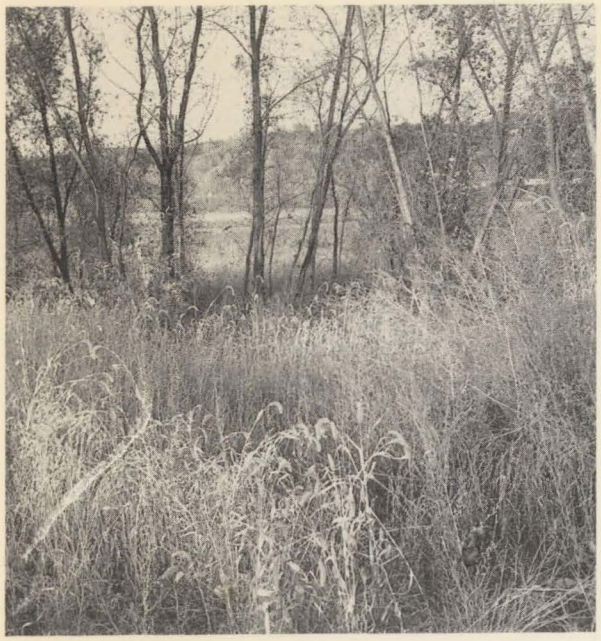

Vacant Lands in Minneapolis and St. Paul:

An Examination of the Urban Land Market in the Central City

by Barbara Lukermann, Judith A. Martin, and Sandra de Montille

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A publication of the Center for Urban and Regional Affairs, 330 Hubert H. Humphrey Center, 301 19th Avenue S., Minneapolis, Minnesota 55455.

1991

Publication No. CURA 91-10

Edited by Judith Weir.

Photos by Barbara Lukermann, Judith Martin, and Judith Weir.

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ACKNOWLEDGEMENTS

The authors wish to thank and acknowledge the financial support provided by the Center for Urban and Regional Affairs for this research. We would especially like to thank the following individuals: Dr. Michael Chisholm, Department of Geography, Cambridge University, who encouraged us to do the analysis in the first place; David Nelson, at the Minneapolis Planning Department, and Michael Blazer at the Ramsey County Assessor's Office, for their help in extracting the data sets; and Demin Xiong and Miriam Goldfein for creating the maps from the data sets. This has truly been a cooperative effort.

INTRODUCTION

This study inventories and examines the pattern of vacant land in Minneapolis and St. Paul. The decision to carry out this analysis stemmed from prior research of Michael Chisholm and others in the United Kingdom which documented substantial supplies of vacant and derelict properties in the inner cities of England and Wales (Chisholm and Kivell 1987). Their studies concluded that basic imperfections in the urban land market existed and they suggested strategies for the public sector to begin recycling these lands to increase land use efficiency. The present research attempts to answer two questions: whether the younger, but fully built central cities in the United States might be following in the footsteps of the nineteenth century industrial cities of Europe; and whether the public sector's role in promoting increased efficiency is in any way comparable to the British experience. There are certainly American cities that more closely mirror the land use experiences of some British cities than Minneapolis and St. Paul. We are using the Twin Cities here as case studies to comparatively analyze the functioning of an urban land market, and to examine the public and private sector roles in land use change.

THE ISSUES

Whether or not vacant land in the central city constitutes a threat or an opportunity depends on one's perspective. If the issue is efficiency, then fully serviced urban land lying vacant points to market imperfections, and to forces causing inefficiencies. A large inventory of such land may result from major dislocations in the economy, from blighting influences, or simply from the market responding to growth on the urban fringe where land values and amenities offer safer and cheaper investment opportunities. There is also the possibility that land in a city may be environmentally inappropriate for human occupation. Considered from another perspective, a slim inventory limits a city's ability to attract new industry or to adjust its residential stock to shifting demand. The vacant land inventory thus represents a resource which allows the central city to compete with suburban or urban fringe sites while trying to maintain the economic viability of the core.

Chisholm and Kivell, in their study, concluded that "something is seriously amiss" if the market does not reabsorb vacant or derelict land over a period of decades. They posit a problematic supply-side deficiency in the urban land market rather than a lack of demand. A supply-side problem might exist when property owners (both private and public) have little incentive to sell their vacant land, or when they offer it at an uncompetitive price. If owners holding vacant land do not incur costs, and if landowners do not have to pay for any of the adverse effects of land remaining vacant, then inefficiencies prevail.

Many of the policy directives offered to accelerate the recycling of vacant land in the inner cities of the United Kingdom are supply-side initiatives, designed to force sales and new investments. The most visible initiative was the 1980 introduction of a mandatory Land Register, which required local governments to consider using this land themselves, or to make it available for sale. It is not clear that similar situations exist in United States cities, or in the Twin Cities in particular. Few planners or land economists in the United States have seen the presence of vacant land as a serious land use issue for central cities. More concern is directed toward abandoned structures, and particularly toward the growing supplies of abandoned housing in inner city neighborhoods.

Our inquiries to central city planning agencies in the United States (for those cities with populations over 250,000) yielded meager

information. Many agencies simply do not have readily available inventories of vacant land, or they only have sporadic information collected as part of old comprehensive planning programs.*

The most frequent responses to our inquiries were comments about the lack of vacant space in the central city and a desire to have a much larger inventory for industrial development activities. Chicago was the only large city which had completed a recent study on vacant land (Department of Chicago City Planning 1987) and where vacant land was viewed as a problem. The issues here seemed to focus on the loss of tax revenues, perceived and real declines in neighborhood quality of life, and the burden of "junk" left on abandoned lots. It is instructive, though not indicative, that the Chicago report discussed many of the policy concerns described in the United Kingdom literature—significant increases in vacant land, extended durations of vacancy, concentrations of vacant residential land in lower income neighborhoods, and public ownership of the inventory. In this one city, at least, policy initiatives are being directed toward disposing of the public inventory.

It was against this general background of the United Kingdom and other United States cities that we proceeded to develop a detailed inventory and assessment of the Minneapolis and St. Paul vacant land supply.**

* Burchell and Listokin (Adaptive Reuse 1981) tallied "once-occupied vacant land" in 150 United States cities of differing population size and found that of the fifty-three cities located in the north-central region, the median number of acres was only 552. This is a relatively small residue from ambitious urban renewal programs of the immediate post-World War II era and of subsequent recycling efforts.

** Abandoned structures are not included in this analysis. The omission is due, in part, to the extreme volatility of the inventory. For example, in St. Paul, fifty-nine vacant buildings dropped from an inventory of 392 in just the first three months of 1990, and new ones were added. The inventory shifts from month to month, although a recurring pattern appears within the inner city neighborhoods. A second reason for the omission is that the focus of this study is on how the urban land market functions for unimproved land. It does not expand into the social welfare concerns raised by a growing level of abandonment of improved land in United States cities. See Greenberg, Popper, and West 1990, for a discussion of the incidence of and the public policy issues raised by abandonment and dereliction in the fourteen largest United States cities.

INVENTORY OF VACANT LANDS

A serious definitional problem surrounds the idea of "vacant" land. In this study, we are including land that was never developed as well as land that has been cleared and not yet re-absorbed into the market. The fine line here between "vacant" and "under-utilized" is almost impossible to draw accurately. For example, railroad companies own land that they do not consider vacant because it is sometimes used for storage or is viewed as necessary to protect other operations. Several high value sites in and around the central business districts which were cleared during 1950s and 1960s urban renewal programs are currently "used" as surface parking lots, but this is an interim use until the marketplace dictates an investment commensurate with the land's potential value. Undeveloped acreage acquired by public agencies for "future parks or open space" certainly appears vacant on the landscape, but is not available on the open market. Nonetheless, parcels such as these are included in the inventory.

Lands acquired by state, county, or city agencies for inclusion in their parks and open space plans are in the inventory, but can be extracted as sub-sets of the supply in the following analysis. About 195 acres of "unimproved" land without any buildings were excluded from the Minneapolis inventory when it was determined that these parcels were, in fact, part of a developed adjacent property, and under the same ownership. Railroad holdings and sites used for parking on an interim basis have been retained in the inventories.

Until this study, the basis for comparing vacant lands in Minneapolis and St. Paul was a 1984 Metropolitan Council data base tabulated from digitized aerial photographs (Table 1). According to this source, vacant acreage in St. Paul is three times greater than in Minneapolis although the cities are approximately the same size. Based on a time series of photographs, the Metropolitan Council estimated that vacant land in Minneapolis decreased by 325 acres between 1980 and 1984; the St. Paul inventory decreased by 207 acres over the same years. A 1987 tabulation from the Minneapolis Property Management

The Ritz Block in downtown Minneapolis was cleared in the 1960s for a new hotel and cleared again in 1990.

System (PMS) lists 643 acres; a 1980 estimate for St. Paul lists 4,307 acres (*St. Paul Today*, p. 122). This parcel-by-parcel inventory for Minneapolis, however, cannot be directly compared with the more generalized land use tabulation for St. Paul. It was clear, then, that a more precise data set had be used to make any direct comparison between the two cities, before proceeding to offer explanations for the acreage and characteristics of the vacant properties or before theorizing about why this supply exists.

Table 1. CLASSIFICATION OF VACANT LANDS, 1984

	Total City Area (acres)	Vacant (acres)	Vacant (as percent of total)
Minneapolis	37,319*	860	2.3
St. Paul	35,919	2,445	6.8

* 34,999 acres of land area and 2,320 acres in water bodies.
Source: Metropolitan Council, 1984.

CREATING THE NEW INVENTORY

The sources of information used for this study are the computerized PMS records for Minneapolis (September 1988) and the Ramsey County assessor's records for St. Paul (December 1988). In each case, vacant land was identified by extracting information on all parcels with no market value for improvements.*

A different definition of "vacant" and a far more detailed data base account for significant increases in the amount of vacant land identified in both Minneapolis and St. Paul. This inventory more than doubles the Metropolitan Council's inventory. The 1984 Minneapolis listing of 860 acres increases to 1,800 acres on the 1988 data base; the St. Paul inventory goes from 2,445 acres to 5,632 acres. The inclusion of "undeveloped park and recreation lands" and vacant railroad holdings in our inventory, plus the ability to pick up smaller parcels that could not be tallied from air photo analysis, are the primary reasons for the increase.**

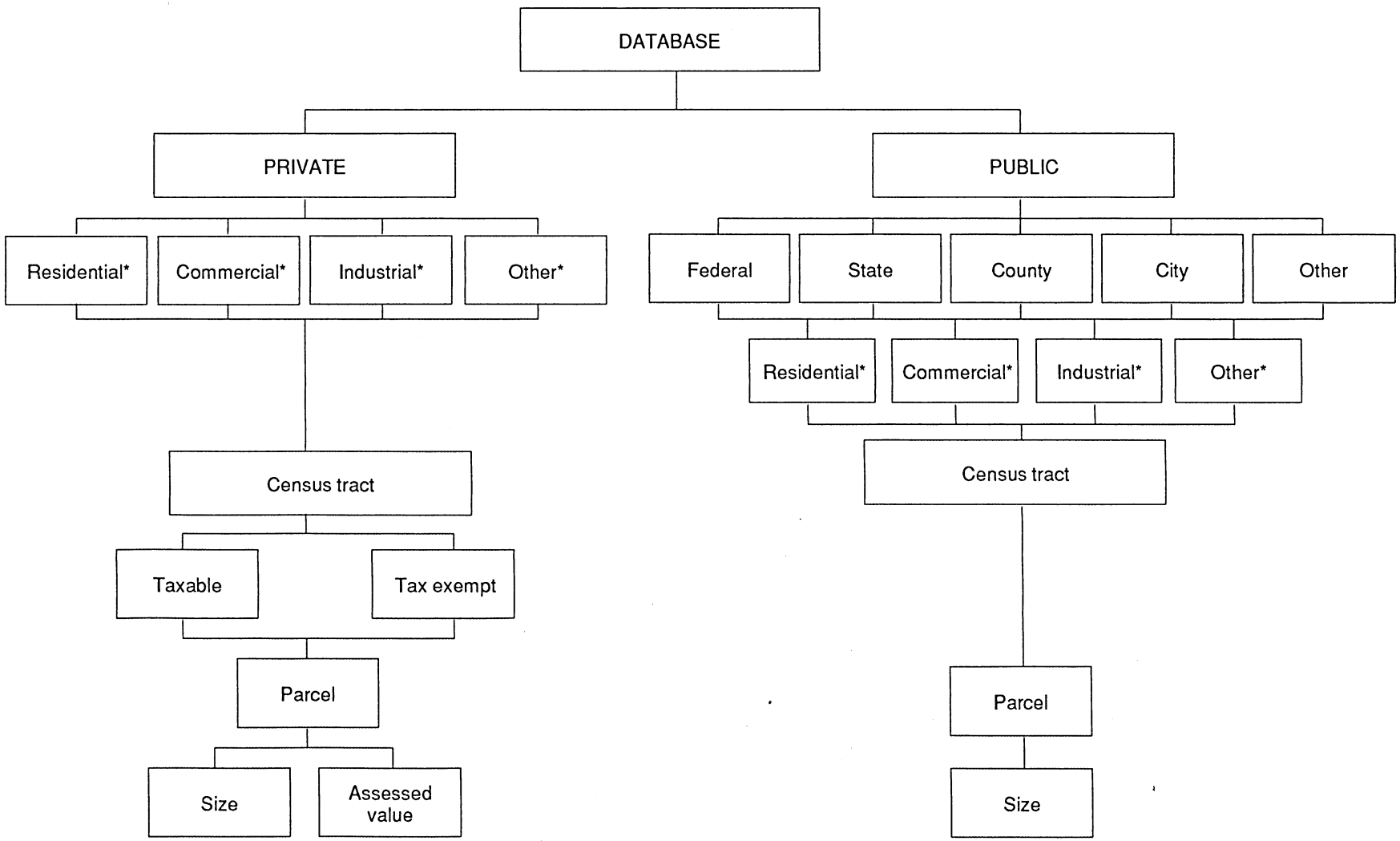
Although Minneapolis and St. Paul are "twins" geographically, their land use classification systems are not. Computer files for each city identify parcel location, public or private ownership, tax status, size, and value of parcels, but contain different use codes. Zoning classifications are available for Minneapolis, but can only be interpreted for St. Paul from various generalized use codes—which may or may not reflect the underlying zoning regulations. The level of detail in the use codes for all properties in the two cities varies widely, but the designated "uses" can be grouped into useful general categories.

Figure 1 displays the system used to disaggregate the inventory for analysis. A first level cut into privately-owned and publicly-owned land is followed by sub-tallies by several variables including zoning designation, census track location, tax status, square footage of parcel, and assessed land value. Publicly-held land is further broken down by the level of government agency holding the land. Detailed findings and conclusions for Minneapolis and St. Paul are discussed separately in the following sections. A base map identifying key physical features of the two cities is included in the Appendix as Map 22.

* The data bases include properties with an assessor's land value only. A parcel without a building value which is used as part of an adjacent parcel is excluded from the inventory. In Minneapolis this has been done by excluding unimproved land with a "use code" other than "vacant." In St. Paul, no use codes are available and it has not been possible to exclude such sites. Property which could be identified as a publicly-owned parcel designated for open space, parks, or playgrounds is kept in the inventory, but flagged in the analysis as not being part of the urban land market. Records did not identify vacant buildings, thus restricting the analysis to vacant parcels of land. Land parcels under 2,000 square feet, or having less than 25 feet of lot frontage, were dropped from the inventory as being undevelopable or developable only by incorporating them into adjacent lots. A total of 1,335 parcels in Minneapolis and 556 parcels in St. Paul are thus not included in the following tables. It must also be noted that lands which have never been platted are not included in the city data bases; this means that some public and railroad lands may have been missed in the following analyses.

