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American Planning Association *Making Great Communities Happen*

Planning — February 2009

Blue Collar, Green Collar

Cities are learning the merits of saving their industrial land.

By Cecily Burt

Six years ago, California Cereal Products CEO Sterling Savely was shopping around for industrial property to expand his thriving dry cereal production business. He found the perfect location, the vacant five-acre Carnation plant just a few blocks from his own factory on the west side of Oakland, California.

But Savely didn't buy that property, or any other in Oakland for that matter. Rather, in the summer of 2006, he announced that the company was opening a second plant in the former Kellogg-Keebler factory in Macon, Georgia, where an economic development team wooed him with a choice of dedicated industrial zones, reasonably priced land, and plenty of economic incentives. Macon, not Oakland, would get more than 200 new blue-collar jobs.

What happened? As it turns out, the decision came back to the question of who owns vacant industrial land in Oakland. Savely made an offer, but the owner had other plans for the property and wouldn't sell.

Over the past seven years, real estate companies and speculators have snapped up numerous industrial parcels, regularly winning approval to convert properties to housing or other nonindustrial uses. The practice has doubled and tripled the cost for industrial land, putting it out of reach for manufacturers.

And although the housing market has stalled across the country, in West Oakland, where California Cereal Products still churns out several brands of organic cereal ingredients, speculators are content to sit on large deteriorating properties. The sight of empty warehouses and factories adds weight to arguments that blue-collar industries have gone the way of the dodo bird, so why not fill them up with brand new lofts?

Going, going, gone

Oakland is not alone. From New York to California, cities are struggling to redefine their industrial futures: Should they preserve land for blue-collar industries and light manufacturing and the jobs those companies provide? Or should they go along with political and market forces that claim there are higher and better uses for industrial land — namely, converting it to housing, offices, or retail?

More and more, city planners are leaning toward the former, even in the face of some immense opposition. They are learning the hard way that when industries go, so do the good jobs for people of all skill levels, and the healthy tax revenue that pays for city services. And once it's gone, it's gone forever.

"I think that everyone is realizing right now that really, everything starts with a job," Savely says. "People lose track of that until something happens. Nobody buys anything, a car or a house, if they don't have a job."

According to the National Association of Manufacturers, manufacturing jobs pay an average of 25 percent above what the rest of the workforce receives. In its 2007 annual Labor Day Report, the association reported that the average national wage for manufacturing jobs (including benefits) rose to $68,860, compared to $53,500 for all other types of jobs. At the same time, the employment sectors with the highest anticipated growth — retail, food services, and cashiers — typically pay less than $10 per hour.

Industrial businesses also bolster the local and regional economies by supporting and creating jobs in other business sectors such as finance, construction, transportation, and trade, according to the manufacturers association.

So what's a city to do? Many cities recognize that the smokestack factories of 30 and 40 years ago are being replaced by cleaner, greener manufacturing technologies that require fewer workers. And cities that want to retain and grow a solid economic base have to be ready with the land, infrastructure, economic incentives, and other tools to compete for those new modern businesses.

"Don't wait," says Adam Friedman, director of the New York Industrial Retention Network. "It's important to get these tools on the books so when these zoning change requests occur, the city can respond. It's important to look to the future and set aside space for jobs now."

Think ahead

Unlike Oakland, Los Angeles has already taken measures to preserve its manufacturing jobs, but that doesn't mean it has been immune to market pressures. By December 2006 the thirst for trendy new downtown lofts threatened to unravel a productive industrial district. That's when Gail Goldberg, AICP, the city's planning director, and Cecilia Estolano, CEO of the Community Redevelopment Agency, united to reinforce the intent of the city's general plan and zoning codes, says Jane Blumenfeld, principal planner in Goldberg's agency.

The move was not popular with elected officials, but it stuck, she says. "Preserving the zoning does not necessarily mean freezing in time what is on the ground today, but having the foresight to be sure land is available in the future for all types of jobs as the economy evolves," Blumenfeld says. "In particular, we want to be sure we are properly situated to solicit and accommodate clean technology industries."

Los Angeles is known more for its movie stars and laid-back beach culture, but it also has a thriving industrial base that has been able to reinvent itself to stay competitive, Blumenfeld says. More than 410,000 people — over a quarter of LA's workforce — are employed in light manufacturing, apparel, biomedical, logistics, and creative industries such as set design. The industrial sector contributes $219 million in annual tax revenues to the city, nearly 13 percent of general fund revenues, helping make Los Angeles County the largest center of manufacturing jobs, Blumenfeld says.

