
Curbing Industrial Decline or Thwarting Redevelopment?

*An Evaluation of
Chicago's Clybourn Corridor,
Goose Island, and Elston Corridor
Planned Manufacturing Districts*

A Report Prepared by:
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ABOUT THIS REPORT

This report was produced at the University of Wisconsin-Milwaukee Center for Economic Development (UWMCED), a unit of the College of Letters and Science at the University of Wisconsin-Milwaukee. The analysis and conclusions presented in this report are solely those of UWMCED and do not necessarily reflect the views and opinions of UW-Milwaukee.

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EXECUTIVE SUMMARY

During the late 1980s, the City of Chicago initiated an innovative policy to preserve manufacturing employment in a rapidly gentrifying area on the city's Near North Side just north of Goose Island. In 1988, a 115-acre area between Clybourn Avenue and the Chicago River (the "Clybourn Corridor") was designated as a Planned Manufacturing District (PMD). A PMD is a special zoning designation which places significant restrictions on the rezoning of industrial land for non-industrial uses. PMDs are intended to preserve manufacturing jobs by protecting industrial firms from encroachment by land uses incompatible with manufacturing. In 1990, the Goose Island and Elston Corridor PMDs were established nearby.

This study evaluates the performance of these three PMDs during the period from 1988-2004. The study's principal objective is to determine how effective these PMDs have been in retaining manufacturing businesses and jobs. While Chicago now has a total of 13 PMDs, the majority of them have been in existence for less than two years. PMDs that have been in place for 15 years or longer may provide valuable lessons that can be applied to the city's newer PMDs and to areas where the creation of PMDs is under consideration. The study's principal findings are as follows:

In terms of overall business and job creation and retention, the PMDs have performed well. From 1988-2004, the number of businesses in the PMDs increased from 255 to 356, while jobs increased from 6,588 to 7,415. More troublesome is the performance of manufacturing in the PMDs during this period. Both manufacturing jobs and businesses experienced a sharp decline. This means that all the net growth in businesses and jobs in the PMDs from 1988-2004 occurred in sectors besides manufacturing. At the same time, manufacturing in the PMDs has recovered in recent years after bottoming out during the late 1990s.

Of the three PMDs, the Clybourn Corridor has fared the worst in terms of industrial retention. Despite the establishment of the PMD in 1988, the Clybourn Corridor has transitioned from a largely industrial area to a retail area. For every new retail job created during the 1988-2004 period, roughly one manufacturing job was lost.

The Goose Island PMD has performed the strongest of the three PMDs. Jobs on Goose Island rose from 1,256 in 1988 to just over 2,000 in 2004. Manufacturing did not fare as well as

other sectors, however, with employment falling from 406 workers in 1988 to 310 workers in 2004. A worker on Goose Island today is more likely to be employed in a warehouse than in an industrial firm. The decline of value-added activities on Goose Island and in the other PMDs has likely affected the earnings of workers in a negative way.

The industrial retention performance of the Elston Corridor PMD has been comparable to Goose Island, with manufacturing experiencing a decline from 1988 to 2000 but showing signs of recovery in more recent years. Confidence in the PMD among Elston Corridor stakeholders is weak in places. Vacant property in some locations has created the perception that the PMD is no longer working effectively.

The Clybourn Corridor, Goose Island, and Elston Corridor PMDs have not been problem free, but our research indicates they remain fundamentally sound. Moreover, they appear to be necessary to protect certain property owners from encroachment by incompatible land uses. City officials should continue to work with PMD stakeholders to uphold confidence in the PMDs and to better ensure that they perform their intended function of providing living wage jobs for Chicago residents.

INTRODUCTION

One of the most troublesome economic developments in American cities since World War II has been the exodus of industrial firms from central cities. Until the mid-20th century, manufacturing was the lifeblood of cities, providing living wage jobs for large numbers of city residents and representing a substantial portion of city tax revenues. Since the 1960s, however, manufacturers have fled central cities in droves, moving to suburban, rural, and Third World locations. Urban scholars such as William Julius Wilson have identified urban industrial decline as a principal cause of chronic unemployment and related social dislocations among inner-city minorities.¹

Explanations of the causes of urban industrial decline have tended to focus on the transportation and communications revolution following World War II, which gave industrial firms access to cheaper land and labor outside the central city.² More recently, globalization has reinforced this trend.³ Urban policies to preserve manufacturing are frequently viewed as ineffectual because they run counter to global economic trends that have made cities uncompetitive as manufacturing centers.⁴

There is no question that globalization has made capital increasingly mobile, and that capital mobility has contributed to urban industrial decline. Yet research shows that certain manufacturers continue to exhibit strong preferences for central city locations.⁵ Industrial sectors

¹ See William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (Chicago: University of Chicago Press, 1987).

² John F. Kain, "The Distribution and Movement of Jobs and Industry," in *The Metropolitan Enigma*, ed. James Q. Wilson (Cambridge: Harvard University Press, 1968); Leon Moses and Harold F. Williamson, "The Location of Economic Activity in Cities," *American Economic Review* 57 (1967): 211-222.

³ Manuel Castells, "High Technology, Economic Restructuring, and the Urban-Regional Process in the United States," in *High Technology, Space, and Society*, ed. Manuel Castells (London: Sage, 1985); Robert Reich, *The Work of Nations: Preparing Ourselves for 21st Century Capitalism* (New York: Random House, 1992).

