

### Assessing the Investment:

## The Economic Impact of the Great Lakes Restoration Initiative

# A Case Study of Duluth, Minnesota / Superior, Wisconsin

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In Duluth, MN, and Superior, WI, Great Lakes Restoration Initiative-funded improvements have been an influencing factor in numerous economic benefits including:

- **Tourism:** Hotels have proliferated along Duluth and Superior's waterfronts, with the total number of hotel rooms increasing 10 percent over a decade.
- Residential Development: A \$38 million mixed-use development opened in Duluth in 2017, and several other major residential projects are planned.
- Recreation: Interest in water-based recreation has surged, prompting the approval of a \$50 million park investment plan.

When Superior, WI mayor Jim Paine was growing up near Superior's Billings Park, being able to swim safely in the St. Louis River off the park's shores was a thing of the past. Throughout the early and mid-20th century, the park featured a swimming beach – but it was permanently closed in 1975 due to contamination of the St. Louis River.

Both in Superior and in Duluth, MN – Superior's larger neighbor across the river – industrial and municipal sewer discharges led to bottom sediments being contaminated with high levels of heavy metals, PCBs, dioxins, and polyaromatic hydrocarbons. Hundreds of thousands of cubic yards of wood waste from local sawmills choked fish and wildlife habitat in some areas. Fish consumption advisories were issued for the river and Lake Superior, and bacterial contamination of the water forced the closure of the Billings Park beach and others in the area.

However, residents of the "Twin Ports" are starting to view and benefit from their local waterways in new ways after the initiation of \$60 million in Great Lakes Restoration Initiative-funded projects. Numerous GLRI-funded projects in the area have included the dredging of 300,000 cubic yards of contaminated sediment in Duluth-Superior Harbor; the cleanup and restoration of 257 acres of wildlife habitat at Grassy Point, Kingsbury Bay, and Perch Lake; and the creation of 350 acres of new habitat using uncontaminated sediment at the 21st Avenue Embayment.

That's brought about a variety of positive economic impacts for the Twin Ports, including increased activity around water-based recreation, the opening of new waterfront businesses and real estate developments, and renewed interest from millennial residents.

Paine says the communities are experiencing a "reclamation of space and experience" as water-based recreation at Billings Park and other sites around the community have again become a safe possibility.

"The only way I can describe it is that we're able to get access to waterways back that we had previously lost," he says. "Access to water has become one of the most significant factors for the community. It affects our marketing. It affects the quality of life. It's dramatically increased the public's consciousness."

#### Hotels replace heavy industry

Where waterfronts were once dominated by industrial sites in the Twin Ports, waterway improvements have drawn a variety of new waterfront commercial and real estate developments to the area. Perhaps the grandest of them is Duluth's Pier B Resort Hotel, a \$32 million project opened in 2016. The 27-acre hotel, restaurant, convention space, and boat launch is a redevelopment of a former shipping pier. State and local agencies contributed \$5.5 million to the site cleanup, enabling waterfront development where it wasn't possible before.

"You now have a marina there capable of docking 20 boats and a restaurant so people are able to boat in and use the docks of the restaurant," says Sandy Hoff, vice president of Duluth-based F.I. Salter Real Estate Services and one of the lead developers behind Pier B. "There was a contaminated site that was not productive, and now it's providing significant recreation opportunity."

Although Pier B is the most prominent example of waterfront hotel development in the Twin Ports in the last decade, it's not the only one. The area has seen a proliferation of new hotels along its waterways, including the Park Point Marina Inn in Duluth in 2014 and the Hampton Inn by Hilton in Superior in 2017.

These developments increased the number of hotel rooms in Duluth by 10 percent between 2006 and 2016. A corresponding increase in tourism jobs followed suit. On average, leisure and hospitality jobs

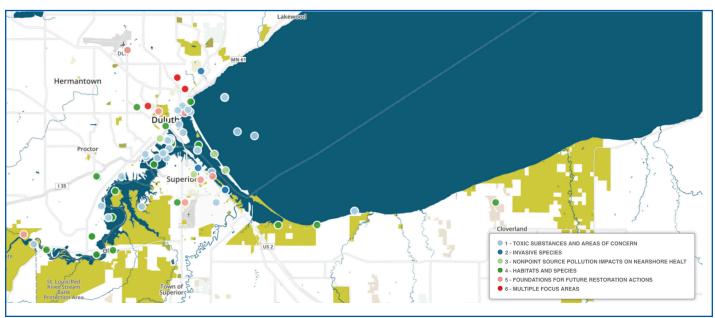
in Duluth have increased by 4.4 percent between 2008 and 2017. Tourism tax revenue in Duluth also doubled in the last decade, hitting a high of \$11.62 million in 2017.

The Twin Ports' waterfronts have seen residential development as well. ENDI, a \$38 million mixed-use development, opened in 2017.

Cleaner waterways and more desirable waterfront real estate have also played a role in the rise of a Twin Ports craft brewing and distilling industry centered almost entirely on the water. Since 2013, four breweries and a distillery have opened in the area. These include Canal Park Brewing Company, Bent Paddle Brewing Company, Hoops Brewing, and Vikre distillery in Duluth and Earth Rider Brewery in Superior. All are located either on or very near the waterfront, and Paine notes that multiple brewery owners he's spoken to have "specifically cited the quality of Lake Superior water" as a reason for opening their businesses.