"We found that even with obsolete infrastructure, there was such demand that there were takers for the space everywhere," Blumenfeld explains. "All cities are vying for green tech and clean tech, incubators, start ups, R&D, and later (as those new products come to fruition), manufacturers, so there's always a use for those spaces."

According to a 2006 study by UCLA researchers commissioned by the redevelopment agency, zoning administrators had approved 46 out of 50 residential applications in the downtown industrial district during the previous five years, despite a policy that clearly spelled out the city's intent to preserve industrial land.

"The city council members were swayed by developers, but the cost of (allowing residential) was too high," Blumenfeld says. "We really need the jobs and revenue that comes from industrial jobs. The income from residential development is a net loss for the city because those new developments also need police, fire, schools, and other services, and the city has to build new sidewalks and traffic lights. That [eats up] our meager resources."

In the end, the city found that it didn't have to change its zoning or policies. "We just had to say 'no.' It was unbelievably controversial," Blumenfeld says.

Cold shoulder

In Oakland, political pressure helped to green-light construction of as many as 366 town houses and single-family houses on a 17-acre site in the middle of an industrial corridor near the Oakland International Airport. Until 2003 the land had been home to the Fleischmann's Yeast factory.

The city's economic development team had no chance to find a new business tenant before Pulte Homes bought the property. Council member Larry Reid saw the new development as a way to boost investment in the low-income area and revitalize neighborhoods in the shadow of former industrial factories.

With Reid's support the Arcadia project was approved in 2005, when Oakland was in the throes of its residential building boom. Today, new tree-lined streets bisect the middle of property and the first colorful two-story town houses line those streets. Earth movers grade the new lots for 135 single-family houses whose backyards will abut several industrial businesses. The view to the west, directly behind the town houses, is a towering stack of brick red and blue shipping containers.

"Fleischmann's was the absolute loser for us," says Margot Lederer-Prado, AICP, an Oakland city planner who specializes in industrial business retention and brownfield regulation.

The residential project that replaced Fleischmann's was one in a long string of conversion applications filtering through the planning commission that raised concern and sparked a major effort to reconcile Oakland's outdated zoning codes with its general plan. The business community hoped the outcome would clarify the city's stance regarding industrial preservation or housing, once and for all.

Debate over 17 historic industrial zones generated the most heat, as manufacturers pleaded for preservation and developers argued for change, especially in West Oakland and along the waterfront. When the Oakland city council finally voted in March 2008 to designate which zones would remain blue collar and which would transition to other uses, developers scored another victory.

The vote preserved a good chunk of Oakland's remaining industrial and manufacturing zones. But it changed the zoning to allow new residences in a gritty industrial area along the central waterfront, home to Hanson Aggregates, Gallagher & Burk construction, and White Brothers Lumber. Trucks line up at dawn to load up with cement and asphalt mix.

Richard Bourdon, president of Design Workshops, a custom woodworking and cabinet manufacturer located next to the new zone, relocated the company from San Francisco when lofts started springing up there and residents' complaints about noise, dust, and trucks multiplied. In Oakland he bought a building and put $2 million into it. The company employs about 100 people, all in union jobs. Now he's worried that his business will be pushed out again.

Savely says situations like that helped guide his decision to open a plant in Macon. "It's so totally different," he says. "You show up and the chamber gives you a map, and the map has all the industrial zones. People try to change them but they don't allow it. You don't worry about the next day somebody moving in next door and starting to complain."

Industry's welcome

If Macon has a welcome wagon, New York City is perfecting the team concept. The city is home to 7,000 manufacturing companies that employ 100,000 workers. The 1996 closure of the 100-year-old Farberware plant, a large unionized manufacturing company in the South Bronx, spurred labor and community groups to form the New York Industrial Retention Network, a nonprofit organization that receives funding from city, state, and private sources. The network determines which companies are at risk of closure and what policies put those companies at risk.

"We've worked with well over 2,200 companies since then," says the group's director, Adam Friedman. "There's a research component and advocacy component and direct services component; 200 to 400 companies get services, including help finding space and relocation assistance."

That type of assistance is crucial, especially in New York City, where certain manufacturing sectors tend to cluster together and depend on other nearby businesses for their expertise and services to create and market a finished product. Even the workforce is local, says Friedman. If one business or supplier is displaced, it can upset that balance.