⁴ Susan Fainstein and Norman Fainstein, "Technology, the New International Division of Labor, and Location," in *Economic Restructuring and Political Response*, ed. Robert Beauregard (London: Sage, 1986); Richard Peet, "Industrial Restructuring and the Crisis of International Capitalism," in *International Capitalism and Industrial Restructuring*, ed. Richard Peet (Boston: Allen and Unwin, 1987); Doreen Massey, "The Shape of Things to Come," in *International Capitalism and Industrial Restructuring*, ed. Richard Peet (Boston: Allen and Unwin, 1987).

⁵ See, e.g., Joel Rast, *Remaking Chicago: The Political Origins of Urban Industrial Change* (DeKalb, IL: Northern Illinois University Press, 1999); Sharon Zukin, *Loft Living: Culture and Capital in Urban Change* (Baltimore: The Johns Hopkins University Press, 1982); David Ranney and Wim Wiewel, *The Graphic Communications Industry in the Chicago Metropolitan Area* (Chicago: Center for Urban Economic Development, University of Illinois at Chicago, 1987); Carla J. Robinson, *Analysis of the Chicago Apparel and Fashion Industry* (Chicago: Department of Economic Development, 1985).

such as printing, apparel, metalworking, and food processing are still well represented in many central cities, although manufacturers often complain that city officials are insufficiently responsive to their needs. Such evidence suggests that there is more to urban industrial decline than globalization and capital mobility.

This study focuses on a phenomenon that has received little attention in the literature on postwar urban economic change: industrial displacement. Industrial displacement occurs when land in and near manufacturing districts begins to be used in ways that are incompatible with industrial development. It occurs most frequently in near-downtown industrial centers where gentrification of surrounding properties eventually destabilizes industrial land markets and introduces new land uses, such as condominium developments, that cannot easily coexist with neighboring industry. Industrial displacement has been observed in such cities as Chicago, Milwaukee, New York City, Boston, and Portland, Oregon.⁶

During the late 1980s, the City of Chicago initiated an innovative policy to curb industrial displacement in a rapidly gentrifying area on the city's Near North Side just north of Goose Island. In 1988, a 115-acre area between Clybourn Avenue and the Chicago River (the "Clybourn Corridor") was designated as a Planned Manufacturing District (PMD). A PMD is a special zoning designation which places significant restrictions on the rezoning of industrial land for non-industrial uses. PMDs are intended to protect industrial firms from encroachment by land uses incompatible with manufacturing. In 1990, the Goose Island and Elston Corridor PMDs were established nearby.

Efforts by the City to create PMDs subsided during the 1990s. From 1991 to 2000, only two additional PMDs were established. More recently, however, city officials have become proactive once again in the development of PMDs. In 2004, five PMDs were created. Three more PMDs have been established this year, bringing the city's total to 13.

The reappearance of PMDs in the City's arsenal of industrial retention policies makes this an opportune time for a systematic evaluation of Chicago's oldest PMDs. PMDs that have

⁶ For industrial displacement in Chicago, see Rast, *Remaking Chicago*; Donna Ducharme, Robert Giloth, and Lynn McCormick, *Business Loss or Balanced Growth: Industrial Displacement in Chicago* (Chicago: Department of Economic Development, 1986). For Milwaukee, see Tom Daykin, "Grit in the Latte: As Third Ward Moves Upscale, Remaining Factories Feel Pressured," *Milwaukee Journal-Sentinel*, 5 August 2001. For New York City, see Zukin, *Loft Living*; City of New York, *Lofts: Balancing the Equities* (New York: City Planning Commission, 1981); For Boston, see M. Malone, "Fort Point Channel Rezoning Plan Offered," *Boston Globe*, 2 December 1987; John King, "Protecting Industry from Yuppies and Other Invaders," *Planning* 54 (1988): 4-8. For Portland, OR, see King, "Protecting Industry."

been in place for 15 or more years may provide valuable lessons that can be applied to the city's newer PMDs and to areas where the creation of PMDs is under consideration.