More waterfront development is on the way for the Twin Ports. The 86-unit F Street Apartments is currently planned in Superior, and Duluth's Kayak Bay Village project proposes to bring a 26-acre mixed-use development with kayak access and trails to the St. Louis River. Hoff says the latter project, and others throughout the Twin Ports, are directly linked to GLRI cleanup efforts.

"I believe – why, I know – the Pier B Resort Hotel project would not have occurred without this waterway cleanup happening," he says.



Great Lakes Restoration Initiative projects around Duluth, MN and Superior, WI.

#### An outdoor culture develops

Waterway cleanup in the Twin Ports has also catalyzed a renewal of interest in water-based recreation both among local residents and tourists. Tom Howes is the natural resources program manager for the Fond du Lac Band of Lake Superior Chippewa. He says that while many people "generally avoided" water-based recreation in the area for years, there's now a "really vigorous outdoor culture developing" in the Twin Ports.

"In the last six or seven years there are now people that are doing paddleboard yoga in the estuary, which was never a thing," he chuckles. "I think there's just a different feeling about that area in particular."

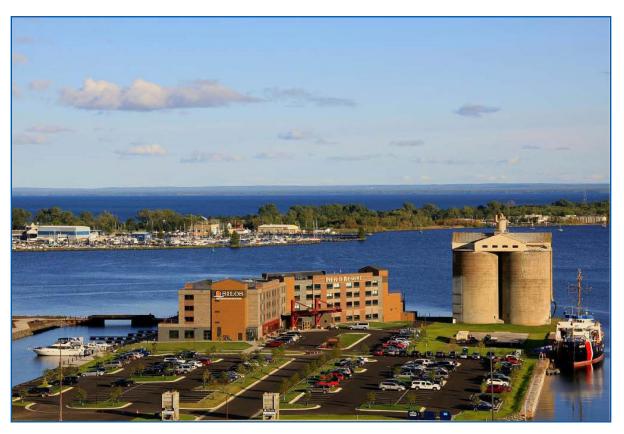
Waterway improvements have in some cases directly opened up new recreational opportunities, as in the case of a 2015 restoration and improvement project at Duluth's Chambers Grove Park. With \$650,000 in

"The Pier B Resort Hotel project would not have occurred without this waterway cleanup happening." GLRI funding, the project restored fish habitat at the waterfront park and also established a new canoe and kayak launch.

Overall improved perception of Twin Ports waterways and increased interest in water-based recreation have also led to numerous other recreational improvements in the area. In 2016 the city of Duluth approved the St. Louis River Corridor Initiative, a \$50 million park investment plan. Duluth is also currently awaiting National Park Service approval of its plan for the St. Louis River Estuary Water Trail.

The city of Superior has acquired one new public boat launch and significantly renovated another since GLRI funding implementation. North Shore SUP, a stand-up paddleboard rental business, relocated to Superior from Duluth in 2017 and realized a seven percent increase in its number of customers from 2016 to 2017.

Anecdotally, local stakeholders also note a major change in public perception of the safety of eating fish caught from the St. Louis River. Heidi Timm-Bijold, business resources manager for the city of Duluth, says the change is most apparent in the crowds who now come out each year for the opening day of fishing season in Duluth.



Pier B Resort in Duluth. Credit: City of Duluth.

"I see people out there on the St. Louis River fishing on that day of all ages, children to elders," Timm-Bijold says. "I think people must be feeling increasingly comfortable with the notion of interacting with the river. The GLRI is the steadfast force behind the funding that we have for the cleanup of the river."

"Our overall quality of life is drawing millennials' attention. People want to stay and figure out how to live here or how to move here."

#### More millennials

Revived interest in the Twin Ports' waterways has also brought an increase in the community's millennial population. Both cities have experienced growth in their percentage of residents aged 20 to 34 between 2010 and 2016. Both cities have above-average concentrations of millennials for their states. Millennials make up 27.4 percent of Duluth residents, compared to 20.4 percent at the state level. In Superior, they make up 24.4 percent of the population, compared to 19.6 percent of the state population. In the the Duluth, MN-WI Metro Area, the population aged 25 to 34 with at least a bachelors degree increased almost twice as fast as in the U.S.

overall (47.1 percent compared to 25.8 percent).

Paine says the city of Superior conducted a series of listening sessions this spring, which were heavily attended by millennials and revealed a very clear reason for the generation's increased interest in the Twin Ports.

"Identification with, quote, 'the lake' was the number one response across the board across all demographics, but especially millennials," he says. "So the connection to the sense of place is certainly resonating with millennials."

And it seems likely to continue resonating in the Twin Ports for years to come.

"I think our recreational amenities, the investments that have gone into those, and just our overall quality of life is drawing millennials' attention," Timm-Bijold says. "People want to stay and figure out how to live here or how to move here."

Information included in this case study was provided by the interviewees or obtained from the American Community Survey (2010, 2016); or other data sources.

This case study is part of a project entitled "Assessing the Investment: The Economic Impact of the Great Lakes Restoration Initiative" (September 2018).' A summary report and other documents for the project are available at https://www.glc.org/work/blue-economy/GLRI-economic-impact.

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