** Almost all the city- and county-owned lands are undeveloped park and open space. The city continues to have legal title to 503 acres in the southeast quadrant, which is designated as part of the Ramsey County Park and Open Space System. Some 237 acres of county-owned property are also part of its park and open space system.

Figure 1. DISAGGREGATION OF THE DATA BASE FOR ANALYSIS



* These are zoning designations. The Minneapolis data base can also be disaggregated by "use-code."

THE MINNEAPOLIS INVENTORY

Just over 1,800 acres or 5.1 percent of the city's land area of 34,999 acres is included in the inventory. We have excluded 203 parcels without any building improvements, totaling 170 acres, because they were part of adjacent developed sites, such as an apartment building or commercial property. The inventory diminishes drastically when only properties that are potentially available for new private sector development are considered.

The Public Inventory

Public agencies control 73 percent of the vacant acreage (1,313 acres), most of which is owned by the federal government (447 acres at Fort Snelling) and by the City of Minneapolis (550 acres) (Table 2). Land holdings of the Minneapolis Community Development Agency (MCDA) (177 acres) are the only sizable parcels from the public sector inventory that might be "available" for new economic development. Land hoarding by local governments—which was seen as a critical issue in the British inner cities—is clearly not a factor for Minneapolis.

Table 2. LAND OWNED BY PUBLIC AGENCIES IN MINNEAPOLIS, 1988

Agency	Acreage
Federal government	448
State government	41
Hennepin County	19
City of Minneapolis	550
MCDA of Minneapolis	177
Minneapolis Schools	27
University of Minnesota	22
Other	29
Total acreage	1,313*

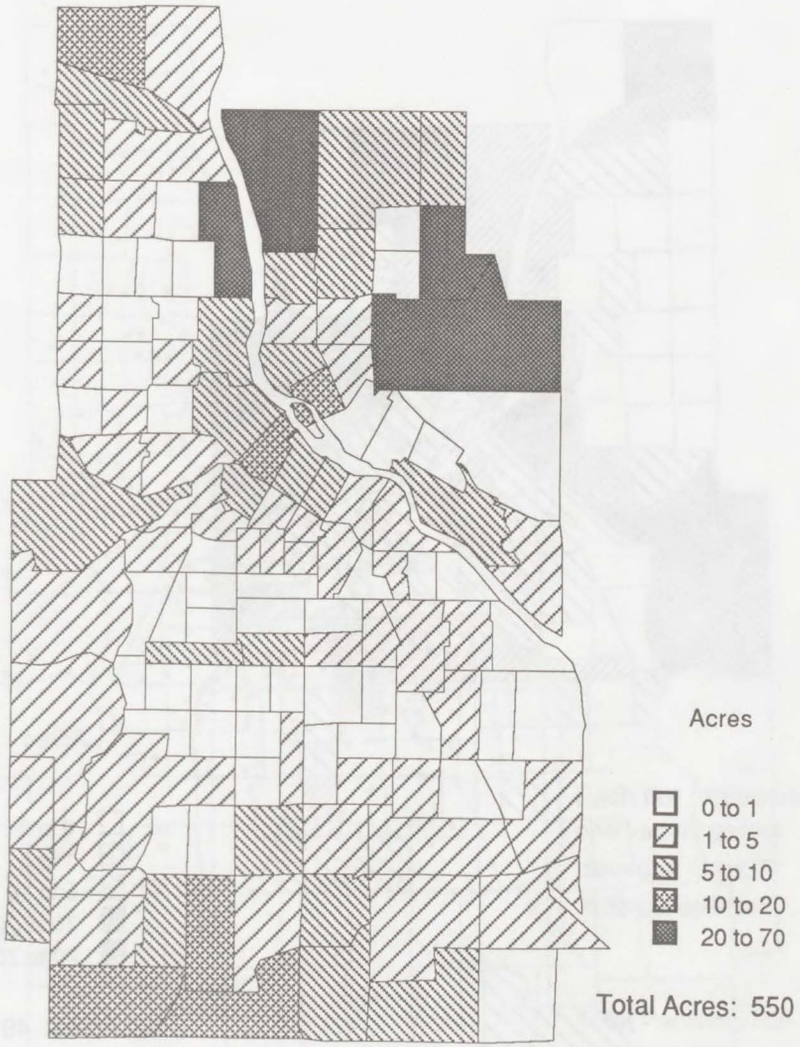
* Seventy-three percent of all vacant land.

Map 1 shows the distribution of city-owned vacant land by census tract. This part of the inventory comprises 461 taxable and 268 tax-exempt parcels (including vacated streets and alleys), with no one parcel larger than 7 acres. The largest city owned commercial/industrial site is a 7-acre tract on North 34th Avenue, and the largest "unused" parcel is a 6.7 acre site at 14th and Hoover Street in northeast Minneapolis. Some 287 acres, more than half of the city-owned land, are vacant streets and alleys. City-owned commercial/industrial land totals 57 acres; generally unused property accounts for a further 34 acres, and approximately 10 acres each fall into parking and tracks/storage categories. The 26 acres identified as "taxable and city owned" are mainly small vacant commercial or industrial sites and multiple small unused parcels; 12 acres are used for parking or storage. Maps 2 and 3 locate tracts in which the Minneapolis Community Development Agency and Hennepin County hold vacant land.

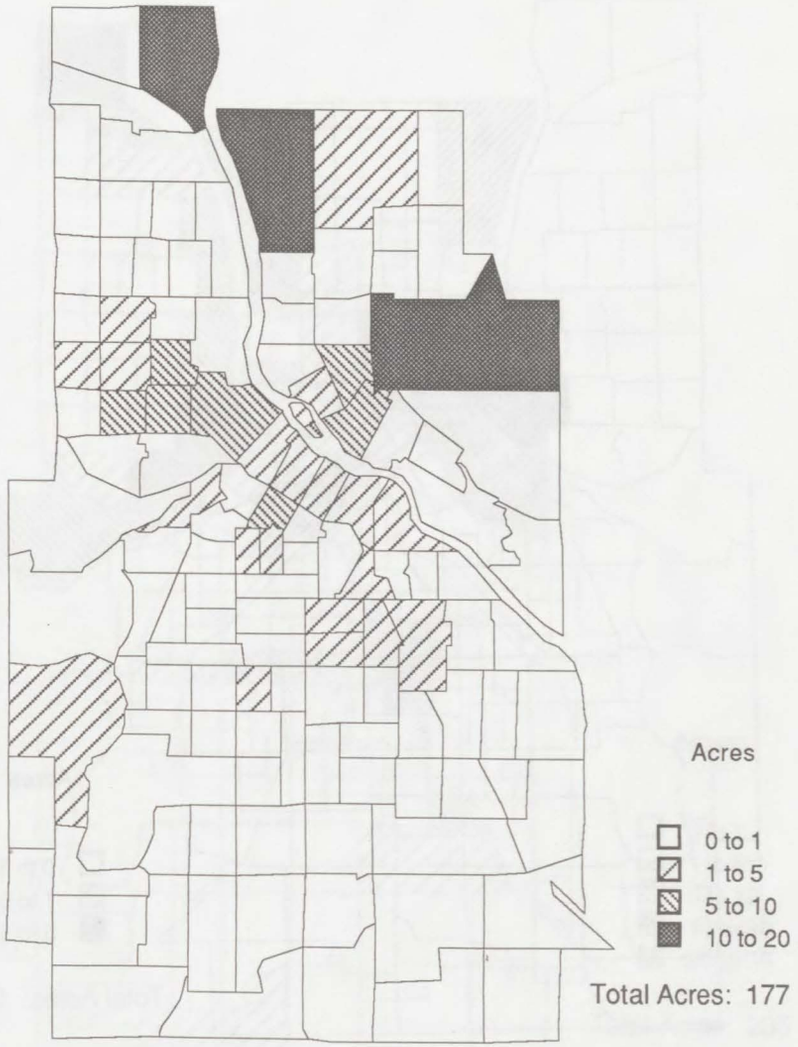
The Private Inventory

Twenty-seven percent of the total vacant land in Minneapolis, comprising 491 acres, is held by the private sector (see Map 4). Map 5 describes the distribution of these parcels by census tract, demonstrating a very scattered pattern, though it must be noted that the dots are randomly allocated within census tracts and do not represent actual sites. Nonetheless, vacant land parcels that are privately-owned are generally very small sites. A profile of these lands (Table 3) describes some of the key characteristics of the properties. Maps 6-8 show the distribution of private vacant land by various zoning and ownership categories.

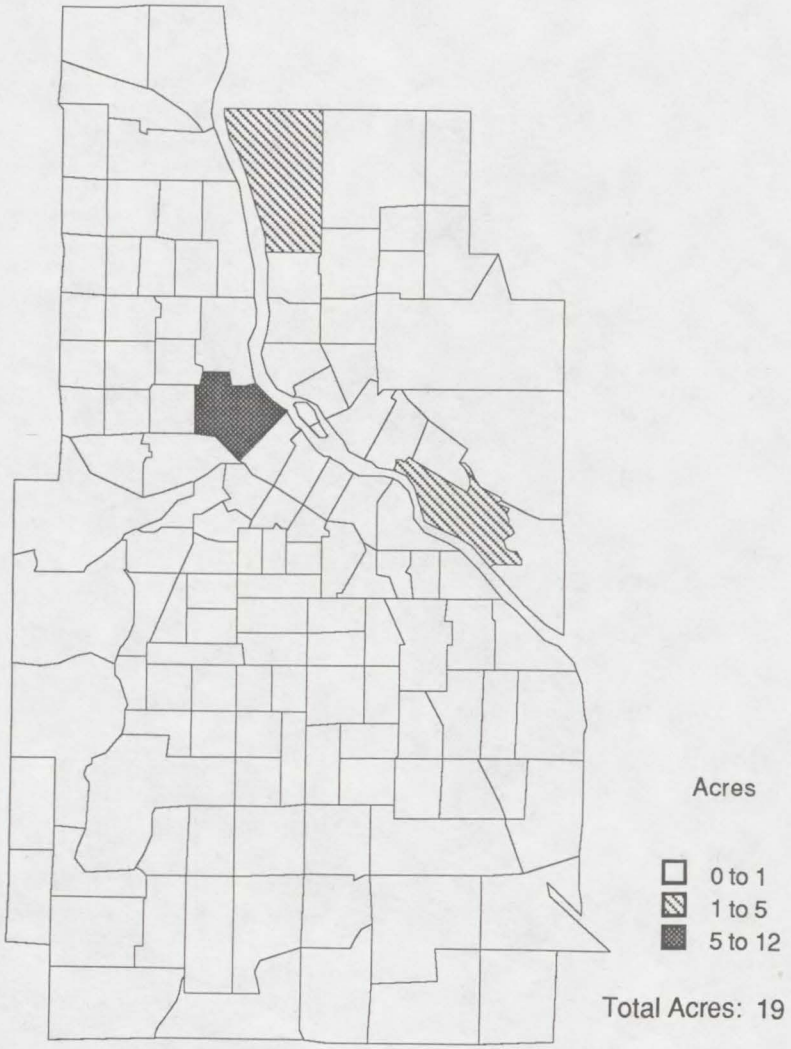
Map 1. VACANT LAND OWNED BY THE CITY OF MINNEAPOLIS, 1988



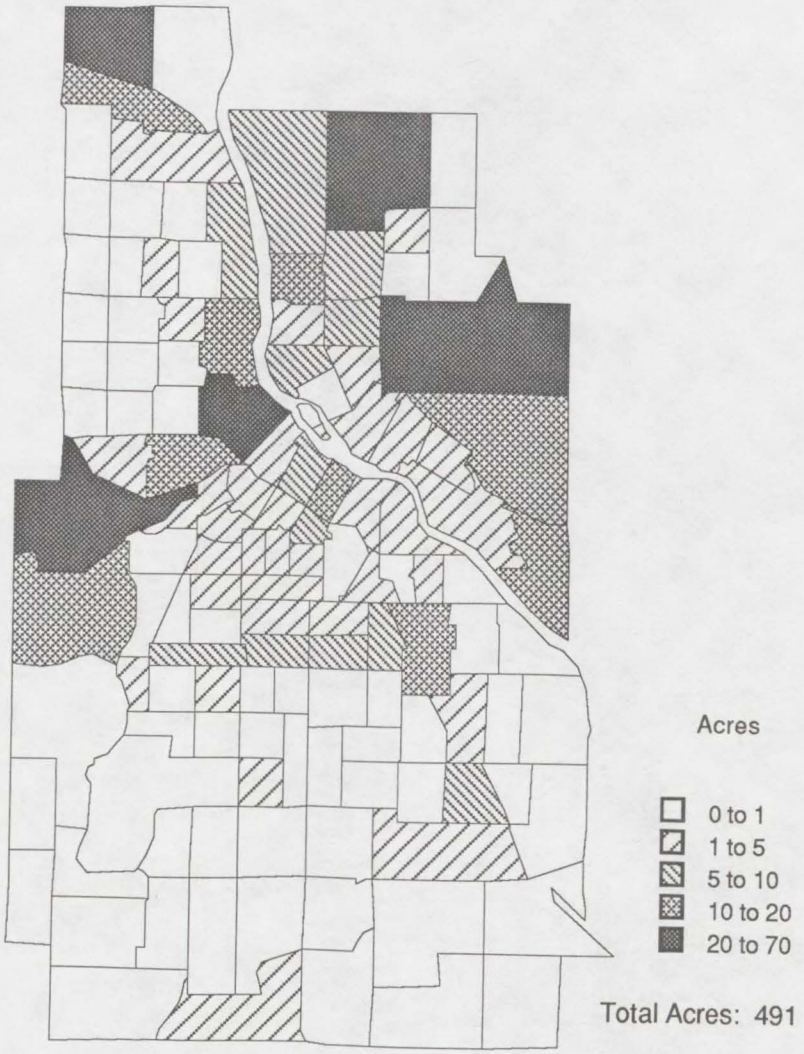
Map 2. VACANT LAND OWNED BY THE MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY, 1988



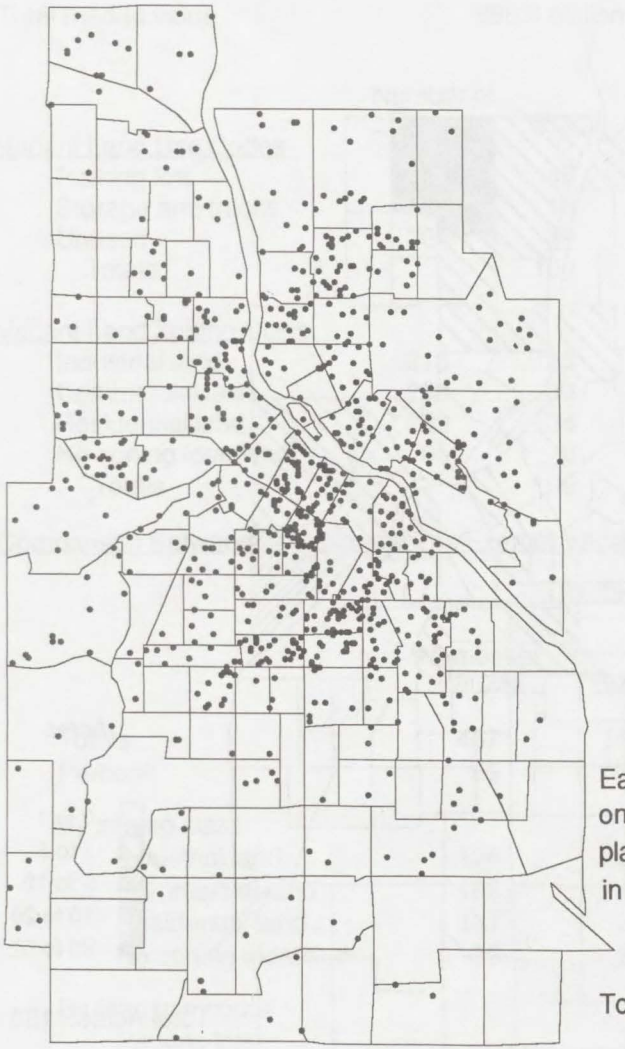
Map 3. VACANT LAND OWNED BY HENNEPIN COUNTY, 1988



