing; hazardous waste processing facility; infectious waste incinerator and processing facility; recycling processing center, indoor and outdoor; solid waste compost facility and transfer station; tire retreading; and crematorium.

The economy, market forces, and factors that affect the potential for job creation in Saint Paul are too complex to narrow the industrial use list so that it is more restrictive. As the economy slowly recovers from the recession, and as it has shifted towards services and information technology, the types of industries and labor markets that will emerge eventually is unclear. Advances in technology, which are occurring at ever greater speeds, could foster the creation of types of businesses not yet contemplated. The city benefits from an industrial use list that permits a wide range of businesses.

Staff recommendation

The industrial use list should not be amended to make it more restrictive. Amendments to make the use list as simple as possible, with general use categories and fewer specific uses listed might

be considered in some specific situations. At the same time, listing specific uses as needed to provide reasonable regulation of uses with unique impacts, and to provide for more restrictive uses within a general use category in a more restrictive zoning district might be appropriate.

5. Should there be further study of where the IR district should be used?

Analysis

There is a need for additional industrial sites in the city. Industrial businesses are seeking to locate in the region's core cities, preferably near major highways and streets. As the economy recovers from the recession, existing businesses may want to expand and new businesses may want to locate in Saint Paul. Moreover, advances in technology, which are occurring at ever greater speeds, could foster the creation of types of businesses not yet contemplated. Many of these may fit on smaller sites in close proximity to residential neighborhoods, for which the IR district is intended.

Policy 1.51 in the Land Use chapter of the *Comprehensive Plan* is helpful in understanding if, and where, there is potentially available land for additional light industrial development. It states: "Prepare a study of commercial zoning districts citywide to determine the amount of commercial zoning best able to provide goods and services for residents, employment districts, and visitors in various areas of the city, as well as the amount of commercial zoning best able to be integral parts of the city's economy; recommend changes to the zoning districts based on the study."

When the policy was written, the concern was the numbers of commercial vacancies. Now, there is a desire to create additional sites for light industrial development. This has been recognized in two plans, the East Consolidated Small Area Plan (1993) and the Arcade Street Small Area Plan (2007). Both include policies that encourage land assembly of commercial parcels along Payne Avenue and Arcade Street, as well as enlarging sites that front on these streets by adding adjacent residential parcels so that they are sufficiently large to accommodate smaller businesses. These businesses could be light industrial manufacturing or processing. There are other streets with a similar configuration that could be studied for light industrial development.

This strategy requires that light industrial businesses be compatible with nearby residential neighborhoods. T2-4 and B3 districts provide for a broad range of retail, finance, insurance, real estate, administrative, business service, information technology, education, health care, social service, and limited production and processing uses compatible with nearby residential neighborhoods. Permitted limited production and processing uses in these districts include, but are not limited to, apparel, computers, electronic components, film and audio production, food and beverage products, jewelry, watches, clocks, musical instruments, novelty items, precision medical and optical goods, signs, toys, furniture, printing and publishing. The IR district standards are geared to allowing a somewhat broader range of light industrial businesses to operate while ensuring that they are compatible with nearby residential uses.

Staff recommendation

Study of potential sites for use in the IR district should be done as part of small area plans and district plans and related area-specific zoning studies involving property owners and residents in the area. When the Land Use Plan is next updated, it may be useful to consider a policy for use of IR zoning as part of small area plans, district plans, and related zoning studies.