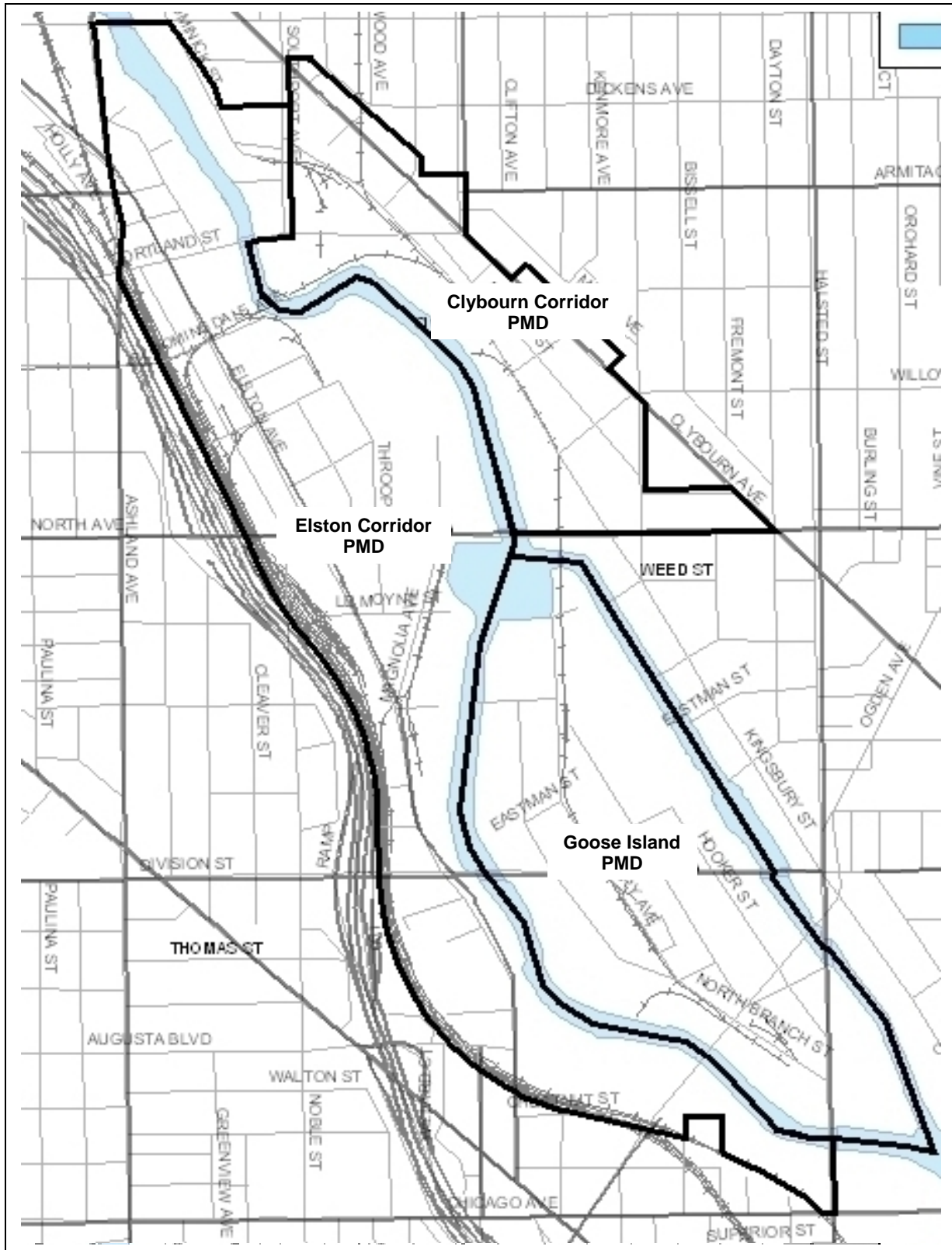
This study evaluates the performance of the first three PMDs created in Chicago: the Clybourn Corridor, the Goose Island, and the Elston Corridor PMDs. The study's principal objective is to determine how effective these three PMDs have been in retaining manufacturing businesses and jobs. Dun and Bradstreet data are used to track changes in businesses and employment over a 16-year period from 1988-2004. In addition, interviews with manufacturers, real estate brokers, city planning staff, and local industrial councils were carried out to incorporate a range of perspectives on the performance of the PMDs.

BACKGROUND

The origins of Chicago's PMDs date back to the mid-1980s, when industrial displacement was first identified as a concern in the city's North River Industrial Corridor located along the north branch of the Chicago River. The LEED Council, a Near North Side community development corporation, had been working with area manufacturers to increase their hiring of local residents. Through these efforts, LEED Council discovered that gentrification in the surrounding neighborhoods of Lincoln Park and River North was beginning to threaten the viability of this industrial area. Piecemeal zoning changes to allow residential and retail development on former industrial property began to introduce land uses incompatible with heavy industry. Real estate speculation soared. Manufacturers became hesitant to invest in the area as its future viability as an industrial district was increasingly called into question.

In 1986, 43rd Ward Alderman Martin Oberman convened a task force to address the issue of industrial displacement in the North River Industrial Corridor. The task force included representatives from the LEED Council, the Department of Planning, the Department of Economic Development, and the alderman's office. In July 1986, the task force recommended the creation of a PMD for the "Clybourn Corridor" portion of the North River Industrial Corridor located between Clybourn Avenue and the Chicago River north of Goose Island (see Map 1). The PMD would create a zoning overlay in this area that would make future zoning changes extremely cumbersome, preventing further conversions of industrial land to alternative uses.

Map 1: Clybourn Corridor, Goose Island and Elston Corridor PMDs



The PMD concept was controversial. Real estate developers were opposed to the measure, arguing that it prevented the highest and best use of land. Conflict over the PMD attracted considerable media attention, including a front-page story in the New York Times. Opposition to the PMD meant that great care had to be taken to determine the viability of the area for industrial development and to educate area manufacturers about the initiative. With the support of acting mayor Eugene Sawyer, the ward alderman, and the majority of the area's manufacturers, the Clybourn Corridor PMD was established by City Council in 1988. A PMD enabling ordinance was also created as an amendment to the Chicago Zoning Ordinance to provide a legal framework for the creation of PMDs elsewhere in the city. In 1990, Mayor Richard M. Daley introduced PMD proposals for Goose Island and the Elston Corridor, both of which were passed by City Council later that year.

It is important to understand the City's rationale for the creation of PMDs. The goal of PMDs, in part, is to retain and create well-paying jobs for the benefit of city residents. In rapidly gentrifying areas such as the Clybourn Corridor and Goose Island, PMDs represented a trade-off. The city would forgo the higher property tax revenues possible through rezoning these areas for residential or retail development in order to create and preserve industrial job opportunities. How well PMDs have performed in fostering manufacturing employment is thus an important criterion in evaluating their success.