Map 4. VACANT LAND OWNED BY THE PRIVATE SECTOR, MINNEAPOLIS 1988



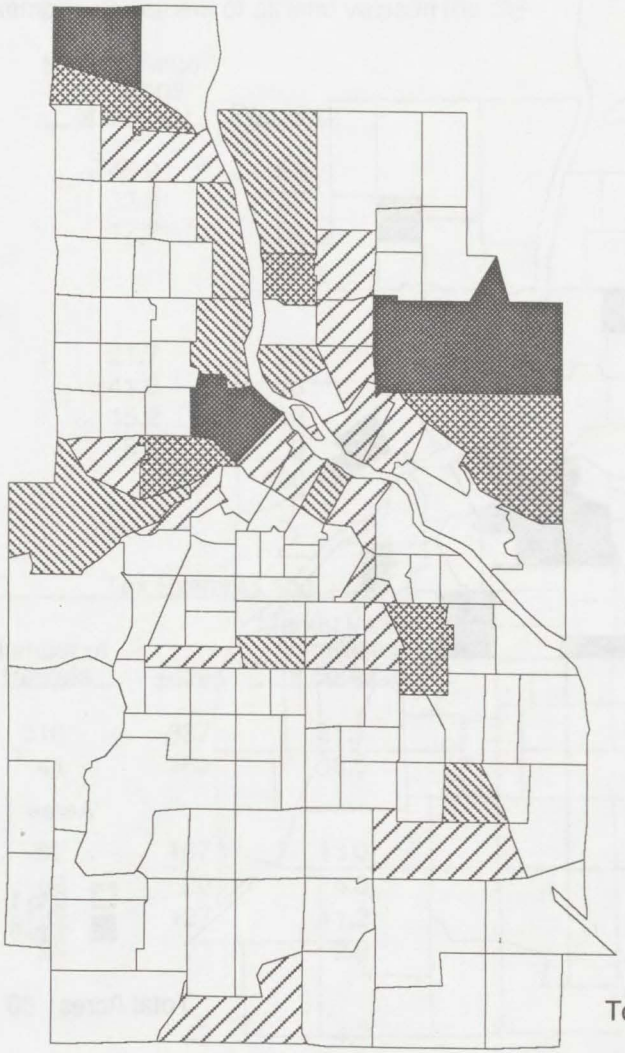
Map 5. PRIVATELY-OWNED VACANT LAND PARCELS, MINNEAPOLIS 1988



Each dot represents one vacant parcel placed at random in its census tract

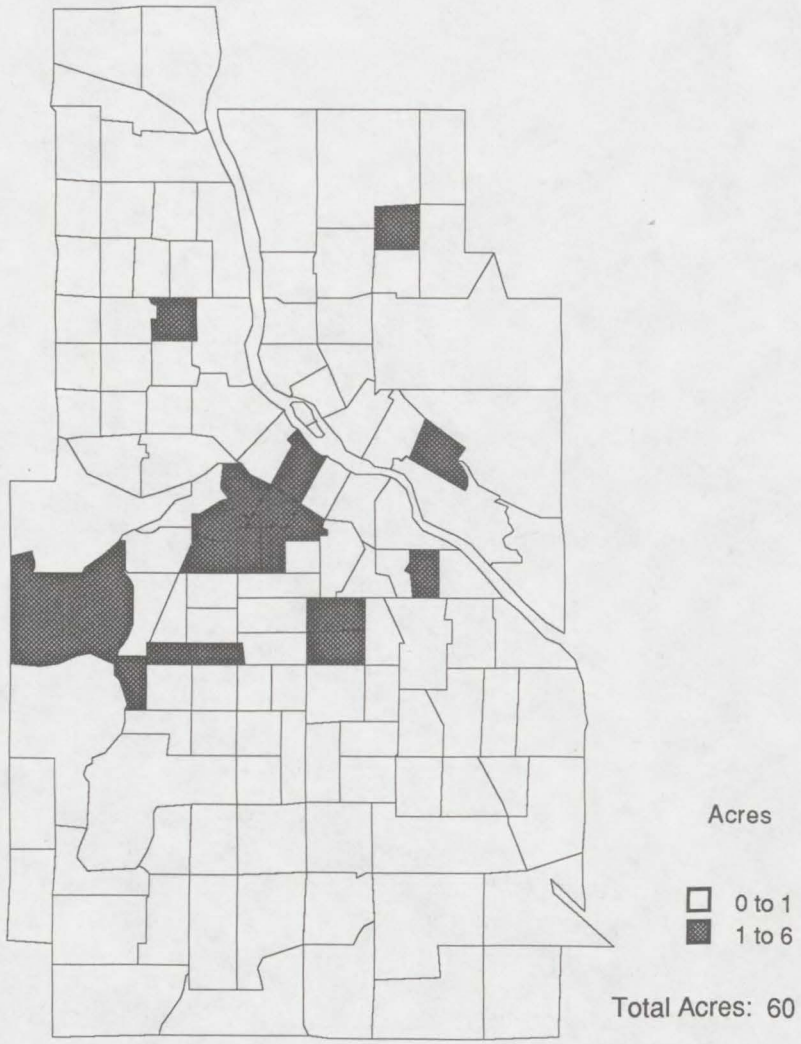
Total Parcels: 785

Map 6. PRIVATE INDUSTRIAL VACANT LAND, MINNEAPOLIS 1988



Total Acres: 235

Map 7. PRIVATE COMMERCIAL VACANT LAND, MINNEAPOLIS 1988



Map 8. PRIVATE RESIDENTIAL VACANT LAND, MINNEAPOLIS 1988

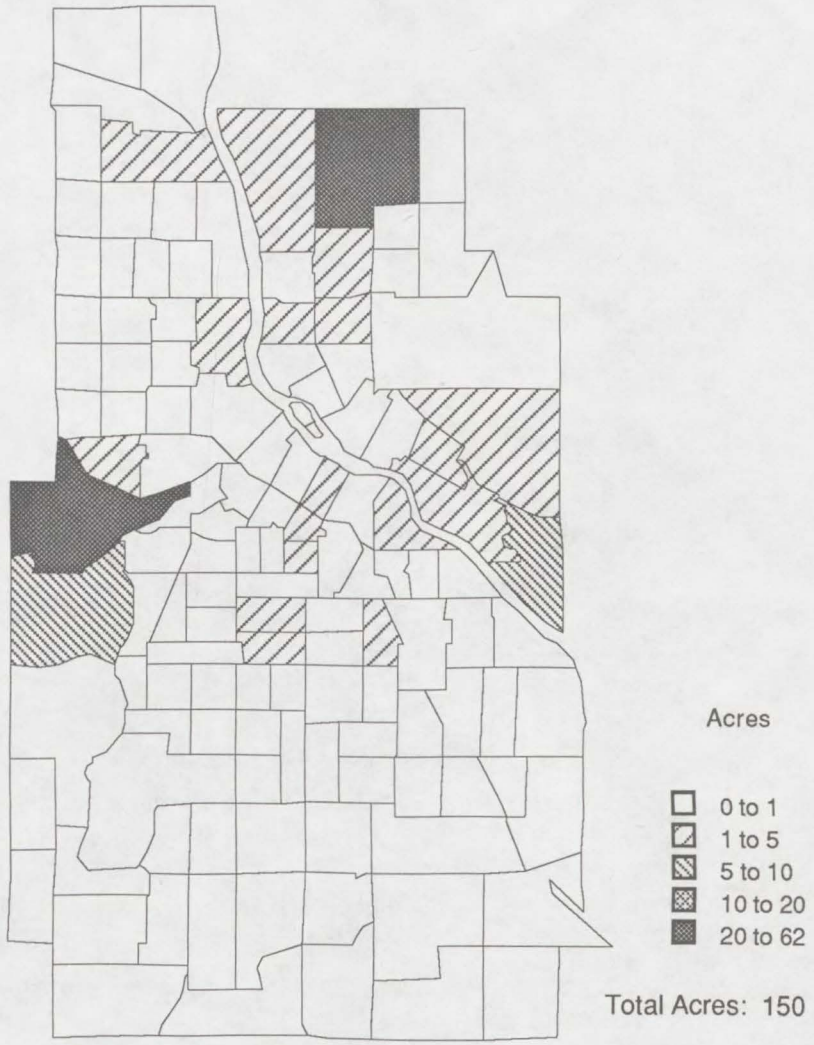


Table 3. PROFILE OF PRIVATELY-OWNED VACANT LAND IN MINNEAPOLIS, 1988

Total acreage	491
Total number of parcels	785
Total market value	$86.9 million (with $31.1 million tax exempt) = 2 percent of all land value in the city

	Number of Parcels	Percent	Acres	Percent	Market Value (in millions of dollars)	Percent
Vacant Land Use Codes						
Parking lots	351	45	117	24	45.9	53
Storage and tracks	130	16	266	54	23.8	27
Unused	304	39	108	22	17.2	20
Totals		100		100		100
Vacant Land Zoning Class						
Industrial land	218	28	235	48	21.7	25
Commercial land	233	30	60	12	41.8	48
Residential land	269	34	150	30	15.2	18
No zoning identified	65	8	46	10	8.2	9
Totals		100		100		100

Comparison Between Taxable and Tax Exempt Vacant Land

	Taxable Land			Tax Exempt Land		
	Number of Parcels	Acres	Market Value (in millions of dollars)	Number of Parcels	Acres	Market Value (in millions of dollars)
Totals	467	154	55.8	318	337	31.1
Percent	59	31	64.0	41	69	36.0
By zoning class						
Industrial land	126	68	8.7	92	167	13.0
Commercial land	165	40	37.8	68	20	4.0
Residential land	137	23	4.0	132	127	11.2
No zoning identified	39	23	5.3	26	23	2.9
By land use codes						
Parking lots		74	41.2		43	4.7
Storage and tracks		17	1.4		250	22.4
Miscellaneous		63	13.2		44	4.0

Within the private sector portion of the inventory the following characteristics obtain:

- A significant part of the inventory is concentrated in the northern half of the city. Typically, census tracts with more than twenty vacant acres are tracts with industrial and railroad land, except for the near northside. (See Map 6 for a detailed distribution of this acreage—which highlights the old industrial corridors along the Mississippi River, plus the extensive industrial areas in the northeast.) The patterns of rail lines through the city are also evident in the map patterns. The Lake Street corridor, the near northside, and the industrial district in northeast Minneapolis stand out as the primary locations for vacant property. Many sections of the inner city neighborhoods around the downtown have fewer than five acres of vacant land in a tract. There is certainly no "wasteland" of undeveloped land in these inner neighborhoods.

Vacant rail land remains in the defunct riverfront milling district of Minneapolis. The view here is from South 2nd Street.

- Almost half of the inventory is zoned industrial (48 percent), while 31 percent is zoned residential. Commercially zoned land comprises only 12 percent of the total, primarily concentrated in parts of the downtown and in the Lake Street corridor. Only one tract has more than 10 acres in this classification and the total inventory is only 60 acres (see Map 7). But this small proportion constitutes a valuable resource: vacant commercial property accounts for almost half of the total land value (48 percent), with vacant commercial parcels that are also taxable having a total value of almost $38 million. The bulk of this, $33 million, is represented by parcels currently used for surface parking. In contrast, industrial land constitutes only a quarter of the value of the vacant land inventory. Measured another way, the city assessor estimates the value of vacant industrial and residential land at approximately $2 per square foot, compared to $16 per square foot for commercial properties.
- Almost three-quarters of the industrial land is tax-exempt and held primarily by railroads. The tax exempt industrial acreage would have encompassed a much larger share of the total, but for a recent residential rezoning of just over a hundred acres of former rail yards in north Minneapolis. Land currently used for parking lots or identified as storage yards and trackage (primarily railroad property) together account for approximately 80 percent of the total private inventory value and acreage. But there are clear differences between these two uses. "Temporary" parking lots have over half the market value of all privately-held vacant land. Sixty-three percent of them are taxable. Storage yards and tracks comprise over half of the acreage (54 percent), but over 90 percent is tax exempt.
- More than half the sites are less than two-tenths of an acre, so the type and scale of future use for these sites is quite limited. The availability of vacant private land for development appears to be miniscule. For the 266 acres owned by

Vacant rail land on North 2nd Street is being marketed.

the railroads, the distinction between "vacant" and "available" for development is very blurred. Some of their land holdings along the riverfront are indeed being prepared for development, but much of the rail property may not be available in the near future. Considered by use code alone, the numbers are quite small. If we extract railroad-held land, which owners often decline to classify as vacant, the inventory of all privately-held vacant land drops to 225 acres. If we further subtract the 117 acres used on an interim basis for parking lots, the amount of truly vacant property becomes a mere 108 acres. The lack of vacant land, rather than abundance, appears to be a long-standing issue. In 1959 an inventory of vacant industrial land identified 700 acres and indicated that even at this level desirable industrial sites were in short supply (Minneapolis Planning Commission 1960).

- Thirty percent of the vacant land is zoned residential, comprising a total of 269 different parcels. Not surprisingly, the median parcel size is extremely small—6,500 square feet. The four largest parcels total 90 acres, and all are excess rail storage properties. The largest of these residential sites is a tract of 33.5 acres (in the process of being acquired from the railroads) located between Kenwood Parkway and Cedar Lake.*

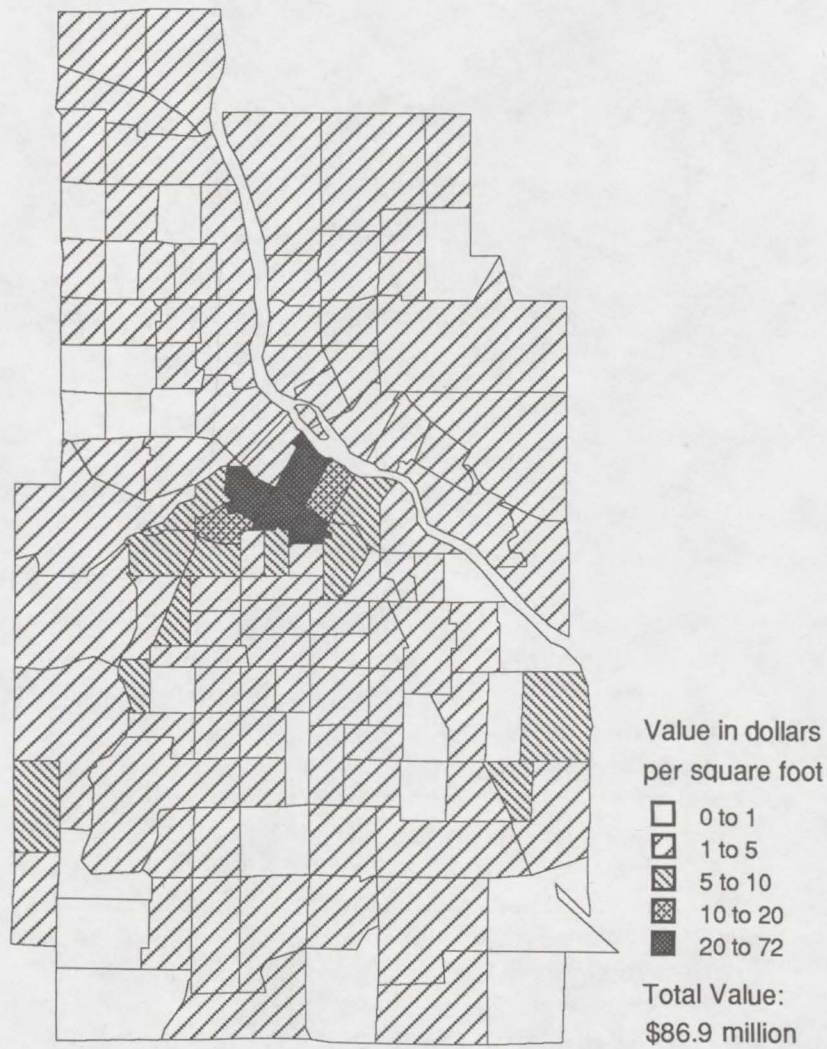
Rail property north of Cedar Lake will be acquired for park land.

