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Trends in Industrial Development

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Trends in Industrial Development

Introduction

This paper is a snapshot of the state of industrial development at the local level in Massachusetts. Based on our industrial planning research and planning projects in more than fifty Massachusetts cities and towns, this article focuses on key trends that we have observed and offers a series of key action steps that can be taken to help correct the noted problems. The premise to the paper is simply that we, as planners and citizens, have neglected our industrial resources and are therefore endangering our economic base.

Indeed, conditions have reached the point that rarely can we find a 100 acre contiguous parcel of land, with water and sewer services, that is environmentally clean and has direct access to major highways without passing through a residential neighborhood. The mismatch between land zoned for industry and that usable for industry can be clearly seen in the findings of a recent study that analyzed land zoned for industry in the Pioneer Valley. This study concluded that only 6% of all land in the Pioneer Valley was zoned for industry. Of this 6% only 15% (0.9% of all land) were in proper industrial uses while 28% (1.68% of all land) were in other conflicting uses (i.e. water bodies, residential or commercial uses). This left approximately 58% of all industrial zoned land available for future industry. Further analysis of physical and locational factors for the available land brought the total down to a mere 17%. Thus, only 17% of all land zoned for industry in the Pioneer Valley is actually usable for industrial development. This pattern, unfortunately, can be found in other parts of the State as well.

Key Trends on Industrial Land

Throughout our industrial planning activities, we see certain trends. It is important to note that they do not occur in every community; however, they do occur with enough frequency to raise alarm. These trends are discussed below.

There is a tendency to remove land from industrial use across the Commonwealth. The absorption rate and the buildout rate for industrial land is slower than that for commercial or residential property. Thus, there is often pressure placed by land owners on a community to change the uses such that they can get a quicker return on investment. Community consensus is also easier to obtain for residential developments than for industrial projects.

There is a historic tendency to place land unsuitable for other uses into the industrial category. Historically, parcels along rivers and streams were zoned for industry as it depended on water power. Unfortunately, today, much of that land lies within the flood plain and is unusable. As well, increased environmental awareness coupled with stringent laws for wetland protection, buffer zones and protection of aquifer recharge areas have removed much land from consideration. Land zoned for industry also needs to be visible and, therefore, leftover land in the far corner of the town is not always desirable. Industrial land needs to be within close proximity to the interstate highway system and
within 30 minutes of an airport. Arterial roads need to have a level of service capable of handling additional traffic. Furthermore, the perception of industry as being environmentally unclean and incompatible with the overall character of a community is clearly reflected in many towns’ zoning.

Ownership characteristics and site constraints are critical to the development potential. In order to maximize the potential of development, a minimum of 25 contiguous acres of land is required in most of our communities. Development is also facilitated when the contiguous acreage is in one ownership. Land assembly can be a tedious and expensive task. Physical constraints such as soils and slopes dictate the density and pattern of development. Soil types not only determine the load bearing capacity but also regulate sanitary facilities and excavation requirements and costs. Slopes of greater than 15% are considered unsuitable for development. If industry requires rail sidings, the slopes have to be less than 3%. By the time all these factors are examined, it is not uncommon to find industrial parcels that have lot coverage of under 20%.

There is a tendency to decrease the Floor Area Ratio (FAR) or percentage of building coverage on industrial land. In an attempt to hide or blend industry, communities stipulate high site design standards. High standards for noise and visual buffers, landscaping, and height and mass of buildings reduce the allowable FAR on industrial property. The “campus like” setting of new industrial parks, although aesthetically pleasing, adds a cost dimension to industrial developments. The net result may be an expansion of the tax base but if a community needs jobs, such tight controls may need to be reexamined in order to generate more jobs per acre of land.

There is a great concern over allowing industry “by right”. Communities fear that they will lose control over which industries locate in the area if industry is allowed ‘by right’. This concern has reached such a high pitch that the City of Springfield has no available land designated for industry today.