New York Mayor Michael Bloomberg convened a task force in 2005 that developed strategies and policies to support the industrial sector. But even with that solid political support, it's an uphill battle to retain the businesses and the jobs, Friedman says.

More than 19 million square feet of industrial space have been rezoned for other uses over the past five years, and another 12 million is in the pipeline, Friedman says. In response to that trend, in April 2006 the city established 16 dedicated industrial manufacturing zones based on historical uses. The zones offer incentives to businesses that relocate to New York, such as tax credits equal to $1,000 per worker up to a maximum of $100,000, as well as other services and infrastructure improvements to aid parking and transit for industrial businesses within the zone.

The zones give companies peace of mind because they know they won't be forced out by residential encroachment, but in some areas other uses like hotels and retail stores have replaced former industrial space. "The next step is more enforcement and reinforcement to protect (the zones)," Friedman says.

In late November the San Francisco board of supervisors approved a blueprint to guide future development in four eastern neighborhoods, ending a 10-year conflict caused by the steady encroachment of pricey new lofts into industrial spaces and working class enclaves.

Residential uses will be allowed on about half of the 2,200 acres, but the rest will be preserved for industry, says John Rahaim, San Francisco's planning director. The action was the second step taken by the city last year to preserve its shrinking supply of industrial land. Because San Francisco's industrial zoning code allowed live-work spaces and offices, a new PDR (production, distribution, and repair) zone was created to prohibit those uses. An offshoot, the iPDR, was created to allow new cleaner, greener technology companies. Those could have some office space but no beds.

"(Live-work and pure office space) were driving up land costs and making it hard for businesses to survive," Rahaim says.

The board's action will release a two-year backlog of mostly residential projects that could see the construction of 7,500 to 10,000 new units, Rahaim says. Those units will be allowed in areas that had already given way to such conversions, and planners were careful to make sure industrial businesses were not displaced in the process.

"Where there are industrial uses in place we kept it zoned PDR," Rahaim says. "Some of it is very patchwork, but these are light industrial businesses where people have lived and worked side by side for years."

Taking a stand

Chicago has become a model for doing things right. It reacted early to preserve its historic industrial corridors by creating planned manufacturing districts. A Local Industrial Retention Initiative, a collection of 17 nonprofit organizations that serve as advocates for industry, keeps tabs on businesses and acts as a conduit for city services. Planners are also developing strategies to bring in new businesses and help them flourish.

However, the city is not immune to the challenges posed by changing technology and the loss of traditional manufacturing jobs. Finding a way to court both types of business is the key, says Nora Curry, director of industrial initiatives and policy for the city of Chicago.

"We're doing a lot to combat (the loss of businesses)," Curry says. "There will always be some manufacturing here and we want to be ready for it, help it grow. It's important; having a diverse economy will save you in tough times."

In Chicago, Oakland, and other cities, the challenge is finding money and incentives to modify older, obsolete factories to better meet the needs of newer, cleaner industries or smaller start-ups. Often the land can require environmental remediation, which can be very expensive.

"One of the nice things about the planned manufacturing districts is that they put pressure on the speculators who just buy the buildings and let them fall apart, saying nobody is interested so the zoning should be changed," Curry says. "But the district calls some of those guys out, and tells them it's time to invest or sell it. Sometimes it works and sometimes it doesn't. It's not a cure-all; it's a helpful tool."

At the other end of the spectrum is tiny Berkeley, California, whose west side industrial zones once combined with Oakland, Richmond, Alameda, and Hayward to create a powerhouse blue-belt zone on the eastern shores of San Francisco Bay.

Although Berkeley's economy is largely driven by its world-class university, city leaders have not forsaken industrial roots laid down more than a century ago with dozens of manufacturing companies. What remains today pales in comparison to New York and Los Angeles, but many Berkeley residents remain fiercely protective of the city's industrial land and progressive policies, which encourage jobs for workers of all skill levels.

The West Berkeley Plan defines and preserves two areas along the Eastshore Freeway for manufacturing and industrial uses — a total of 173 acres. The area is also home to several artists who until the recent housing boom could find cheap studio space there.

Since the plan was finalized, however, the tony Fourth Street shopping district has turned streets adjacent to Berkeley's historic manufacturing area into a shopping and dining destination. And longtime businesses have recently closed, such as the 100-year-old Flint Ink plant and the Macauley Foundry. An auto dealership has expressed interest in the Flint Ink site, and the owners of Peerless Lighting have introduced plans to create a residential mixed use development on their property there.