* This property is currently being acquired by a private nonprofit group. It will then be turned over to the city to become part of Minneapolis' large park and parkway system.

Only three census tracts contain more than ten acres of vacant residential land, and most tracts have under one acre (see Map 8).

- Most of the vacant land is valued by the assessor at less than $5 per square foot. As expected, values in the central business district (CBD) are much higher, reaching a top of $72 per square foot in the core of downtown. Values taper off significantly as one moves away from downtown, though a few isolated tracts in south Minneapolis average between $10 and $20 per square foot. This apparent anomaly reflects two things: much higher density in areas with multi-family development or commercial zoning, and the desirable amenity locations of Lake Harriet and the Mississippi River (see Map 9).
- Sites valued at over $250,000 were plotted on a map and field checked to determine their current status. Most of them proved to be railroad property or land being used as surface parking lots within or next to downtown (Table 3 indicates $41 million of the $56 million value of all taxable vacant land is on land used on an interim basis for parking). We have not determined whether the value of land used for parking represents a current use value or a highest and best use value for the various sites.

Map 9. AVERAGE VALUE OF PRIVATELY-OWNED VACANT LAND, MINNEAPOLIS 1988



THE ST. PAUL INVENTORY

The vacant land situation in St. Paul differs considerably from that in Minneapolis: the amount of land classified as vacant is much greater, and the site characteristics of the vacant land are much more challenging. River bluffs, flood plains, and ravines along the Mississippi River constitute a major land resource that is unsuitable for urban development; much of this land has been acquired by the city and by county agencies for parkland and other environmentally sound uses. Extensive undeveloped open space and park areas owned by the state, county, and city that are classified as "vacant" have been kept in the inventory for consistency. For example, the 177-acre Pike Island, at the confluence of the Minnesota and Mississippi rivers, is owned by the Minnesota Department of Natural Resources (DNR), yet is officially considered vacant land, and is thus in the inventory.

The size of the inventory is much larger than was estimated in 1984 (5,632 vs. 2,445 acres). Excluding 556 very small parcels, the St. Paul vacant land inventory comprises a total of 5,632 acres, divided into 6,096 separate parcels. Slightly less than 40 percent of the vacant land is privately held (2,161 acres). The St. Paul inventory can be reduced to 3,660 acres by excluding all of the following: the DNR property on Pike Island, the Ramsey County Park and Open Space System, and the city's extensive open space holdings along the Mississippi River. But this exercise still leaves St. Paul with a vacant land base twice the size of the Minneapolis inventory.

The Public Inventory

St. Paul's publicly-owned vacant land is overwhelmingly concentrated in the Mississippi River gorge and flood plain areas and in the Port Authority's Midway district land holdings (Map 10).* Half of the state-owned property is at Pike Island (177 acres), and while vacant, it is not available for urban development. Almost two-thirds of the city-owned acreage (1,110 acres) is in the vicinity of Pig's Eye Lake (Map 11). This includes a landfill and wood chipping site on the north, land on the peninsula adjacent to the barge fleeting area, a 503-acre parcel which is part of the Ramsey County Park and Open Space System, and other property around the lake which is not part of the county's open space. Other large tracts of vacant city property include 120 acres of undeveloped West Side land adjacent to the Holman Field airport, 162 acres of open space near Crosby Lake (where interstate 35E crosses the Mississippi River), and 63 acres in the Battle Creek Park region. Table 4 summarizes land ownership patterns among the various agencies. Vacant land that is owned by the city or by metropolitan agencies is not likely to be developed in the future; the only

Near wilderness surrounds the Pig's Eye Waste Treatment Plant in St. Paul.

* Map 22 shows familiar landmarks and streets superimposed on the census tract base used for maps 10 through 21.

possible exceptions would be for recreational activity or for expansion of the airport or waste treatment facilities.

The St. Paul Port Authority, on the other hand, controls a significant amount of vacant land open for future development (Map 12). The major exception to this scenario is a 224-acre site in the Pig's Eye area, once identified as an expansion of the Red Rock industrial park, which represents a third of the agency's holdings. Conflicting interests, which want to maintain the entire Pig's Eye area as open space, may prevent future industrial development here. The most extensive undeveloped Port Authority lands are located in the Midway District, and include the newly-cleared 70-acre site now being marketed for the Westgate Office Park.

Table 4. LAND OWNED BY PUBLIC AGENCIES IN ST. PAUL, 1988

Agency	Acreage
Federal government	12
State government	357
Ramsey County	296
Metro agencies	339
City of St. Paul	1,724
St. Paul Port Authority	643
HRA of St. Paul	40
Other	60
Total acreage	3,471*

* Sixty-two percent of all vacant land.

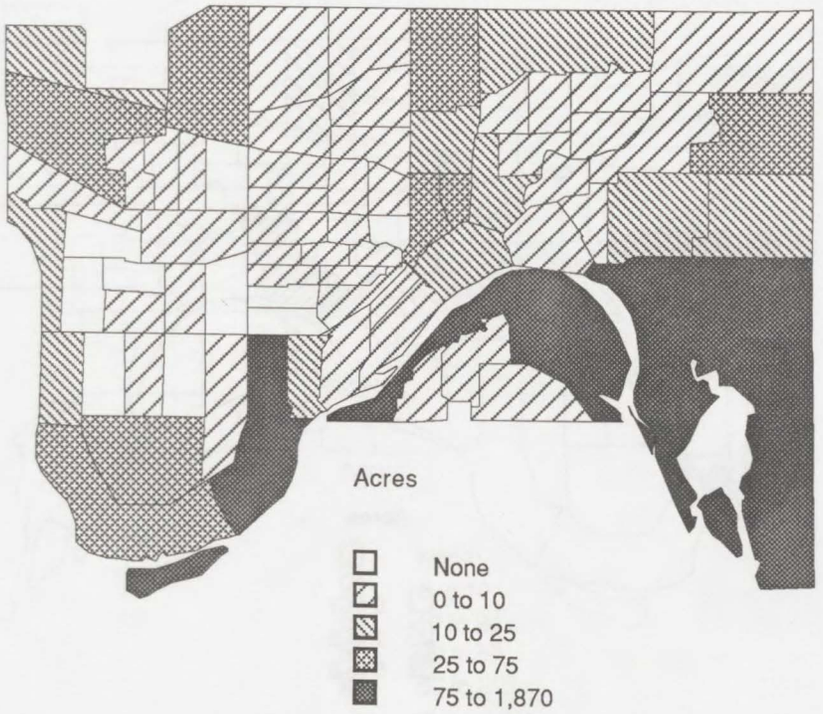
Almost all of the city- and county-owned lands are undeveloped park and open space. The city continues to hold legal title to 503 acres in its southeast quadrant, which is designated as part of the Ramsey County Park and Open Space System. Some 237 acres of county-owned property are also part of its open space system.

Publicly-owned land available to support additional urban development amounts to less than 500 acres. Excepting the 40 acres owned by the Housing and Redevelopment Authority (HRA), all of it is Port Authority property. See Maps 13 and 14 for specific distribution of HRA- and county-owned lands.

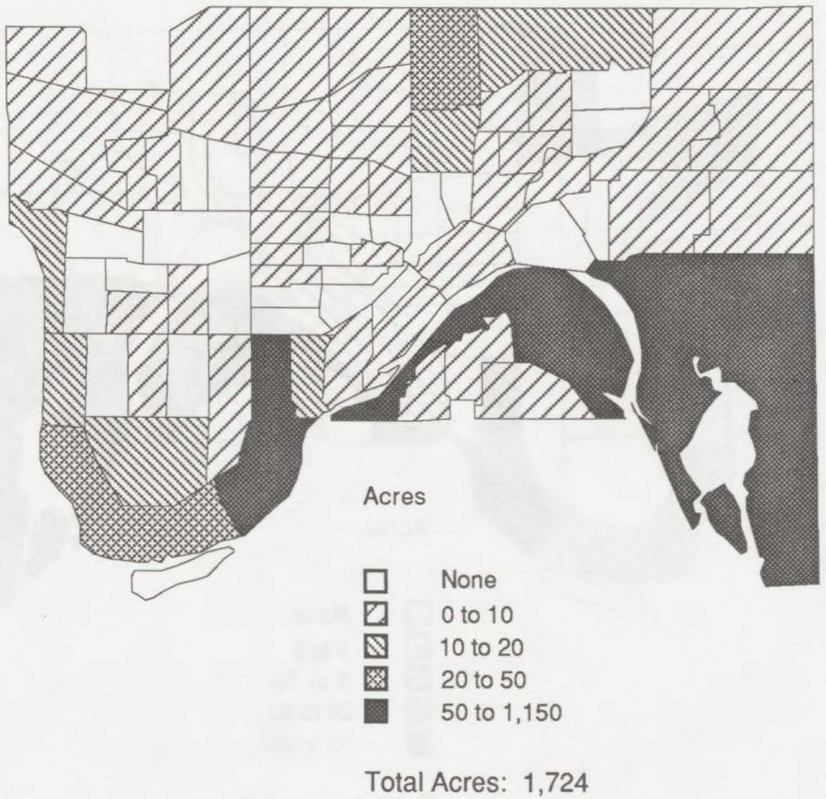
The Private Inventory

Lack of a use code prevents us from analyzing St. Paul's privately-held vacant property in the same detail that we did for Minneapolis. Characteristics of parcel size, market value, tax status, and zoning can be summarized however (Table 5). Note that the "exempt" classification under Railroad Holdings refers to property which can fall into any zoning category. The various private universities and colleges may have vacant areas on their campuses, but they generally do not control individually platted vacant lots.

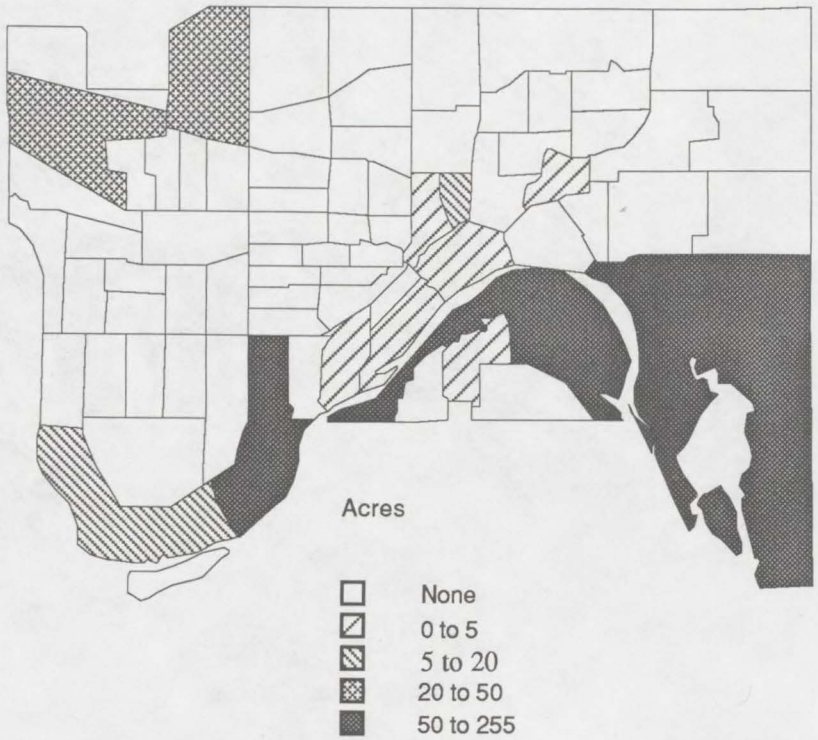
Map 10. PUBLICLY-OWNED VACANT LAND IN ST. PAUL, 1988



Map 11. VACANT LAND OWNED BY THE CITY OF ST. PAUL, 1988



Map 12. VACANT LAND OWNED BY THE ST. PAUL PORT AUTHORITY, 1988

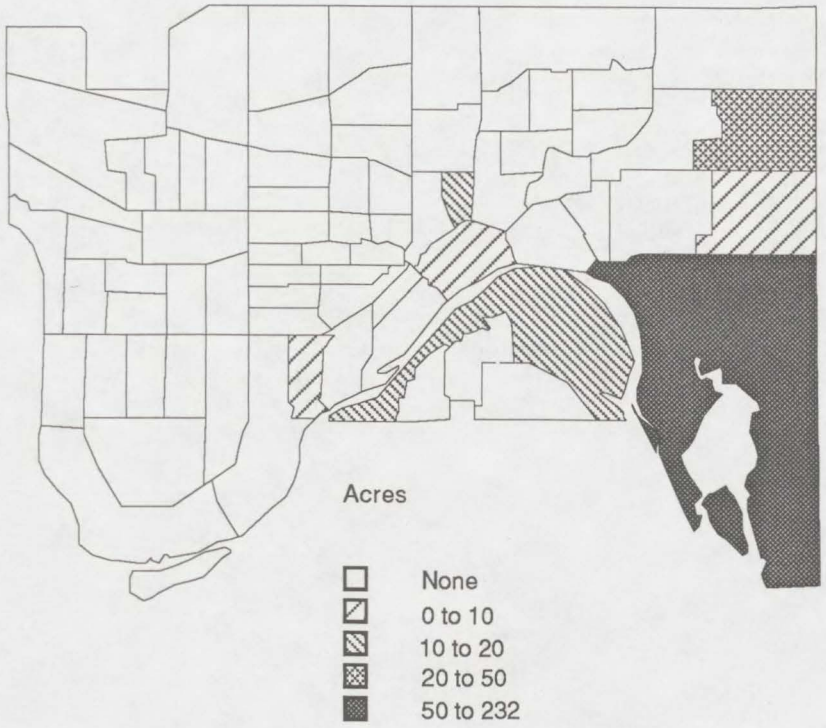


Total Acres: 643

Map 13. VACANT LAND OWNED BY THE HOUSING AND REDEVELOPMENT AUTHORITY, ST. PAUL 1988

Total Acres: 40

Map 14. VACANT LAND OWNED BY RAMSEY COUNTY, 1988



Total Acres: 296

Table 5. PROFILE OF PRIVATELY-OWNED VACANT LAND IN ST. PAUL, 1988

Total acreage	2,161
Total number of parcels	4,733
Total market value	$112.8 million (with $39.5 million tax exempt)

	Number of Parcels	Percent	Acres	Percent	Market Value (in millions of dollars)	Percent
Vacant Land Zoning Class						
Industrial land	697	15	488	23	24.2	21
Commercial land	986	21	293	14	35.7	32
Residential land	2,293	50	499	23	14.4	13
"Other" land/missing data	671	14	793	37	38.5	34
Totals		100		100		100

Comparison Between Taxable and Tax Exempt Vacant Land

	Taxable Land			Tax Exempt Land		
	Number of Parcels	Acres	Value (in millions of dollars)	Number of Parcels	Acres	Value (in millions of dollars)
Totals	3,997	1,300	73.2	736	860	39.5
Percents	84	60	65.0	16	40	35.0
By zoning class						
Industrial land	697	488	23.3	9	15	0.8
Commercial land	986	293	35.6	6	2	0.2
Residential land	2,293	499	13.6	71	195	0.8
"Other" land	21	20	0.7	650	648	37.7