Land use compatibility plays an important role. Industry will rarely locate in close proximity to residential developments. Furthermore, cumulative zoning often allows residential development to occur within industrial zones. This not only reduces the supply of industrial land, it also restricts the use of the remaining contiguous land for industrial uses because of the inevitable conflict that will occur between residents and industrial firms.

Hazardous waste and ground water contamination is a strong deterrent to welcoming industry. Much of the land previously used for industrial purposes is rendered unusable for future use by the laws for environmental cleanup. These laws state that the land may not change ownership or no new facility may be sited unless all hazardous waste is cleared from the site.

This is a long and expensive process. For example, there are more than fifteen mill sites in the North Berkshire that are vacant. All require environmental cleanup which owners cannot afford. These buildings, with more than 1,200,000 square feet, are likely to continue to decay and will rapidly become candidates for demolition. While hazardous waste cleanup laws are important, this economic consequence of such laws has perhaps not been considered in enough detail by policy makers.
Communities with adequate infrastructure and waste disposal capacity are at an advantage. Sewer and water capacity are often used as a growth control mechanism. If lands zoned for industry do not have water and sewer adjacent to, or on the site, the likelihood of development is minimal. Waste disposal facilities are becoming increasingly important in light of the strict environmental and waste disposal regulations.

Industrial development is a “hard sell” to communities. In previous times, planners were able to sell industrial development on the grounds of increased jobs and increased tax revenue. The argument of local jobs for local people is increasingly challenged. We are now a state of commuting workers and therefore residents of a particular community may not actually work in a new industry that moves to their town.

The expansion of a community’s industrial base is rarely adequately addressed in local master plans. In many cases this may be attributed to the lack of understanding as to what elements should be included in an economic or industrial component of the master plan. In other cases, it may simply be that industry is not desired.

Key Trends on Existing Industrial Buildings

Communities often question why they need to zone vacant land for industrial purposes when they have a surplus of vacant or underutilized mill space. While it is true that these mills offer inexpensive space for starter industries and are sometimes easy to renovate, there are some real problems that need to be addressed. They are discussed below.

Recent industrial production trends lean towards a more horizontal orientation in buildings. Multi-storied mill buildings are unsuitable for such processes. Furthermore, the floor bearing capacity of upper floors is frequently incompatible with the requirements of modern industry.

The modernization of older buildings is not inexpensive. Even when the building is structurally sound, repairs such as repointing the brickwork and repairs to the roof can be expensive. In most cases elevators need to be upgraded to meet OSHA standards, the heating, electric and sprinkler systems need to be replaced and the floor space reconfigured to meet new demands. Furthermore, we know from experience that if the mill building has not been used or maintained for two years, it is too expensive to renovate.

A large number of these mills are located in the flood plain. This makes renovation or changes to the original structure increasingly complicated, time consuming and expensive.

Few old mill buildings are environmentally clean. Concerns for asbestos and hazardous materials require these buildings to be certified as environmentally clean before any sale or new financing can take place. Environmental cleanup, in most cases, is an expensive and lengthy process.

Old mill buildings are often too large for the demand. As a majority of the clientele for these mills are small starter firms, it is difficult to find one company to occupy the whole space. This leads to the need
to partition the space and reconfigure the central heating system. This further leads to the question of who maintains and pays for the unutilized portion of the building.

These old mill sites are rarely well served by highway networks. Most of these buildings are located in the older, congested parts of town. Service to these mills by 18 wheelers can pose a problem not only to the internal roads but also to the neighborhoods surrounding the mill. There is little or no room to expand the loading/unloading facilities or parking lots to meet increased demand.

Good mill buildings succumb to short term speculation. Those structures that are suitable for rehabilitation are often converted to other uses such as condominiums, affordable housing or retail uses. As there is a faster rate of return on such development, speculators would opt for that route rather than wait to reuse the mill for industrial purposes.