While the purpose of this study is to evaluate the economic performance of the PMDs, we caution against the use of economic criteria alone in evaluating the overall merits of PMDs. Like the Chicago Zoning Ordinance in general, PMDs presume that some land-use decisions should not be governed by the principal of highest and best use. A key purpose of zoning is to protect property owners by preserving the compatibility of land uses. If zoning decisions simply respond to market forces, cases will emerge in which protection is certain to be compromised. How effectively PMDs function to safeguard property owners from encroachment by incompatible land uses must be considered, along with economic criteria, in judging the success of PMDs.

PURPOSE AND LEGAL STRUCTURE OF PMDs

Regulations governing the creation and review of PMDs are found in the Chicago Zoning Ordinance, section 17, and in the Chicago Municipal Code, chapter 16-8. According to section 17-6-0401-A of the Chicago Zoning Ordinance, the purpose of PMDs is to:

- Foster the city's industrial base.
- Maintain the city's diversified economy for the general welfare of its citizens.
- Strengthen existing manufacturing areas that are suitable in size, location, and character and which City Council deems may benefit from designation as a PMD.
- Encourage industrial investment, modernization, and expansion by providing for stable and predictable industrial environments.
- Help plan and direct programs and initiatives to promote growth and development of the city's industrial employment base.

While PMDs are principally intended to foster industrial development, PMDs allow a range of non-industrial uses that are deemed to be compatible with industrial development. Some examples of uses permitted in the city's PMDs include postal services, utilities, building maintenance services, construction, office and retail space (with certain restrictions), warehousing and distribution, and automobile repair.

Applications to designate an area as a PMD may be filed by the mayor, the property owners of all land within the proposed PMD, or the alderman of the ward in which the proposed PMD is located. Following the submission of the application to the Zoning Administrator, a community meeting must be held to solicit comments on the proposal and a public hearing scheduled before the Plan Commission. Recommendations from the Zoning Administrator, the Department of Planning and Development, and the Plan Commission are required before the PMD proposal is submitted for a full City Council vote. The City Council is the final decision-making body for the establishment of PMDs.

Review bodies are required to consider both the industrial viability of the area proposed for PMD designation and the need for PMD status in examining proposals for new PMDs. A PMD may be repealed, although this has never happened. The Plan Commission is required to monitor the effectiveness of all PMDs and recommend to City Council changes in or repeal of a PMD if it ceases to perform adequately.

STUDY FINDINGS

This section examines the performance of the Clybourn Corridor, the Goose Island, and the Elston Corridor PMDs from 1988-2004. We first examine the performance of the three PMDs combined. Then we evaluate each PMD individually.

The Clybourn Corridor, Goose Island, and Elston Corridor PMDs Combined

When proposals to establish the Clybourn Corridor, Goose Island, and Elston Corridor PMDs were debated during the 1980s, critics frequently predicted that the creation of PMDs would cause land to lie vacant. Arguing that central city locations such as these had become unsuitable for modern manufacturing, PMD opponents warned that developers and other investors would have little interest in these areas unless they could be rezoned for non-industrial uses. These fears have not been borne out. Tables 1 and 2 show the total number of businesses and jobs by sector in the three PMDs combined for the years 1988-2004. Both business and job growth have been robust, with the number of businesses increasing from 255 to 356, and the number of jobs increasing from 6,588 to 7,415.

More troublesome is the performance of manufacturing in the PMDs during this period. Table 2 shows that manufacturing jobs fell from 3,088 in 1988 to 2,135 in 2004. In 1988, nearly half of all jobs in the PMDs were manufacturing jobs. By 2004, that figure had fallen to 29 percent. The number of manufacturing establishments also experienced a sharp decline. This means that all the net growth in businesses and jobs in the PMDs from 1988-2004 occurred in sectors besides manufacturing. This finding is somewhat sobering given that the key purpose of the PMDs is to protect and foster growth of manufacturing jobs and businesses.

In which sectors is the growth of businesses and jobs in the PMDs most robust? This question is an important one because some economic activities are more compatible with manufacturing than others. Of the activities present in the three PMDs, construction, transportation, and wholesale trade are relatively compatible with manufacturing, while F.I.R.E., retail, and services tend to be less compatible.⁷ Once again, the findings suggest cause for some concern. While the performance of the construction, transportation, and wholesale trade sectors

⁷ F.I.R.E. stands for finance, insurance, and real estate.

TABLE 1: Total Businesses in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	17	19	22	18	20	23	27	28	27	16	16	18	22	21	-5.9%	31.3%
F.I.R.E.	15	15	19	20	25	22	22	18	16	16	22	32	33	22	6.7%	37.5%
Manufacturing	77	69	75	72	73	70	73	68	65	45	47	55	59	52	-41.8%	15.8%
Retail Trade	36	42	58	59	67	48	63	55	59	58	76	81	86	78	61.1%	34.5%
Service	48	54	77	84	108	78	88	95	96	70	93	111	136	111	45.8%	58.6%
Transportation	13	16	12	15	20	20	26	25	26	13	19	21	23	21	0.0%	61.5%
Wholesale Trade	47	53	45	39	46	66	63	63	55	36	41	45	51	45	-23.4%	25.0%
Other	2	2	1	1	1	3	2	2	4	4	38	47	44	6	100.0%	50.0%
Total All Sectors	255	270	309	308	360	330	364	354	348	258	352	410	454	356	1.2%	38.0%

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

TABLE 2: Total Employment in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004