Table 5. PROFILE OF PRIVATELY-OWNED VACANT LAND IN ST. PAUL, 1988, continued

Railroad Holdings (including CMC Real Estate Corporation, the Soo Line real estate subsidiary, which holds four sites (182 acres), with a $3.77 million value)

Total acreage	667	(31 percent of all private inventory)
Total number of parcels	401	(8 percent of all private inventory)
Total market value	$27.2 million	(24 percent of all private inventory)

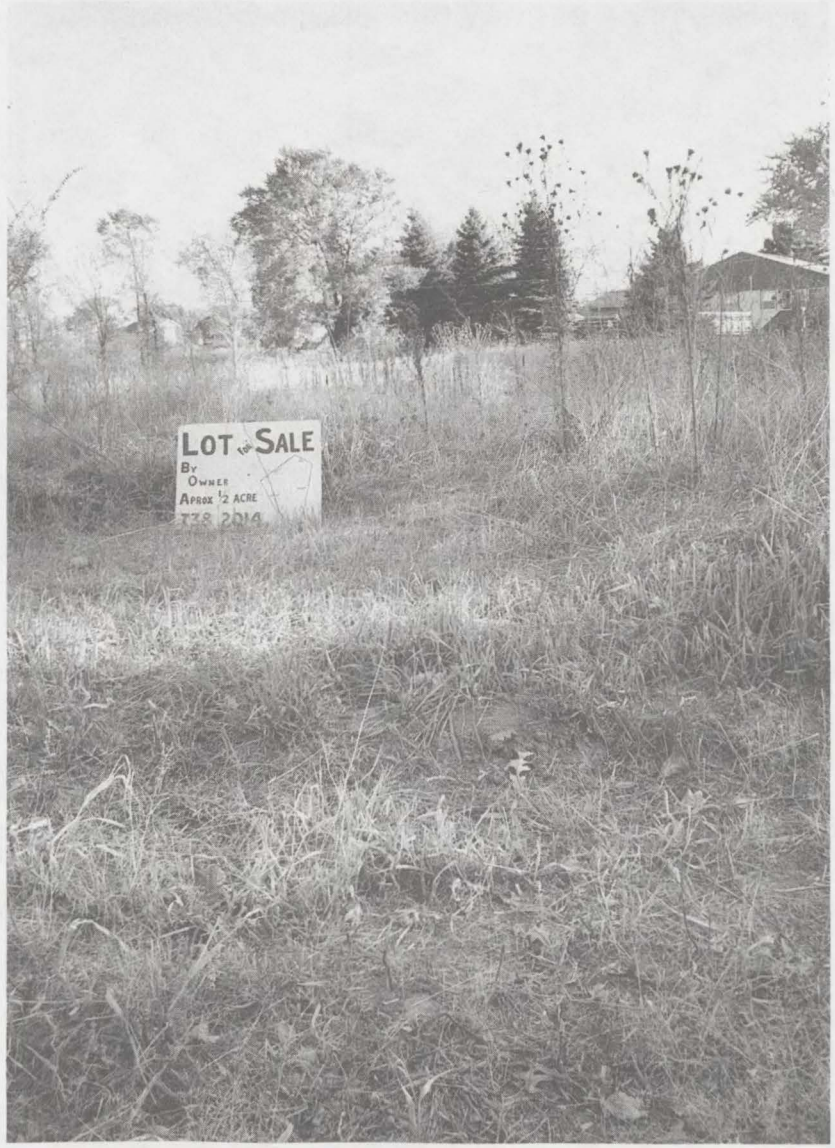
	Acres
By zoning class	
Industrial land	11
Commercial land	1
Residential land	0
"Exempt" land	655

Church Holdings

Total acreage	26
Total number of parcels	94
Total market value	$2.0 million

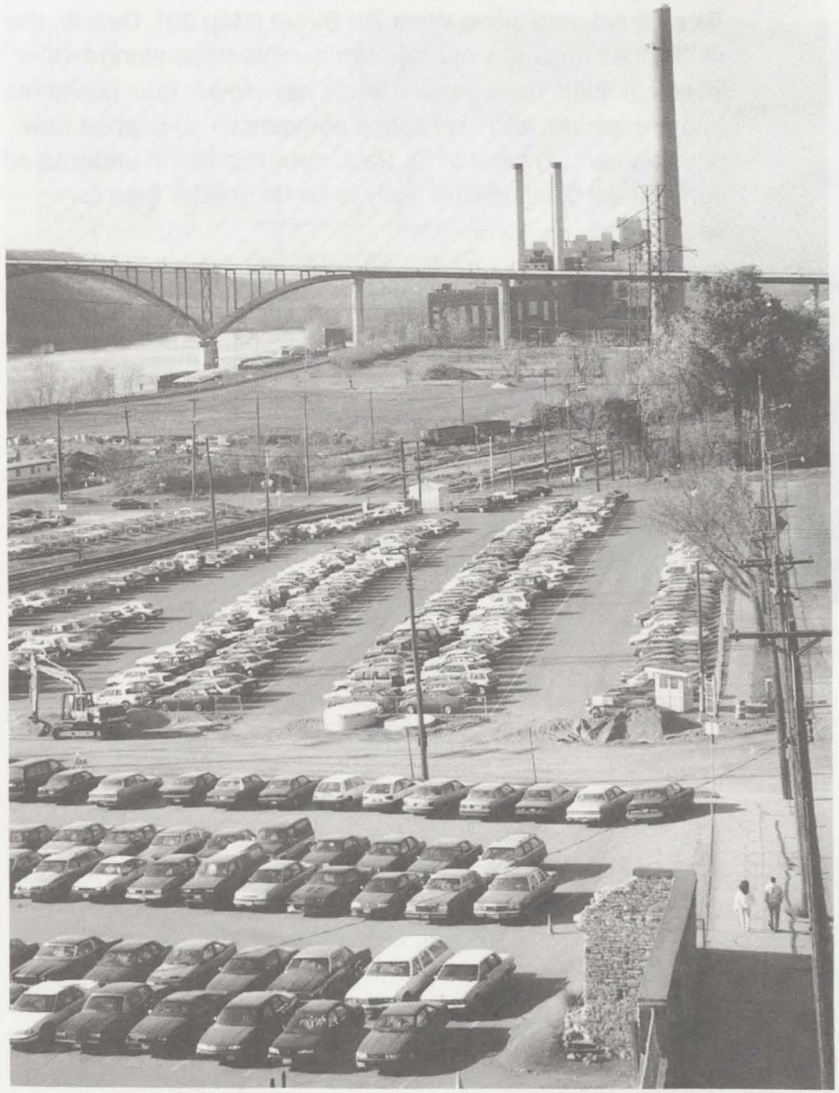
Within St. Paul's private inventory of vacant land we find the following:

- A large number of very small parcels are scattered throughout the city. These are dominantly clustered in the central portion of the city, with fewest parcels in the Highland Park/ Macalester Groveland neighborhoods and around Como Lake. More than half of the parcels are less than two-tenths of an acre—the same pattern as in Minneapolis—Map 15.
- Only twenty-eight properties have over 250,000 square feet (5 or more acres) but they encompass 467 acres. Four of these larger sites are owned by a private subsidiary (CMC Real Estate Corporation) of the former Chicago-Milwaukee-St. Paul railroad company (182 acres). These sites are located in the vicinity of Pig's Eye Lake (Map 16). The Ford Motor Company has two vacant parcels (40 acres and 14 acres) as part of its land holdings near the Mississippi River. The railroads own six sites (totaling 52 acres), located primarily in the Midway district. The remaining larger sites include 22 acres owned by 3M on the east side, 20 acres at the North Star Steel site in the southeast, and 20 acres of barge sites owned by River Properties Limited at the base of the river gorge. Railroad holdings and those of CMC comprise 31 percent of all private vacant land and 24 percent of its market value.
- Unlike Minneapolis, St. Paul still has undeveloped residential land, most of which is located on the east side, primarily in the extreme southeastern corner of the city (Map 17). Only two census tracts west of Rice Street have more than ten acres of vacant residential land: in southern Highland Park and along the northern city boundary west of Rice Street. Land values per square foot are generally lower than in Minneapolis. The highest values are again found downtown, but here the maximum is $12 per square foot compared to $55 per square foot in downtown Minneapolis. Outside downtown, the highest land values are in the commercial/ industrial areas of the Midway and, surprisingly, in the solid residential district of Macalester/Groveland.



In St. Paul's far eastern Highwood neighborhood, residential land that was never developed is now for sale.

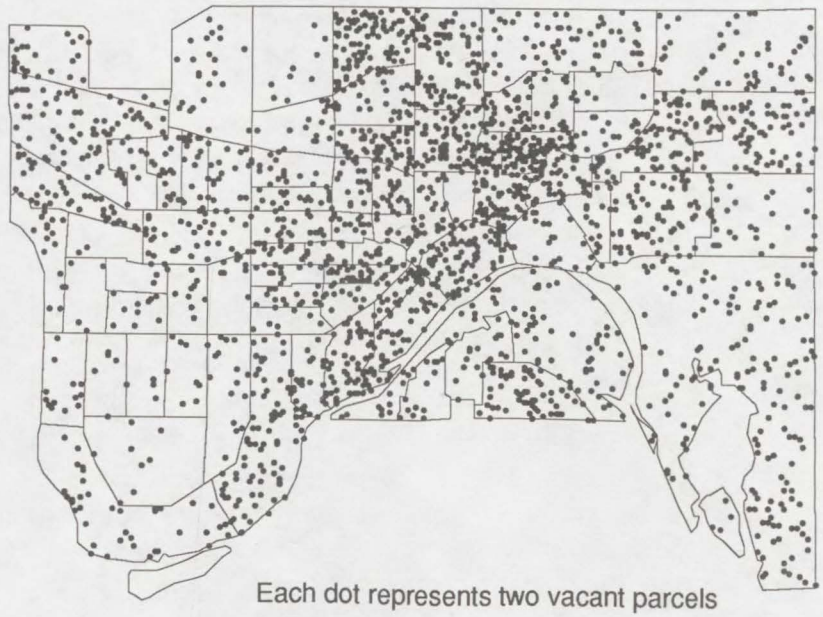
- Forty percent of the vacant land inventory is tax exempt. This category encompasses railroad holdings and those of non-profit organizations, and it comprises one-third of the total value of vacant property (see map 18). Commercial properties account for almost another third of the vacant land value, but only amount to 14 percent of the acreage. Average land values per acre range from a high of $122,000 for commercial property, to $29,000 for residential property. Average values per acre for industrial property are approximately $48,000; tax exempt property is valued at $53,000 per acre.
- The inventory of taxable property consists of a very large number of relatively small parcels (84 percent of all parcels). These small parcels carry approximately two-thirds of the market value of the privately-held land. Somewhat unexpected are the relatively small number of vacant acres owned by the churches, colleges, and universities located in St. Paul. This small inventory does not imply that these institutions lack space to add new buildings, rather it reflects the fact that such holdings are not subdivided into individual lots, and so do not appear in this data base as "vacant" land.
- The pattern of vacant industrial land mimics the pattern of railroad development. It is found near heavy industries such as the Ford Plant and North Star Steel, and just north of the downtown where Whirlpool, the breweries, and 3M have historically had their manufacturing plants (Map 19). But not all of this industrial land can be deemed "available" for future development. Much depends on whether the railroad companies are willing to release their holdings for private development. (Note that most of the railway holdings are classed as tax exempt.)



Industrial land has been cleared for surface parking in St. Paul's Upper Landing.

- Opportunities to develop or redevelop vacant commercial property can be found in the Midway district, the north end of Rice Street, and along West 7th Street (Map 20). Despite the diminished functions of older commercial strips along former streetcar lines, most census tracts have fewer than five acres that are vacant, and also zoned commercial, to support new development. In most of St. Paul, opportunities in under-used commercial buildings are likely to be far greater than on vacant land.
- The county assessor is carrying five properties, with a total of 195 acres, in which each property is valued at over $1 million, i.e., valued at approximately $1.25 per square foot. The largest of these sites is 118 acres, held by a railway subsidiary corporation and located in the city's southeast corner. Values per acre for vacant land have a wide range: from over $750,000 per acre in the downtown to $22,000 in the Pig's Eye region (see Map 21).

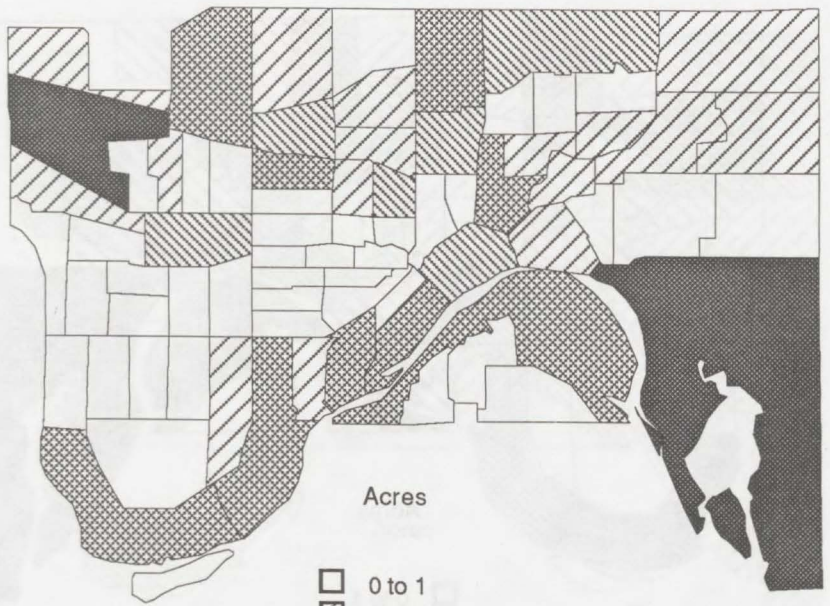
Map 15. PRIVATELY-OWNED VACANT LAND PARCELS, ST. PAUL 1988