Recommendations

Given the above trends, we recommend the following action steps to work toward a positive industrial future: Prepare an Overall Economic Development Plan (OEDP) or a Thorough Economic Development Component in the Comprehensive Plan. This would provide the opportunity to collect information on employment trends, characteristics of the workforce and the health and future of industry located in the community. This data is essential to any viable long term economic development plan. We often recommend that communities build upon their strengths. The preparation of an OEDP would not only help analyze those strengths but the incorporation of an OEDP within the local comprehensive plan also signifies a community’s dedication and desire to promote industry.

Prepare an Early Warning System. Unexpected closure or layoffs can be devastating to a community. An early warning system should be developed that would provide indicators for the community well before the business collapses.

Develop Site Visitation Programs. These programs build positive relations between industrialists and the governmental boards. It is one way of showing the industrialists that they are wanted and appreciated in the community. These programs also act as early warning indicators as they spot issues that might be easily correctable. It is surprising how grateful industrialists are when a community takes an interest in their corporate wellbeing.

Take a hard look at land currently zoned for industry. It is important to know how much of the land zoned for industry is actually usable. Factors such as extent of wetlands, degree of slopes, soil composition for drainage as well as bearing capacity purposes should be known prior to marketing efforts. Industrial lands, when pre-cleared of environmental constraints and wetland protection regulations, tend to be far more attractive and likely to move much faster than land that is not pre-cleared.

Industry should be provided with options ranging from developing “by right” to developing under special permit with site plan approval. It is imperative that the typical community provide options for industrial development. In cases where industry can be sited without any negative impacts, there is no reason
why it should not be allowed by right. In cases where there are potentially negative impacts, it would be better to place it under special permit. In other cases, when the setting is unique, site plan approval would be in order. The key, above all, is to insure that the options reflect the setting, the community’s concerns and the level of planning sophistication available in the city or town.

Establish strong performance standards. Communities have realized that simply determining land uses and densities are insufficient methods for protecting health and safety. For this reason they should add “performance standards” to their local regulations. Performance standards, at the most basic level, are designed to control the developments in terms of potential noise, air and water pollution, vibration, smell and waste. Beyond this, communities should also develop performance standards concerning lot coverage, parking and roads, infrastructure and design/community character. When performance standards are clearly set, they ensure good development in accordance with the community’s goals.

Know the capacity of your infrastructure systems. Communities need to keep pace with infrastructure and service demands. Industry pays attention to factors such as proximity to major highways and quick and easy access to raw materials and suppliers. Other considerations would include highway frontage, accessibility, visibility, drainage capacity as well as power, sewer and water availability at reasonable rates.

Specify the approval process: Regardless of the kind of permitting process a local government requires, companies would like it to be predictable. Industry wants to know what to expect and prefers regulation to open-ended policy statements. Lengthy approval processes or uncoordinated permitting procedures are detrimental. Local governments that provide “one stop shopping” are at a distinct advantage. Another key element would be a pro-business climate. The attitudes of the local government, its regulatory agencies, local companies and community leaders and residents, is usually a good judge of the business climate.

Gain knowledge on available tax incentives, the role of financial institutions and other funding programs: Subsidies through the tax code, usually in the form of investment tax credits and accelerated depreciation allowances, provide added incentives to companies looking to relocate. Financial assistance in the form of greater access to risk capital or venture capital in the innovation, generation and re-tooling phases can be of great help to a small company with rapid growth potential.

Local Industrial Commissions need to be revived and empowered: There has been a major decline in such commissions across Massachusetts. Unless they are provided funds, professional assistance and powers to influence local decisions, there will be no local spokespeople for industrial development. It is often this group that can best resolve neighborhood issues before they become ideological problems.

Conclusions

Massachusetts communities are approaching a period where difficult decisions will be required. Due to past anti-industry policies by the majority of cities and towns in the Commonwealth, the state is now in a situation where there is little attractive land available for industry. Citizens and local government officials need to recognize that the cumulative impacts of their past decisions will affect the future
economic viability of this state. A continuing “No Industry in My Town” syndrome will only weaken our national and international competitiveness and make more severe future recessions such as the one we are now experiencing. Local zoning and industrial policies truly do affect the broader economy and amending those policies is a very direct way for Massachusetts citizens to help rebuild our state.