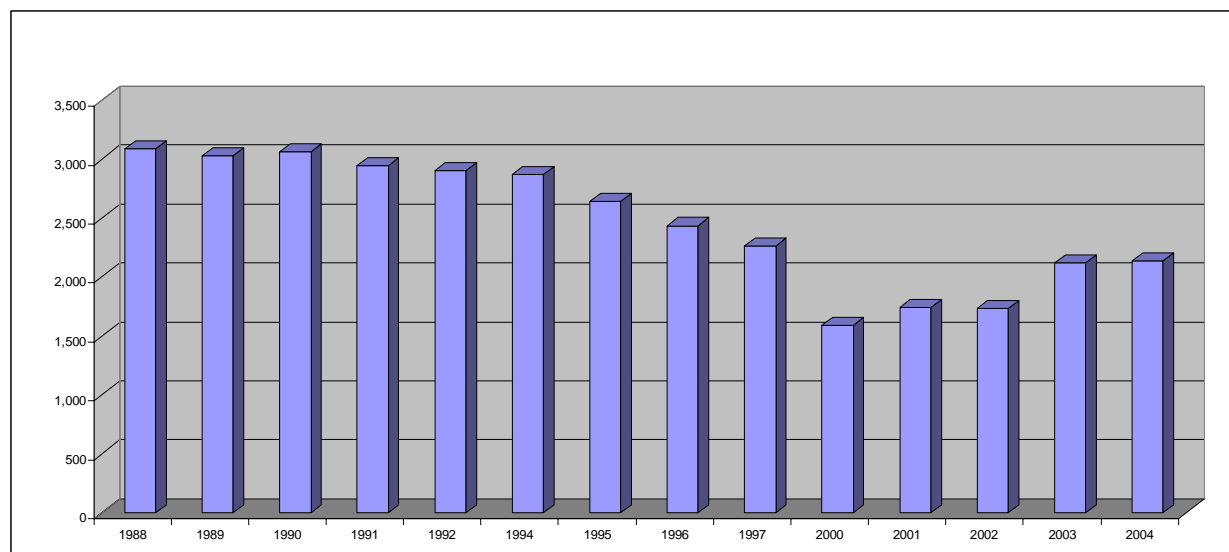
SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	589	597	347	346	373	232	430	357	358	244	277	283	281	306	-58.8%	25.4%
F.I.R.E.	71	75	134	98	120	62	69	55	77	86	126	141	157	143	21.1%	66.3%
Manufacturing	3,088	3,030	3,063	2,945	2,902	2,867	2,646	2,436	2,265	1,589	1,745	1,735	2,121	2,135	-48.5%	34.4%
Retail Trade	747	475	697	620	889	579	738	918	1,042	1,952	2,151	1,999	1,747	1,795	161.3%	-8.0%
Service	545	529	495	636	1,102	601	742	664	1,109	563	1,105	996	1,216	1,170	3.3%	107.8%
Transportation	371	533	219	233	518	633	1,032	1,033	1,468	655	690	558	567	632	76.5%	-3.5%
Wholesale Trade	1,173	1,007	781	1,116	1,039	1,316	1,203	1,528	1,064	650	783	914	1,132	1,219	-44.6%	87.5%
Other	4	4	20	20	20	24	31	31	36	15	15	25	20	15	275.0%	0.0%
Total All Sectors	6,588	6,250	5,756	6,014	6,963	6,314	6,891	7,022	7,419	5,754	6,892	6,651	7,241	7,415	-12.7%	28.9%

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

combined was somewhat flat during the 1988-2004 period, the F.I.R.E., retail, and service sectors combined experienced rapid growth. Both jobs and businesses in these sectors more than doubled between 1988 and 2004. The rapid growth of sectors least compatible with manufacturing in the PMDs provides one possible explanation for the weak performance of manufacturing during this period.

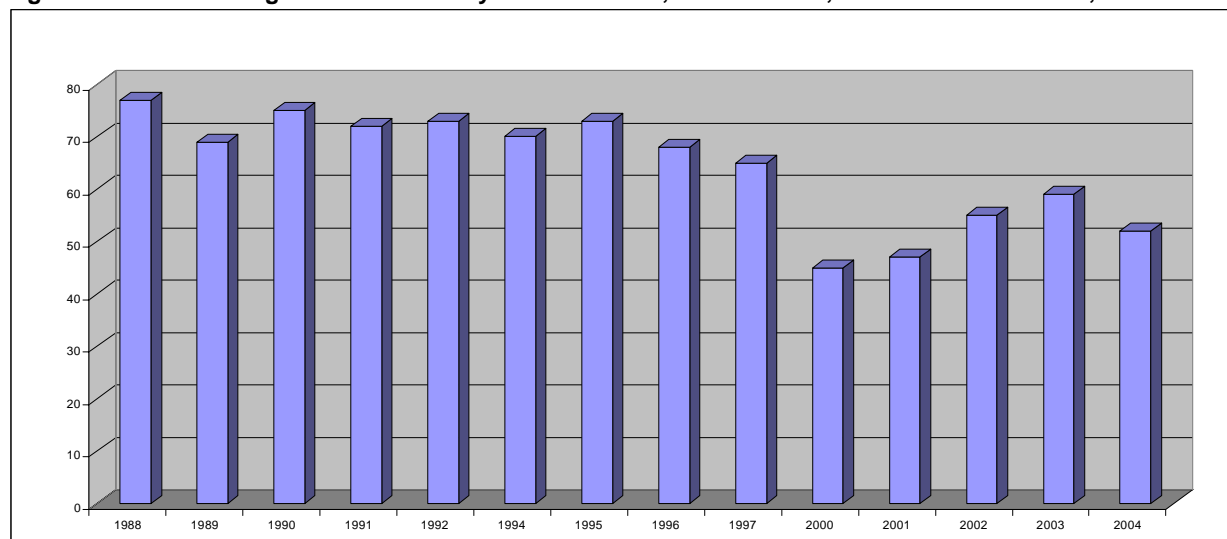
It should be emphasized that the decline of manufacturing in the PMDs has not been a steady one. Figures 1 and 2 show manufacturing jobs and businesses in the three PMDs combined for the years 1988-2004. As Figures 1 and 2 indicate, much of the decline occurred during the late 1990s. Moreover, manufacturing jobs and businesses have both rebounded since 2000. These recent gains in manufacturing within the PMDs are all the more striking when viewed alongside data for the entire city. From 2000-2004, manufacturing businesses in Chicago fell by 18 percent, while manufacturing jobs decreased by 28 percent.⁸ While other industrial areas of the city continued to experience long-term industrial decline, Chicago's first three PMDs have experienced a recent reversal of this trend. Possible explanations for this reversal are explored later in the study.