Each dot represents two vacant parcels placed at random in their census tract

Total Parcels: 4,733

Map 16. VACANT RAILROAD LAND, ST. PAUL 1988

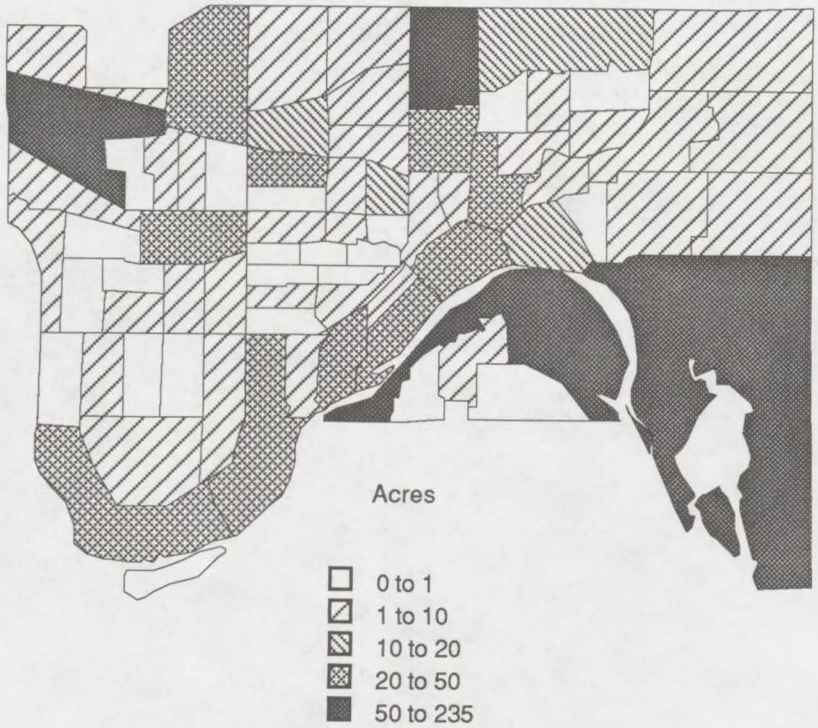


Total Acres: 667

Map 17. PRIVATE RESIDENTIAL VACANT LAND, ST. PAUL 1988

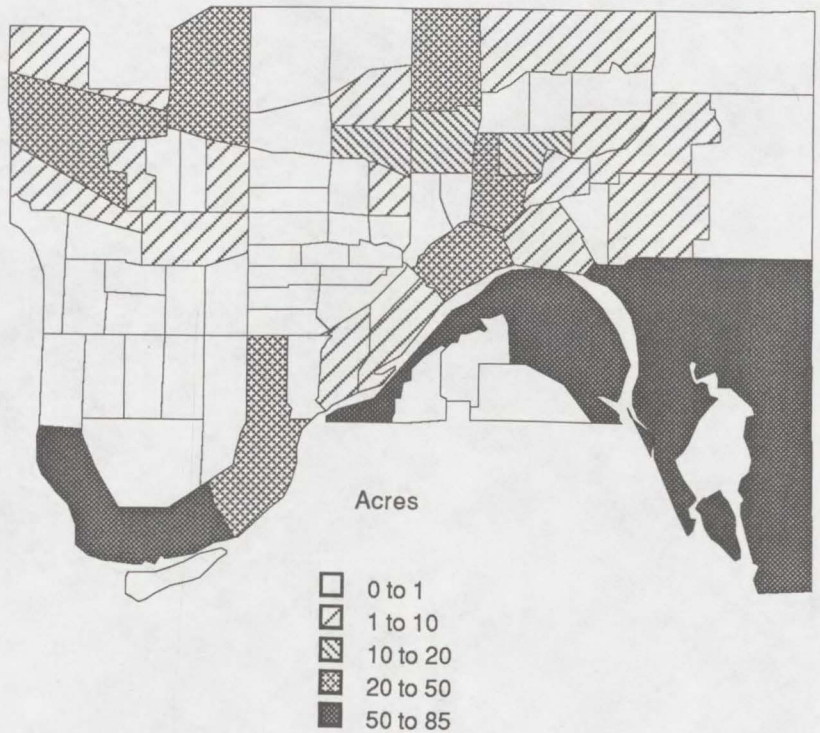
Total Acres: 694

Map 18. PRIVATE TAX EXEMPT VACANT LAND, ST. PAUL 1988



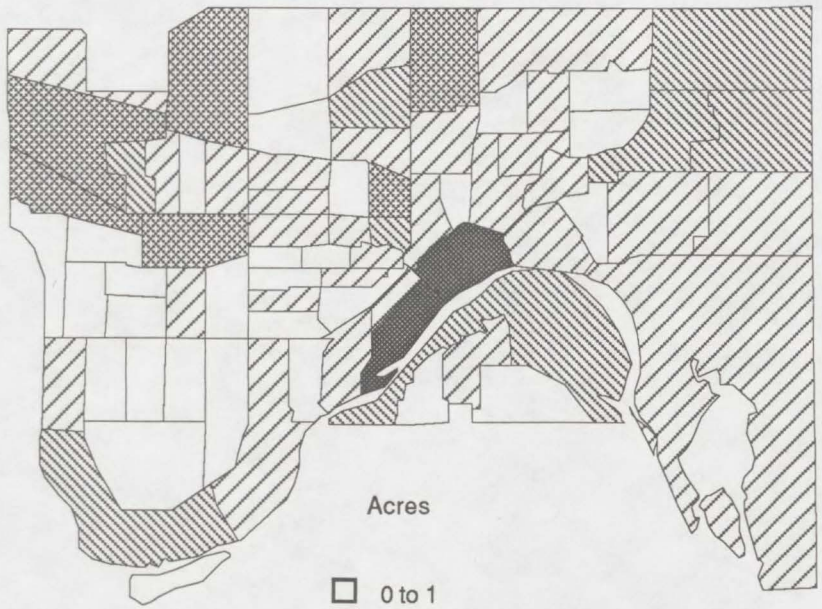
Total Acres: 860

Map 19. PRIVATE INDUSTRIAL VACANT LAND, ST. PAUL 1988



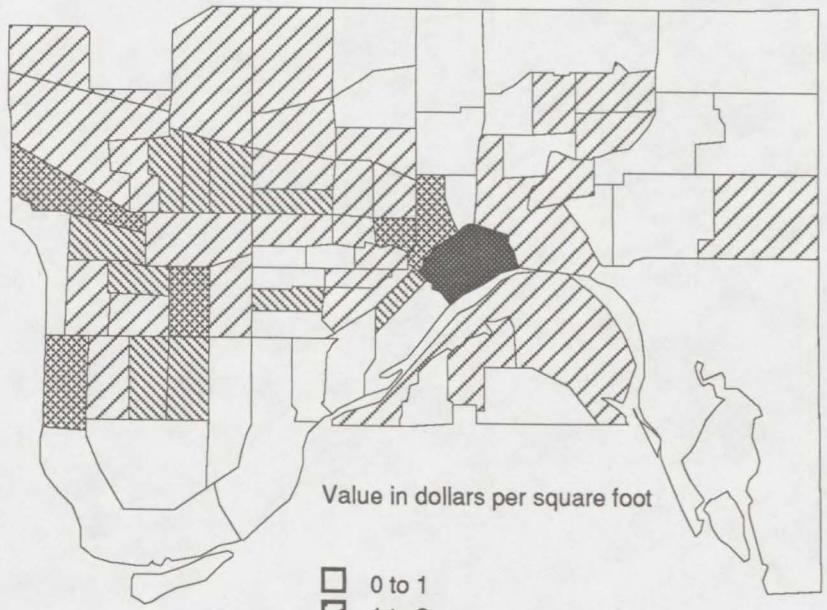
Total Acres: 503

Map 20. PRIVATE COMMERICAL VACANT LAND, ST. PAUL 1988



Total Acres: 295

Map 21. AVERAGE VALUE OF PRIVATELY-OWNED VACANT LAND, ST. PAUL 1988



Total Value: $112.8 million

INSTITUTIONAL MECHANISMS FOR RECYCLING IN URBAN LAND MARKETS

The stark reality for Minneapolis and St. Paul is the cramped supply of land available to sustain a continuous process of economic rejuvenation and to uphold each city's competitive position in both metropolitan and national marketplaces. Land on the fringes has been and will continue to be cheaper than in the developed core. So the strategy for most United States cities has been to promote public sector involvement in core area recycling efforts. This section describes the context for post-World War II recycling efforts in general, and the specific public interventions that have been applied in Minneapolis and St. Paul. The description encompasses mechanisms to preserve or upgrade developed sites, as well as those designed to absorb vacant land. In several instances the mechanisms themselves have created vacant land, while the market has lagged behind in absorbing the newly vacant parcels.

Since 1950, Minneapolis and St. Paul have reshaped large residential, commercial, and industrial areas using any and all available local, state, and federal financial tools. These recycling and reshaping activities mirrored those of many other American cities, and were perhaps a bit more aggressive than most. The redevelopment choices made by the two cities reflected their particular circumstances at mid-century. Minneapolis was nearly fully developed with almost no vacant land, while St. Paul still had a large, unbuilt section east of its downtown. This meant that Minneapolis, in particular, had to displace existing uses to promote new types of development. Both cities were determined to rebuild the worn-out older areas closest to their downtowns. The institutional mechanisms* created to acquire, clear, and resell land already in use are of some interest. They help to explain the current paucity of vacant land in both cities.

HOUSING MARKETS

It is a truism that cities require different strategies to cope with whatever housing problems they face, and these strategies depend on a city's age and stage of development. Housing needs in New York City differ demonstrably from those in Los Angeles, and filling up available land (either again, or for the first time) entails a different process than creating vacant land within an already built-up area. In this arena the Twin Cities occupy something of a middle ground. Today neither city has much undeveloped land sitting around waiting for a use, but an undersupply of vacant land has not prevented these cities from creating new residential opportunities. Over a fairly long period of time both cities have managed to rebuild large segments of their housing stock by consciously creating land on which new housing could be built.

The Local Context

The destruction generated by World War II in German cities and elsewhere in Europe effectively cleared out much of the oldest and most substandard housing. In the United States comparable large scale urban clearance and rebuilding projects resulted from specific governmental policy, rather than from war damage. Between 1949 and 1972 the federal Urban Renewal Program encouraged United States cities to identify and remove their worst slums.** Working in concert with the Federal Highway Program, whole neighborhoods of slum housing were transformed. The Housing and Redevelopment Authorities of Minneapolis and St. Paul (HRAs) demolished thousands of units of substandard housing during these years; thousands of units were also replaced, either by private developers, or by the HRAs. The form of these replacements varied from market rate single-family homes,

* Institutional mechanisms" refers here to public programs and projects that intervene in the largely private real estate market so as to induce development that would otherwise be perceived as impossible or too risky.

** Similar efforts took place in certain European cities—especially in Britain—where older structures that managed to survive the war were assailed by peacetime rebuilding philosophies.

to subsidized highrise apartments for the elderly, to outright public housing units.

The question of government intervention in the housing market of a capitalist system has long been an intriguing and difficult one. Though we know that the private market does not adequately supply low-cost housing (and sometimes does not supply it at all except through a "trickle-down" approach), there has always been resistance in the United States to the idea of the government building housing, even for those not well served by the private market. This reminds us that Minneapolis' and St. Paul's success in creating institutional mechanisms to produce housing came not without some difficulty. We now have a wide array of resources that produce low-cost housing, including community development corporations and local nonprofit developers. None of these is a natural outcome of the process that began with basic slum clearance efforts in the early 1950s.

The existing housing markets in Minneapolis and St. Paul have also complicated government intervention strategies. Because both cities were long dominated by single-family units, many neighborhoods resisted the construction of higher density low- and moderate-income units. Indeed, until about ten years ago, there was opposition to just the idea of highrise housing in most of Minneapolis and St. Paul. It is often prohibitively expensive to recycle land with substandard single-family houses into an area of good quality single-family houses, but this is what many neighborhoods have expected and wanted. Recently, Minneapolis has been trying, in fact, to do this.

Past Strategies for Creating Housing

Minneapolis and St. Paul have made continual efforts to replace substandard housing in the years since urban renewal began. The earliest methods for recycling residential land into better residential uses involved straightforward clearance and reconstruction—the traditional urban renewal approach. This work was principally done by or through the city's HRA, using public housing subsidies, and later federal subsidies via the Sections 235, 236, 221(d)3, or Section 8 programs. Typically, neighborhoods of quite dilapidated frame dwellings (where there were single-family homes that had been subdivided, rowhouses, or an occasional decrepit mansion) were rebuilt as areas of lowrise multifamily housing. When highrises were built throughout the 1960s and 1970s, they were most often for low income senior citizens. As these programs evolved, there was greater emphasis on rehabilitation of existing structures rather than clearance. Parcels of vacant land for replacement housing got smaller and more scattered as time went on; there were fewer opportunities and less need to replace entire blocks of dilapidated housing. Sometimes land with substandard housing was changed to a nonresidential use.

Land remains vacant from spot clearance urban renewal efforts on Selby Avenue in St. Paul.

From the 1950s through the 1970s the HRAs worked with and through private developers, usually where the scale of the project was ambitious and much larger than what had previously existed. In Minneapolis such efforts included: the Knutson Company's designation as developer for the downtown Gateway project (only partially meant for residential use), Cedar-Riverside Associates' designation as developer for the 340-acre Cedar-Riverside "New Town-In Town" project (primarily residential), and Bor-Son's designation as developer for the city's largest Section 236* project (over 600 units) at Franklin and Riverside Avenues. The first two projects proved to be too large even for their private developers to pull off successfully. Changes in market demand and local opposition contributed to the problems the developers faced. Through these years the HRAs seldom acted as developer or assumed a partnership role. Most of the city's investment in new housing projects was made through in-kind contributions—new streets, new schools, new firehouses, or other capital investments which amounted to one-third of the total project cost. As with other aspects of city governance, this has changed dramatically since the mid-1970s, to the extent that both cities now function as full development partners, using various city revenue sources.

In recent years the production of low and moderate income housing has shifted away from the traditional HRA approaches. Today most low-cost housing in both cities is built by local community development corporations or by nonprofit developers. Quite often the funding for these projects comes from sources similar to those that funded the urban renewal projects. Federal money is funneled through the local development agency, Planning and Economic Development (PED) in St. Paul, and Minneapolis Community Development Agency (MCDA) in Minneapolis. But as federal resources for low-cost housing have dwindled through the 1980s, the slack has been taken up by state-funded housing programs (notably those of the Minnesota Housing Finance Agency) and by foundations and nonprofits (such as the Minneapolis-St. Paul Family Housing Fund). City development agencies have also become more adept at linking successful commercial projects to the production of housing. By the late 1980s Minneapolis had created a pool for receipt of tax increment proceeds over and above those needed to pay off bonds. In part, this money has been used to support low- and moderate-income housing projects that might not have been built if such a revenue source had not existed.

Recent Housing Efforts

As of 1990, Minneapolis had multiple programs in place to help create new housing units. Within the city's development agency alone (MCDA), there were more than 150 identifiable projects directed at producing housing outside of the downtown and riverfront area. About half were rehabilitation or reuse efforts, over a quarter were on property that had previously been residential, and less than a quarter were on land not previously used for housing. All told, over 11,000 units were involved in MCDA's various site-specific programs and this did not include public housing units. Of the 11,000 units, approximately 2,100 were market rate and over 1,300 were designated for the elderly. Another 650 units were in various stages of development, as were several hundred single room occupancy units. The full array of available programs included community development block grants (CDBG) and revenue bonding efforts, energy and rehabilitation loans, and urban homestead programs.

It should be noted that almost all residential land in Minneapolis has had housing on it at some time in the past, so there is very little "vacant" land *per se*. In recent years there have been several areas in which the city has tried to fill up land that was obviously vacant, but in almost every case these vacancies existed because of some prior city action. A small amount of this land was land that had remained undeveloped after urban renewal projects, like the Lyn Park project, or was land intended originally for other uses, like the defunct Interstate 335 connector. A much larger supply of vacant residential land was and is on sites that have been recently cleared in order to remove blighted

* Lower moderate income housing.

In North Minneapolis infill housing has been built on the site of the former Schwiegert meat packing plant.

structures. Examples are the Laurel Village project on the fringe of downtown, the formerly-industrial Schweigert plant site on the north side, and the Comprehensive Block Treatment sites in both north and south Minneapolis. To date many hundreds of units have been constructed, largely by nonprofit developers, on these few but sizable sites.

St. Paul has also garnered an array of programs over the years that have produced housing and other neighborhood improvements. They include urban renewal efforts, like the clearance of substandard housing from the riverfront flood plain, and spot clearance and house moving efforts in the Summit-University Model Cities area. Going back to the 1970s, programs like the Identified Treatment Areas provided funds to demolish or rehabilitate substandard properties in all of the residential areas surrounding downtown. In more recent years a whole new round of housing improvement and construction programs has grown up. These range from loan programs for rental rehabilitation and home improvement to transitional housing programs for the homeless and the state-funded Urban Revitalization Action Program. As in Minneapolis, where similar programs exist, some of these efforts are attached to specific neighborhoods and some operate city-wide. All of the programs have income limits that direct most resources to moderate income homeowners, and most operate, in part, through the use of funds from the Minnesota Housing Finance Agency and from the Twin Cities Family Housing Fund. Throughout most of St. Paul concern about housing quality is separate from concern about vacant land. With the exception of the Highwood neighborhood, where there is still some vacant residential land, the parts of St. Paul that were not built up during the 1950s have now been largely filled in.