The loss of those blue-collar businesses and jobs, as well as pressure to expand residential and commercial uses in the area, recently prompted city leaders to undertake a revision of the West Berkeley Plan. The battle lines are already drawn, with the proposed revision generating concern that new lofts will force the artisans out, says planning director Dan Marks, AICP.

The revision could allow a greater diversity of uses, such as auto dealerships, while retaining the basic goal of encouraging industry that provides good jobs for blue-collar workers lacking a college education, Marks says.

"It's war, I tell you. Even the minor changes we're talking about are considered destruction of arts and jobs," Marks says. "It's being very carefully fought over right now. There's a great concern that we're converting to residential, but we're trying to preserve the vast majority of the zone. We're not looking at live-work as a solution."

Green team

What is the solution to creating new manufacturing jobs? Everyone, it seems, is looking to the green movement for answers. The mayors of Berkeley, Oakland, Richmond, and Emeryville, the chancellor of the University of California, Berkeley, and Lawrence Berkeley National Laboratory have formed the Green Technology Corridor Partnership to market the East Bay as a center for environmental innovation and green-collar jobs.

And as those in Oakland were loudly debating the merits of industry versus new market-rate housing, Mayor Ron Dellums was busy partnering with the Oakland Metropolitan Chamber of Commerce and industry leaders to identify five clusters for future growth, including international trade and logistics; green technology; health care and life sciences; and art, design, and digital media.

The nascent effort has also spawned a related green finance network whose 40 banks are trying to identify new green investment opportunities. And local colleges and nonprofit organizations have launched a variety of green job training programs.

Lederer-Prado thinks the things that made Oakland such a great location for manufacturing companies decades ago — its access to air, rail, sea, and freeways — will also attract newer, cleaner, greener industries. Oakland is already becoming a hub for artisan food producers, and the city has to be ready to help them find space. "We get phone calls all the time from artisan food producers, custom design and fabrication companies, furniture makers, scientific device manufacturers, high-end wholesalers," she says.

Landing those companies means cooperation from those who still hold the keys to Oakland's industrial property. During the real estate boom, costs for industrial spaces ballooned from $15 to $20 a square foot to the range of $40 to $45 a square foot. Semifreddi's wants to relocate its bakery production to West Oakland, but not at $65 a square foot, a price they were quoted recently, Lederer-Prado says.

Regrouping

In South Florida, the situation is somewhat different but just as complex. For decades, the citrus industry and tourism-related construction were enough to sustain the region's economy. Lands zoned for industrial uses languished as Palm Beach County did little to encourage or grow its manufacturing base, leaving those properties vulnerable to conversion, says David Thatcher, AICP, development services director for Lantana, a small city situated in the middle of the county.

Thatcher says the potential for future job growth vanished with each new condo development or shopping center built on open space previously zoned for industry. After too many frosts and too many hurricanes, a drop in tourism, and the loss of three large manufacturers — Pratt and Whitney, IBM, and Motorola, the latter's plant converted to shops, housing, and self-storage — planners resolved to find new types of jobs and more stable sources of revenue.

But it wasn't easy. The Intergovernmental Plan Amendment Review Committee, a consortium of planners from throughout the region, reported that since 2002, 36 applications for land-use conversions had been granted, involving 1,248 acres. Of those changes, 55 acres went to public use or community services, and 429 acres were reclassified for some other industrial use.

The cities of Palm Beach County had joined forces to land the Scripps Institute in the city of Jupiter, and they wanted to woo more research and development and high-technology companies but had no space left, says Ernest Swiger, AICP, a planning consultant brought on board to complete a more comprehensive study of the county's land-use policies. The situation there is being mirrored around the country, he says. "People wanted to expand, but couldn't even find an acre or two nearby," Swiger says.

The market pressures haven't completely subsided, but the nation's severe economic slump could give Palm Beach County and cities across the U.S. a little time to regroup and take action to rezone land and develop strategies to retain and grow new jobs, Swiger says.

"The current real estate market, with the downturn in residential, provides an opportunity to assess the situation, see what kind of job base and zoning you have, and find ways to preserve it," Swiger says. "There's some breathing space right now. Now is the time."

Cecily Burt is a journalist in the San Francisco Bay Area.

Resources

Images: Top — The Pacific Pipe plant, located in an industrial area of West Oakland, was snapped up by residential developers, but plans to build condos there have since fallen through. Bottom — New houses on the Fleischmann Yeast site in East Oakland are within spitting distance of stacks of shipping containers. Photo by Cecily Burt.