Figure 1: Manufacturing Employment in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004



Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

⁸ Source: World Business Chicago, Custom QECW dataset from the Illinois Department of Employment Security.

Figure 2: Manufacturing Businesses in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

The Clybourn Corridor PMD

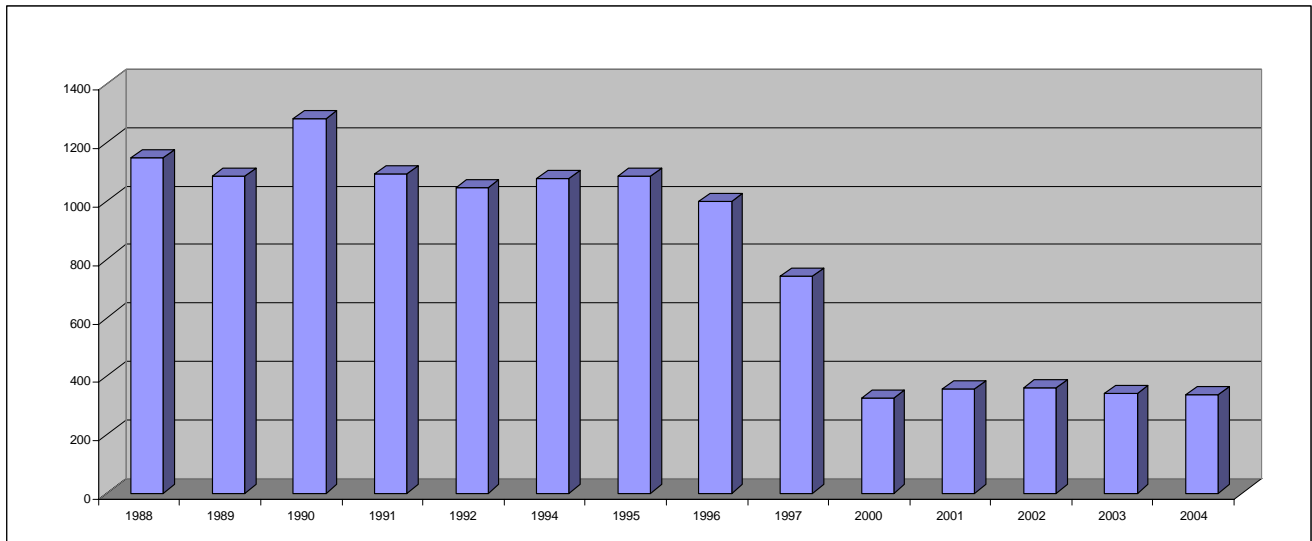
The Clybourn Corridor PMD is a 115-acre area located between Clybourn Avenue and the Chicago River just north of Goose Island (see Map 1). Established in 1988, the Clybourn Corridor PMD is the oldest of Chicago's PMDs. With no natural barriers separating the Clybourn Corridor from Lincoln Park to the east, the Clybourn Corridor PMD has experienced the strongest gentrification pressure of the three PMDs.

Due to the presence of residential neighborhoods east of Clybourn Avenue, a decision was made to divide the Clybourn Corridor PMD into two subdistricts: a core area located in the western portion of the PMD along the Chicago River and a buffer area located in the eastern portion of the PMD along Clybourn Avenue. Allowed uses in the core area are limited to heavy manufacturing. A wider range of uses—including manufacturing, restaurants, and retail establishments—are permitted in the buffer area, whose purpose is to buffer the heavy manufacturers in the core PMD area from residential neighborhoods east of Clybourn Avenue. No residential development is allowed in either of the PMD's two subdistricts.

Of the three PMDs, the Clybourn Corridor PMD has fared the worst in terms of manufacturing business and job retention. Tables 3 and 4 show the total number of businesses and jobs by sector in the Clybourn Corridor PMD for the years 1988-2004. Two developments are particularly noteworthy. Manufacturing businesses and jobs have both dropped precipitously,