Like most other cities in the United States, Minneapolis and St. Paul have paid particular attention to the issue of vacant housing in the past few years. Vacant houses, with their potential of becoming crack houses or of threatening public safety in some other way, are considered more serious problems than vacant land. As the number of vacant and boarded properties has increased, government agencies and politicians in both cities have wanted to attack the problem before it gets out-of-hand. St. Paul's efforts illustrate how both cities have been responding.

In early 1987 a Vacant Housing Program was begun by staff of St. Paul's Department of Planning and Economic Development who saw an opportunity to focus city, state, and federal resources on a growing problem. There are three goals for the program: to decrease the number of vacant or blighted units, and to increase ownership options; to encourage more nonprofit housing improvement ventures; and to help neighborhood organizations set and achieve their housing goals. Between $3.5 and $4 million is available annually for these efforts. Only vacant or substandard (blighted) single-family homes or duplexes are eligible.

The structure of the program demands cooperation between several city agencies, as well as the participation of neighborhood organizations. The city's Department of Community Services handles housing inspections and maintains a vacant housing inventory. The

Housing Division within PED provides technical assistance to nonprofit developers who work on vacant housing, and also advises the HRA Board about acquisitions. Neighborhood groups (the district councils) are expected to communicate local priorities to the city and to help recruit developers. Representatives from all these groups meet regularly to rank properties on the vacant housing list in terms of health and safety concerns, economic viability, and what the neighborhood wants to happen.

Properties that merit quick attention face three options. The first focuses on abatement measures. The city can try to persuade the owner to remedy code violations, either through court orders or through liens against the property. In extreme cases, called "emergency abatement," the mayor can order a building immediately demolished, even without a public hearing, and assess the owner for the cost of demolition. The second, more complicated option is for the city to begin acquisition proceedings, and eventually sell the property to a developer, who must then improve it (through rehabilitation or new construction) and market the property. The city will always try to negotiate with an owner before eminent domain is actually used. Developers who participate in this process are closely monitored by both the city and the local district council.

If acquisition occurs, several options exist. St. Paul expects that ten houses per year will go into the HUD-financed Urban Homesteading Program, which makes homes available to owners in exchange for their commitments to repair, occupy, and maintain the dwelling. St. Paul also expects to acquire twenty-four homes per year that will be re-used as low and moderate income housing. Another fifteen or sixteen HUD and VA foreclosed properties will be resold each year to nonprofit developers. Using all of these programs fully, the city will recycle about fifty vacant dwellings annually.

The final option, for extremely deteriorated vacant housing, is for the city to acquire the property specifically for demolition and re-use as a neighborhood commercial site, or, in the case of extremely small sites, to be left vacant as a side yard or community gardens, or to become part of a land bank (Komoto 1988).

Public Housing Efforts in Perspective

The institutional housing efforts described here are fairly traditional public sector mechanisms. They all deal with vacant houses, vacant residential land, and new residential developments in an interventionist manner—trying to have an impact before a problem property becomes a blighting influence on the entire neighborhood. This is probably an adequate approach as long as the inventory of vacant properties is a manageable size, as it is in both Minneapolis and St. Paul. Problems arise when the number of vacant properties overwhelm whatever institutional mechanisms are in place. This is not likely in either city in the near future.

The public efforts of both Minneapolis and St. Paul in regard to housing underscore how strongly each city has felt about maintaining a reasonable supply of housing at all income levels. The public agencies—MCDA in Minneapolis and PED in St. Paul—each have a housing division charged with monitoring the status of housing within the city. Though both agencies have an overriding development agenda, they have aggressively involved themselves in the housing arena, in part from a belief that without an appropriate residential structure, economic development will be impossible to sustain. This approach has pushed the cities into active partnership with neighborhood groups, especially those with development ambitions, and with local for-profit and nonprofit developers. Every public effort to intervene in the housing market is first sent for comment to the affected neighborhood, and known local housing developers are often actively sought as partners for the city agencies. The current process is quite a departure from the heyday of large public housing projects and rehabilitation efforts of decades past. Nowadays neighborhoods must not only be consulted, and to some extent approve what the city wants to do, but they are also requested to propose what public activities should occur. This is not to say that the current process is perfect, or that neighborhoods always get what they want. But there are ample opportunities for neighborhoods and small local developers to influence decisions in a meaningful way.

NON-RESIDENTIAL MARKETS

In most cities the largest amount of vacant land, and some of the most difficult problems, are in land zoned as industrial or commercial land. The Twin Cities are no exception. In Minneapolis, for example, these two categories account for 57 percent of all the privately-owned vacant parcels or 60 percent of the total acreage of vacant land in the city. In contrast to vacant residential parcels, which tend to be small and widely scattered, these parcels are concentrated and larger. This section will examine some of the institutional mechanisms used by both cities to reuse vacant industrial and commercial land.

The Local Context

In recent years some of the strongest and best funded government efforts have focused on non-residential land, both industrial and commercial. Both Minneapolis and St. Paul have lost some major industrial employers, though on a much smaller scale than typical Rustbelt cities like Chicago and Detroit. St. Paul lost Amhoist,

The now vacant Amhoist plant is sited across the river from downtown St. Paul.

Whirlpool, and Burlington Northern in the past decade. Minneapolis lost Minneapolis-Moline and Grain Belt Brewery in the 1970s. In the reshuffling of national and international industries in recent years, both cities have been relatively unaffected. Still, official concern about maintaining or increasing the industrial/commercial tax and jobs base has paralleled official concern about stable residential neighborhoods in both cities.

Local public action to maintain the supply of industrial/commercial land, like actions to maintain the housing stock, goes back at least to the 1950s. The Minneapolis Industrial Development Commission (MIDC) and the St. Paul Port Authority were created specifically to aid in industrial development, though the Port Authority actually predates the 1950s. It came into existence in 1929 to build and operate a barge terminal downstream from downtown St. Paul. For the next thirty years that was the extent of its responsibilities. In recent years, however, the Port Authority has become an investment bank for a wide variety of St. Paul projects. The MIDC no longer exists as a separate agency. It was folded into MCDA when it was created in the early 1980s. Structurally, the Minneapolis and St. Paul agencies differed. MIDC operated within the parameters of city government while the Port Authority has always operated as a semi-autonomous agency.

Past Strategies and Current Prospects

In the 1950s and 1960s, accepted planning principles advocated "rationalizing" long-term land use problems. Sometimes this meant that an area of substandard housing would be acquired, cleared, and rezoned to create a new industrial or commercial opportunity. Critics of large-scale urban renewal efforts have long charged that this is exactly what urban renewal was meant to do—that by creating new economic prospects, cities could and would overlook the need to increase low income housing and to improve neighborhoods (Anderson 1964 and Fainstein 1983). From a city's perspective, both kinds of development were necessary, though the pay-offs (increased numbers of jobs and an increased tax base) were usually much greater for industrial/commercial projects. Public officials in St. Paul and Minneapolis have clearly believed for decades that public bodies must accommodate

new economic development. While this is not an easy process, and success cannot be assumed, both cities have been active participants in the game of attracting new industry.

We can demonstrate how aggressively both cities have pursued industrial development by highlighting one example: the nearly seventy-acre Kasota Industrial Park in southeast Minneapolis, near the St. Paul border. This former swamp area was owned by the Burlington-Northern railroad, which in the early 1970s was beginning to cut back its services within the Twin Cities and elsewhere. The railroad had proposed a joint venture with a developer, and when that fell through, the city stepped in. The first city effort was to build a road through the area on land dedicated by the railroad. Within a short time, the city purchased the entire parcel, using $3 million in bonds, and established a tax-increment financing district. Land within the new industrial park sold for a dollar per square foot. Demand was so great that the area was filled within eighteen months, and paid for itself in seven years.

The Port Authority and MCDA/MIDC have quite intentionally "created" an inventory of vacant industrial and commercial land over the years, sometimes long in advance of a demonstrated need. There have been some impressive achievements in industrial parks. The Port Authority, with a reliable income stream from its barge terminal, careful revenue management, and creative use of revenue bonds, became a driving force in creating a private market for St. Paul's vacant industrial land. The authority leases or sells properties, using this money to leverage private investments and to provide a reserve fund. Since its first projects of the early 1960s, the Port Authority has financed, prepared, and marketed over 2,500 acres of new industrial land in ten separate industrial parks ranging in size from 9 acres to 1,700 acres (Martin 1989).*

The largest amount of this acreage was undevelopable marsh. Most of the rest had been unused railroad land. A very small amount had been residential land that was poorly sited. Most of St. Paul's industrial parks are now full—only 85 acres remain of the original 2,500—and most sizable parcels inside St. Paul have already been put to use. The city's last large parcel, 70 acres in the Midway area, is currently being developed as Westgate Office-Industrial Center, using over $25 million in tax increment financing.

A similar story can be told for Minneapolis, though to date far less land has been available for industrial development. Since the late 1940s industrial interests have had to fight for attention in Minneapolis as major rezoning ordinances (1948, 1962, and 1981) converted industrial land to other uses. Still, six industrial parks with a total of 967 acres have been created and nearly filled since the early 1960s. Given Minneapolis' lack of large undeveloped sites, industrial parcels have been carved from a wide range of sources: surplus railroad land, former swamp land, a gravel pit, surplus highway land, and former

Former industrial land is being marketed as Westgate Industrial Park by the St. Paul Port Authority.

* This number includes the 200-acre Energy Park, a mixed-use project combining light industry with residential, commercial, and service uses.

Minneapolis' largest remaining stock of "potential" vacant land is Shoreham Yards.

slum housing areas. Oddly, Minneapolis now seems better positioned than St. Paul to continue acquiring, banking, and developing industrial parcels. The privately-owned Shoreham Yards, for example, a 300-acre site in northeast Minneapolis, has the potential to become another mixed use project that includes light industry—not unlike St. Paul's Energy Park. Other sizable parcels, most still privately owned, are now in use as grain storage facilities, as railroad rights-of-way, or as holding spaces for towed cars, but they also present future industrial possibilities for the city.

Commercial development, including neighborhood-level businesses, is another aspect of the non-residential vacant land market that has drawn attention from both Minneapolis and St. Paul officials. Until the mid-1970s most publicly-funded commercial development was largely an offshoot of formal urban renewal projects. East Hennepin Avenue in Minneapolis and Selby Avenue in St. Paul are two examples out of many. The most notable aspects of these efforts were their small-scale (few included more than two or three block fronts), their emphasis on physical upgrading (things like new streets, parking bays, and light fixtures), and their usually precarious financial prospects. Few of the commercial aspects of urban renewal, outside of the downtowns, were highly successful; some were dismal failures. A shift in the mid-1970s came when both cities began to focus on large land parcels for suburban-style commercial development. This included small malls with a grocery store or discount store as an anchor for the rest of the development. Minneapolis has done more of this than St. Paul, usually through the use of tax increment funding. Former streetcar-era shopping streets have had strip malls installed (Nicollet-Lake, West Broadway, Snelling and University), and a few former industrial sites have been redeveloped in this fashion as well. Examples are the Minneapolis-Moline site on Minnehaha in Minneapolis that was turned into a Target store and mall and the Brown and Bigelow printing plant at Hamline and University in St. Paul which was replaced with a Target store and hotel.

In all of these projects, the cities have worked directly with private developers to achieve the public purpose of sustaining the commercial viability of city neighborhoods. Sometimes each city has functioned as an investment partner; sometimes all that was needed was short-term financing or land acquisition and preparation. In both cities the commitment to commercial reuse of some difficult sites has been a priority, and each city is now extending these efforts more aggressively into small-scale neighborhood retail and commercial projects. Both cities have gotten a good deal more sophisticated in recent years about the process of economic development in neighborhoods. Both cities are actively intervening rather than waiting for things to get beyond redemption. In Minneapolis, for example, a neighborhood economic development division within MCDA oversees a dozen or more small-scale commercial projects, as well as handling a number of industrial project sites. This division works with current and prospective small businesses, watching out for potential vacant sites and marketing the reusable ones, as well as providing technical assistance to both businesses and neighborhood development groups. In addition, it provides loans and other kinds of financial assistance directly to businesses that are expanding, improving their premises, or relocating within the city. St. Paul has similar programs set up through PED.

There is one dilemma that affects commercial and industrial reuse of land in both cities: internal conflict within neighborhoods about their goals and objectives for redevelopment. Apart from the development agencies, few people consider vacant industrial or commercial land an asset. But many city residents are quite particular about what kind of development occurs in their neighborhood, and they will adamantly oppose whatever does not reflect what they want the area to become or to remain. In both cities, neighbors have recently organized to get rid of "adult" bookstores and theaters. In this case, residents may prefer a vacant building or vacant land to the present use for this kind of business. In other situations, some neighborhoods have lobbied against industrial redevelopment on land that is zoned industrial, arguing that new industry, even light industry, is incompatible with residential uses. This familiar "not in my back yard" syndrome raises questions of equity. A city may easily be able to persuade poor neighborhoods that a nearby industrial use is positive, because the attraction of potential jobs far outweighs aesthetic considerations. Middle-income neighborhoods, with more political clout, are more inclined to resist such development. This kind of conflict carries serious implications for future industrial and commercial development throughout Minneapolis and St. Paul.

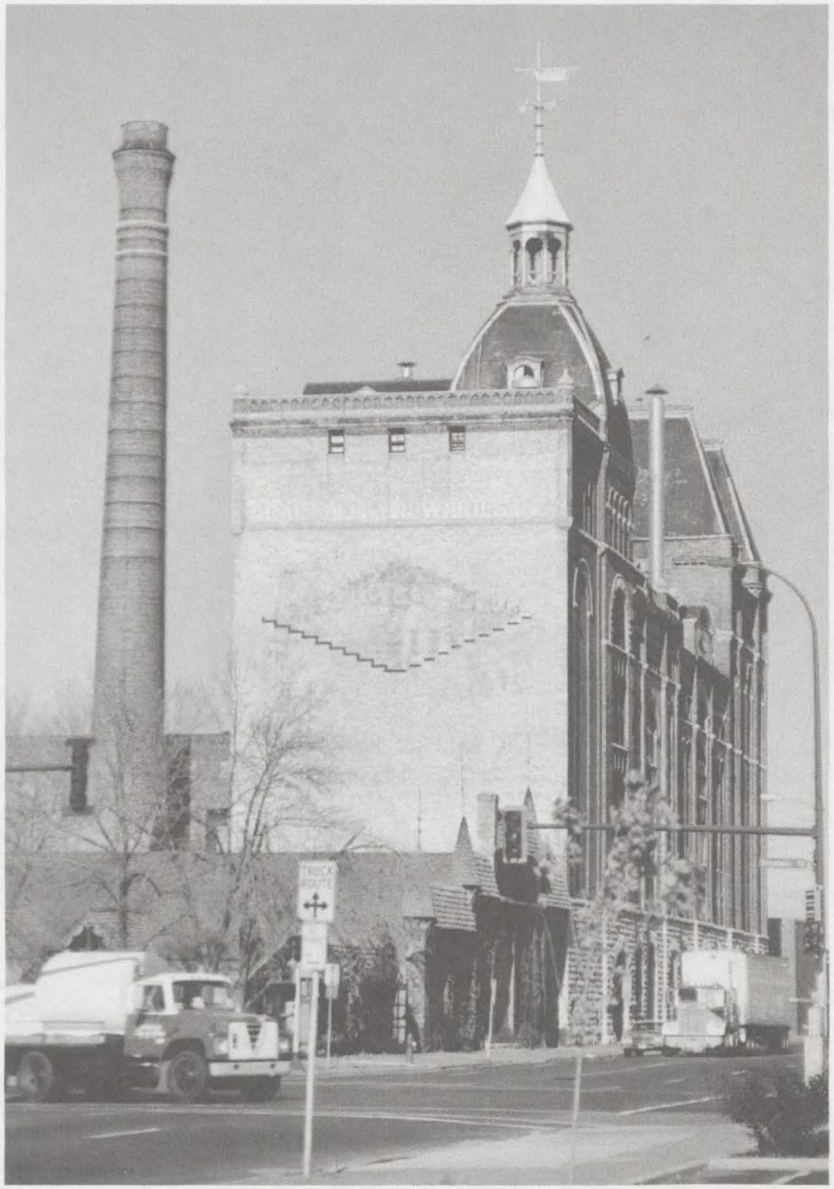
A THEORETICAL FRAMEWORK FOR INTERVENTION

While the foregoing analysis suggests that Minneapolis and St. Paul have developed successful institutional mechanisms to balance supply and demand in their central city land, we have not yet offered an explanation of how the land market functions. A recent literature review on this subject highlights several theories about vacant urban land: why certain sites cease being used; why certain properties continue to remain vacant; and why vacant land (and structures) fail to have interim uses (Cameron, Monk, and Pearce 1988). While this theoretic discussion is based on experiences in the United Kingdom, some aspects of it may be relevant to the Twin Cities.

Any serious discussion of vacant land must draw distinctions between land that has never been used, and land that was once used, but now that use has ceased, leaving either a cleared site or an abandoned building. In Minneapolis and St. Paul, the bulk of the vacant land supply consists of parcels that fall into the second category. Land will be in the first category for very explicit reasons: 1) the land has been too costly to develop, 2) it is environmentally sensitive and has been legally protected, or 3) the land is "excess property" and not yet needed for urban uses. St. Paul, in the early 1950s, had an abundance of land that had never been used, but today that inventory has shrunk to a relatively small area in the southeastern corner of the city. Almost all of St. Paul's environmentally sensitive lands are owned either by the county or the city. In Minneapolis almost none of the vacant land is land that has never been used.

The models reviewed by Cameron, Monk, and Pearce, to explain the pattern of uses ceasing on formerly improved land, make the important distinction between publicly-owned vacant land (primarily "left overs" from renewal schemes or infrastructure projects) and private sector land (sites with supply constraints such as poor location or inappropriate size, sites held for future speculation, or sites where there have not been financial pressures to develop). Forces that explain the cessation of use are broadly divided into four.

1. **Economic obsolescence**. A falling demand for land results from macro-level economic changes, as national or international markets and new technologies precipitate changes in the local economy. Both Minneapolis and St. Paul contain examples of these forces at work. The many closed grain elevators resulted from a decision to shift flour milling to Buffalo and other St. Lawrence Seaway ports. Abandoned railroad lines and freight depots attest to the replacement of rail transport by long distance trucking. And several prominent closed breweries reflect the consolidation of this industry into a few massive nationally-advertised brands.
2. **Locational obsolescence.** A further demand deficiency shifts competitive advantage to other locations. This factor is probably best typified by the post-war migration of purchasing power and retailing activity from central cities to nearby suburban communities. Both St. Paul and Minneapolis have fought the trend, using tools such as tax increment financing to redevelop downtown and vigorous subsidies to create new transportation links, but with only partial success.
3. **Physical obsolescence.** Buildings and sites can become obsolete because of lack of maintenance, because they are too small to be developed, because of changing accessibility, or because buildings do not comply with modern code requirements. Blighted neighborhoods that were cleared during urban renewal projects clearly exemplify these forces, as do the warehouse districts on the edge of both Minneapolis and St. Paul, though the warehouses have now been discovered by artists, boutique owners, and restaurants in the market for low-cost space.
4. **Social forces.** Both supply and demand factors can alter a property owner's commitment to a site, and simultaneously reduce the market for adjacent properties. Contemporary examples include abandoned houses and crack houses in



The Grain Belt Brewery in Minneapolis is the centerpiece of one of the city's largest intact vacant industrial sites.

inner city neighborhoods. They erode the confidence of both consumers and financial institutions in these areas. The demand for housing in such neighborhoods may be further reduced by demographic shifts, compounding the physical problems and leading to further abandonment.

An explanation for the continued vacancy of land parcels that are cleared of earlier improvements can similarly be divided into problems of supply and demand. Land hoarding by owners, unrealistic plans or expectations, regulatory controls, lenders' perceptions of high risk, and lack of information on the land market, all affect the supply side. Whereas, on the demand side, there may be no buyers because the economy is down or because the particular site is not well located. The Minneapolis and St. Paul inventories contain many examples of these forces: land hoarding by railroads, lack of demand for several high value downtown sites that are in "temporary" use as surface parking, multiple small vacant sites that cannot be assembled into marketable properties without city assistance. Both cities have recently become more savvy about public acquisition and clearance; action is now restrained until there is a demonstrated market demand for an acquired and cleared property. Consequently, the vacant land inventory created by public action has become relatively small.

The United Kingdom economists identified the system of local government as a negative force with respect to vacant land, claiming that the public sector in Great Britain is responsible for keeping an excessive inventory. This is clearly not the situation in the Twin Cities, and in most of the United States. There are many factors that complicate the British system: particular planning hurdles, the practice of public sector land banking, and the peculiar situations of local British authorities, where they are almost totally dependent on central government capital to support local development and are frequently disinclined to carry out development. None of these factors carry as much weight on this side of the Atlantic. To be sure, public agencies like PED, MCDA, and the St. Paul Port Authority are carrying some excess land inventory, but our data show that it is relatively small. For the most part, Twin Cities' elected officials are actively pro-development, often working aggressively with private developers to

This remnant of land in the Near Northside of Minneapolis was cleared during the urban renewal period.

reduce their inventories of vacant land as quickly as possible. Local governments here are more likely to be part of the solution rather than part of the problem.

THE VACANT LAND MODEL

After analyzing the data on Minneapolis and St. Paul we constructed a transactional model of the current system for re-absorbing vacant land into the market (Figure 2). This model emphasizes a complex set of stakeholders with vested interests in or incentives for moving the land into reuse. The cessation of use, and the factors which propel vacancy, are comparable to those described above and operating in the United Kingdom; the emphasis on stakeholders and their roles in reabsorption of the land is different.

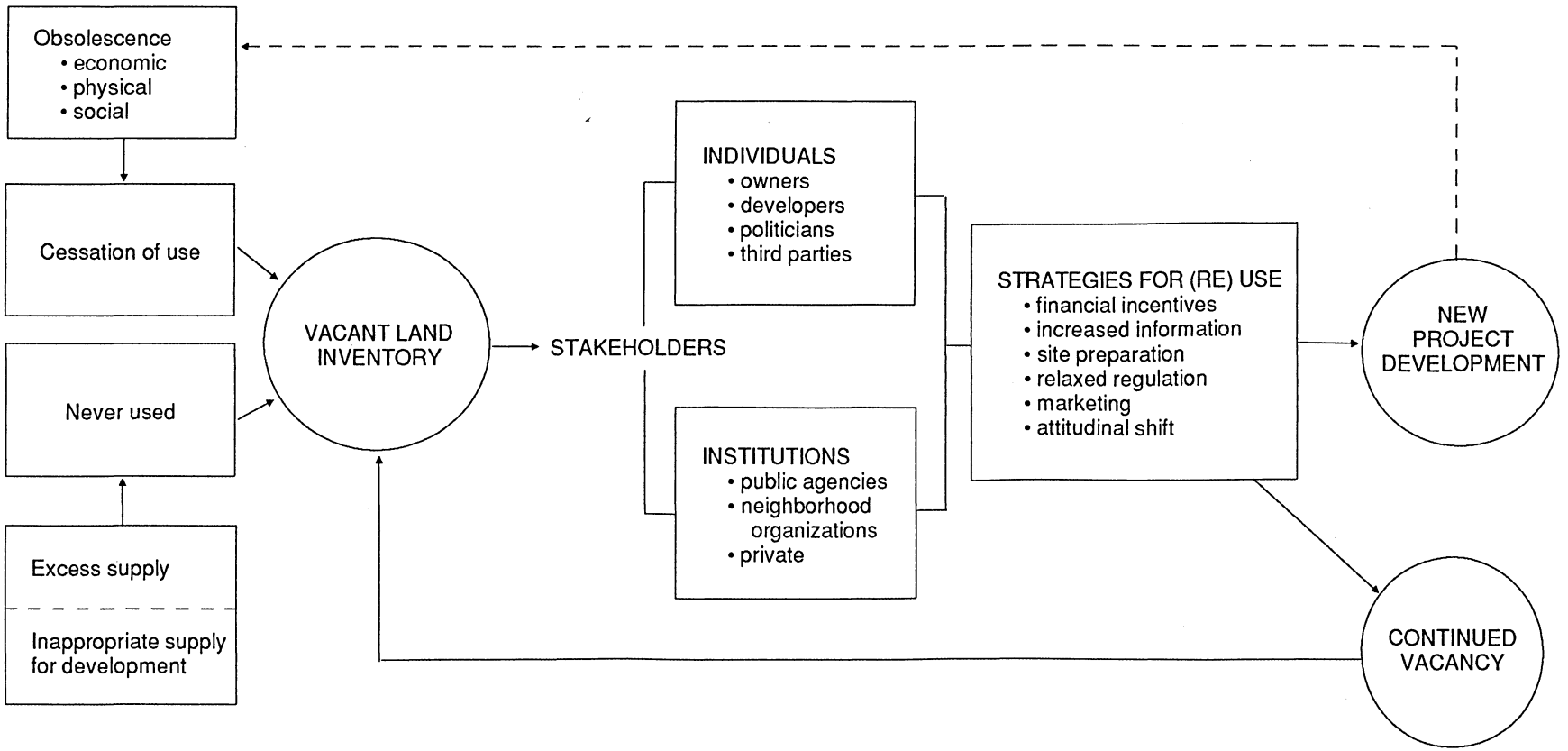
We assert that the land market will function efficiently only when vacant property becomes the focus of entrepreneurial activity—both for public and private stakeholders. The public sector will be attempting to protect neighborhood quality, to enhance the tax base, to create new jobs, and to accommodate varied constituencies. The private owners are more likely to center on financial gain or prestige and recognition for their accomplishments. Financial institutions will seek to avoid risk and loan default. For all of these stakeholders perception of the market demand will be colored by their goals. The linkage of diverse goals among interested stakeholders has long been the objective, but stakeholders may either facilitate or constrain new development depending upon their view of the risks involved. A large part of the public sector's activity in this sphere has been to reduce the risk for the private sector. A neighborhood's interests can be at direct odds with a city council's interests in expanding the tax base; competition for financial subsidies or for relaxed planning controls can favor one location over another. The outcomes under this model are conditioned not only by market forces but also by the achievement of intended goals.

CONCLUSIONS

Chisholm and Kivell's description of United Kingdom cities accumulating large inventories of vacant, derelict, or abandoned properties stands in marked contrast to the Twin Cities where, for example, vacant sites represent only 2 percent of the total market value of land in Minneapolis. Several disparate factors contribute to the active and seemingly well-functioning local land market: the moderate size of these two cities (350,000 and 250,000 residents respectively); their diversified economic bases; the relatively low incidenceof poverty; and the presence of entrepreneurial local governments. There are few large developable or improved sites that have ceased being used, have been cleared, and held off the market. Because abandoned structures (such as Minneapolis' Grain Belt Brewery) and the inventory of abandoned houses are excluded from this specific study, it is not fair to conclude that an equilibrium between supply and demand exists. Indeed, from this study we conclude that the under-used or abandoned properties in the cities are more critical land market issues than the inventory of cleared or never used sites.

One obvious question that this study raises is why the St. Paul vacant land inventory, which is proportionately larger for both publicly-

Figure 2. FRAMEWORK FOR CREATION AND ABSORPTION OF VACANT LAND



and privately-held land, is almost four times larger than the Minneapolis vacant land inventory. Answers to this question are not mysterious. First and foremost is the differing topography and the extensive amount of environmentally fragile land in southeastern St. Paul. Extensive acreage has been acquired for the Ramsey County open space system in this part of the city and it still remains as unimproved property. Another factor is the larger railroad holdings and never developed residential land in this same part of St. Paul. The St. Paul Port Authority holds significantly more vacant land than MCDA in Minneapolis, although both agencies see the undersupply of a vacant land inventory as a significant deterrent to expanding the local property tax base.

Despite the fact that almost two-thirds of the combined vacant land inventory is owned by public agencies, there is no evidence of land hoarding by public bodies. By far, the largest portion of the publicly-held inventory is not considered "developable." A large number of extremely small parcels are either vacated streets and alleys, or remnants of early urban renewal projects and highway rights-of-way. The inventory of land held by city development agencies is, for the most part, being actively marketed for both residential and non-residential uses.

Two examples of market inefficiencies have been identified. The first is railroad properties in both cities. Little incentive exists for the railroad companies to divest themselves of any surplus land, since they pay no property taxes on most of it. Instead, taxes are levied on gross earnings of these companies. This is not to infer total indifference toward incorporating some vacant railroad property into the productive land market. As described earlier, St. Paul's Energy Park and Minneapolis' Kasota Industrial Park both included former rail owned property, and the Cedar Lake abandoned rail yards are about to be acquired and incorporated into the Minneapolis park system. A significant proportion of the larger parcels of privately-held vacant land, however, is still owned by rail companies.

The second market inefficiency is the surface parking lots in the central business districts, particularly in Minneapolis. Most of these sites are remnants of 1950s and 1960s renewal projects, and they account for three-quarters of the market value of Minneapolis' privately-held vacant land. Carrying an average market value of just under $13 per square foot, these sites are underused, but the income generated from surface parking offers the current land owners a profitable use. It is thus not clear whether the lack of demand for a more intensive use or the lack of incentive to market the property is the more dominant force maintaining surface parking lots.

Both cities have created strong public agencies that foster new development on vacant and cleared sites. These agencies have been particularly successful where sites could be offered without obsolete structures, and they have aggressively used their powers of eminent domain as well as their abilities to write-down site costs in order to promote development. During the past two decades most local governments have become more entrepreneurial, and Minneapolis and St.

Industrial and commercial infill have replaced former rail land along Energy Park Drive in St. Paul.

Paul are no exception. Each has moved away from a more passive role of acquisition and infrastructure improvements, to an active partnership as investor or co-developer with the private sector. As development attention in the past two years has shifted to the problems of neighborhoods, both cities are creating new institutional mechanisms to remain apace. The great challenges for both cities now will be to stem the growing tide of abandoned or foreclosed dwellings. The social concerns that accompany this particular problem make it one that amounts to much more than a simple land market issue.

Unlike larger United States cities such as New York, Detroit, or Chicago, the central cities of Minneapolis and St. Paul have not yet been faced with massive economic dislocation, extreme poverty, or a large number of physically obsolescent structures. Here the vacant land inventory can be viewed as an opportunity rather than a threat to the economic well-being of the community. While the urban renewal programs of the post-World War II years were able to recycle large amounts of deteriorated inner city land, state and local governments later instituted additional replacement mechanisms as the federal government withdrew monies for this type of activity. Consequently, a solid basis of intervention and action has long been in place. Unlike the Chisholm and Kivell study, we cannot say that serious supply-side inefficiencies prevail with respect to the amount and distribution of vacant land. We conclude that effective institutional mechanisms have been created to make the public sector a valuable partner with private land owners in the redevelopment process.

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APPENDIX

Map 22. BASE MAP OF MINNEAPOLIS AND ST. PAUL

CURA

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