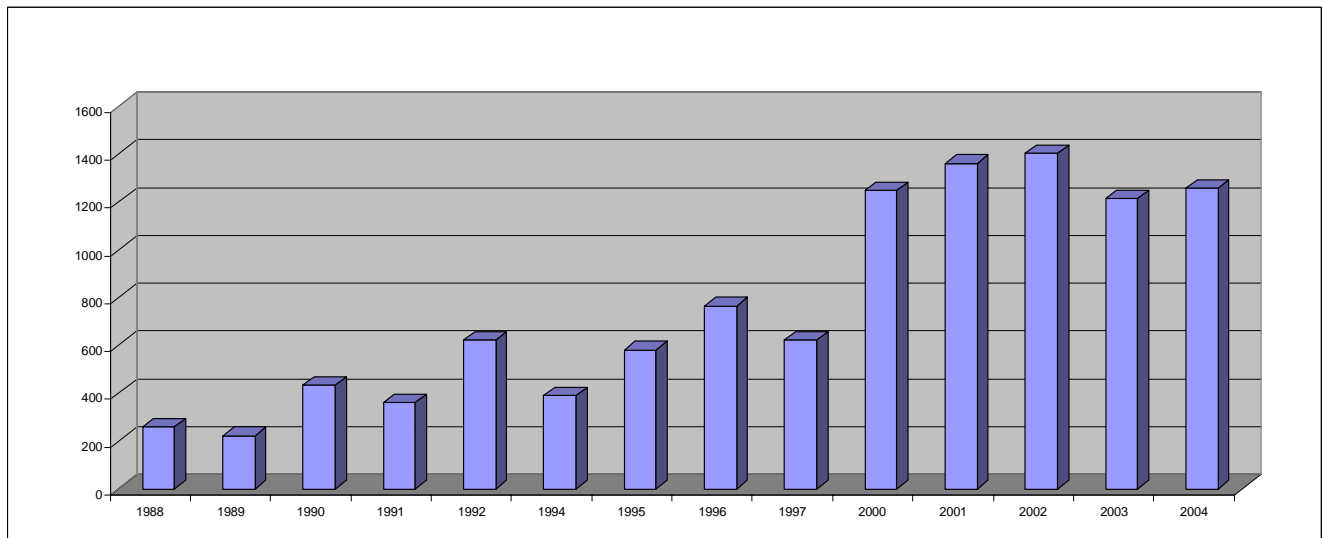
while the retail sector has experienced rapid growth. Figures 3 and 4 show the number of jobs in the manufacturing and retail sectors in the Clybourn Corridor PMD for the years 1988-2004. These figures are virtual mirror images of one another. For every new retail job created during this period, roughly one manufacturing job was lost.

Figure 3: Manufacturing Employment in Clybourn Corridor PMD, 1988-2004



Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

Figure 4: Retail Employment in Clybourn Corridor PMD, 1988-2004



Source: Dun and Bradstreet. Data unavailable for the years 1993, 1998 and 1999.

The weak industrial retention performance of the Clybourn Corridor PMD is due in part to the allowances made for commercial uses such as restaurants, bars, and retail establishments in the PMD buffer zone. When the PMD was first created in 1988, 20 percent of workers in the PMD buffer zone were employed in manufacturing. By 2004, that figure had fallen to less than 2 percent. Former industrial property is now occupied by such retail establishments as Crate & Barrel, Whole Foods, Bed Bath & Beyond, Circuit City, and Old Navy. The “retailization” of the Clybourn Corridor buffer area was not anticipated by the original planners of the PMD. The PMD enabling ordinance called for the marketing of property in the buffer area for industrial uses before non-industrial conversions would be allowed. However, special use permits, which were required for non-industrial uses in the buffer area, proved to be an ineffective enforcement mechanism. Requests for special use permits were ultimately granted freely.

The Clybourn Corridor PMD now contains several hundred manufacturing jobs, virtually all of which are located in the PMD’s core subdistrict. It could be argued that the City’s failure to promote the highest and best use of land on 115 acres of prime real estate in order to protect a relatively small number of manufacturing jobs is an unwise tradeoff. On the other hand, to dismantle the PMD and allow residential development west of Clybourn Avenue would place heavy manufacturers such as Finkl Steel and General Iron Industries out of compliance with provisions of the Chicago Zoning Ordinance governing noise and vibrations. Most likely, these manufacturers would be forced to relocate or go out of business.

This case illustrates well the fact that zoning decisions affecting PMDs have both political and economic ramifications. While the Clybourn Corridor PMD may make less sense economically than it did during the late 1980s, one purpose of zoning is to protect property owners like Finkl Steel and General Iron Industries from encroachment by incompatible uses. At present, the PMD appears to be necessary to ensure that zoning will continue to perform this function.

TABLE 3: Total Businesses in Clybourn Corridor PMD, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	5	7	7	6	6	6	6	8	7	4	4	5	6	5	-20.0%	25.0%
F.I.R.E.	8	9	13	13	18	10	8	8	7	8	8	12	12	9	0.0%	12.5%
Manufacturing	24	17	18	18	20	15	16	15	10	7	8	9	9	8	-70.8%	14.3%
Retail Trade	15	20	35	41	46	20	36	29	29	34	46	48	53	52	126.7%	52.9%
Service	27	28	38	40	57	21	27	33	38	27	36	45	52	44	0.0%	63.0%
Transportation	3	4	3	4	6	2	2	3	3	2	2	3	4	4	-33.3%	100.0%
Wholesale Trade	19	19	17	15	17	14	13	15	12	7	8	10	11	10	-63.2%	42.9%
Other	1	0	0	0	0	0	0	0	0	0	10	13	11	1	-100.0%	
Total All Sectors	102	104	131	137	170	88	108	111	106	89	122	145	158	133	-12.7%	49.4%

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

TABLE 4: Total Employment in Clybourn Corridor PMD, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	328	339	92	81	73	51	141	68	40	33	35	37	40	39	-89.9%	18.2%
F.I.R.E.	51	57	122	70	96	28	28	24	31	30	30	38	38	33	-41.2%	10.0%
Manufacturing	1146	1085	1281	1092	1043	1076	1084	998	741	323	356	359	340	336	-71.8%	4.0%
Retail Trade	258	223	434	362	623	392	582	766	625	1249	1362	1404	1213	1259	384.1%	0.8%
Service	384	376	164	186	428	87	134	156	637	188	226	332	422	413	-51.0%	119.7%
Transportation	8	10	18	20	27	11	11	19	19	12	14	15	20	20	50.0%	66.7%
Wholesale Trade	464	485	241	368	296	343	214	227	283	31	34	55	250	247	-93.3%	696.8%
Other	2	0	0	0	0	0	0	0	0	0	0	0	0	0	-100.0%	
Total All Sectors	2641	2575	2352	2177	2586	1988	2194	2258	2376	1,866	2,057	2,240	2,323	2,347	-29.3%	25.8%

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

The Goose Island PMD

The Goose Island PMD, created in 1990, includes the entire 146-acre island formed by a split in the Chicago River on the city's Near North Side (see Map 1). Unlike the Clybourn Corridor PMD, the Goose Island PMD is not divided into core and buffer areas. Planners of the PMD determined that the river would serve as a natural buffer, making the creation of a buffer area within the PMD unnecessary.

Goose Island served as an early test of the City's PMD policy. As real estate markets in the area heated up during the late 1980s, Goose Island property began selling for prices well above industrial rates. Even after the PMD was created in 1990, the owners of several large parcels of land refused to develop them without zoning approvals for residential or retail uses. The resulting vacancies contributed to an atmosphere of decline during the early 1990s and caused several Goose Island manufacturers to withdraw their support for the PMD. The impasse was resolved during the mid-1990s when the City threatened to condemn and take ownership of the largest parcel of land on the island. Finally convinced of the City's commitment to the PMD, the landowner agreed in 1996 to create an industrial park on the northern half of the island.

Of the three PMDs, the Goose Island PMD has performed the strongest. Once speculation over future land-use possibilities was resolved, private investment quickly materialized. Tables 5 and 6 show the total number of businesses and jobs by sector in the Goose Island PMD for the years 1988-2004. As Table 6 indicates, the number of jobs increased from 1,256 in 1988 to just over 2,000 in 2004. Manufacturing did not fare as well as other sectors, however, with employment falling from 406 workers in 1988 to 310 workers in 2004.

While the manufacturing sector has lost jobs, this decline has been offset by growth in services, transportation, and wholesale trade. Major employers on Goose Island include the Chicago Transit Authority, River North Distributing, and Federal Express, along with manufacturers such as Republic Windows and Doors. The warehousing and distribution facilities that provide many of the jobs on Goose Island are generally compatible with manufacturing. An equally important concern, however, is whether the jobs they provide are as high paying as manufacturing. If so, then the growth of employment in these sectors seems consistent with the spirit, if not the letter, of the PMD. If not, then the decline of manufacturing on Goose Island becomes a more serious concern.

TABLE 5: Total Businesses in Goose Island PMD, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	3	4	5	3	2	3	4	2	2	4	4	4	4	4	33.3%	0.0%
F.I.R.E.	1	0	1	2	2	1	2	3	3	3	4	4	4	4	200.0%	33.3%
Manufacturing	7	8	8	7	8	9	11	7	8	8	7	10	11	7	14.3%	-12.5%
Retail Trade	3	3	2	2	3	4	5	6	7	8	8	8	8	7	166.7%	-12.5%
Service	5	8	8	8	10	13	20	23	23	15	22	26	31	27	200.0%	80.0%
Transportation	4	6	4	3	5	8	11	7	8	5	9	10	11	9	25.0%	80.0%
Wholesale Trade	10	12	11	12	14	18	19	18	16	15	17	18	21	19	50.0%	26.7%
Other	1	2	0	0	0	1	1	1	2	1	6	15	15	2	0.0%	100.0%
Total All Sectors	34	43	39	37	44	57	73	67	69	59	77	95	105	79	73.5%	33.9%

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

TABLE 6: Total Employment in Goose Island PMD, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	115	117	90	85	30	8	38	37	37	64	92	95	75	133	-44.3%	107.8%
F.I.R.E.	2	0	0	10	10	3	8	10	8	26	41	41	46	46	1200.0%	76.9%
Manufacturing	406	408	307	322	294	318	425	289	359	125	95	127	189	310	-69.2%	148.0%
Retail Trade	12	12	9	9	9	34	25	38	41	74	153	153	135	131	516.7%	77.0%
Service	43	49	100	158	142	119	232	220	223	115	224	414	450	471	167.4%	309.6%
Transportation	286	448	173	167	271	387	757	734	1166	582	614	481	485	455	103.5%	-21.8%
Wholesale Trade	390	255	264	508	451	506	521	967	382	203	324	395	410	484	-47.9%	138.4%
Other	2	4	0	0	0	0	11	11	14	0	0	5	2	0	-100.0%	
Total All Sectors	1256	1293	943	1259	1207	1375	2017	2306	2230	1,189	1,543	1,711	1,792	2,030	-5.3%	70.7%

Source: Dun and Bradstreet. Data for years 1993, 1998 and 1999 unavailable.

The Elston Corridor PMD

The Elston Corridor PMD, created in 1990, is located immediately east of the Goose Island and Clybourn Corridor PMDs between the Chicago River and the Kennedy Expressway (see Map 1). It is the largest of the three PMDs, consisting of 170 acres of land. Like the Clybourn Corridor PMD, the Elston Corridor PMD is divided into core and buffer areas. However, the buffer area for the Elston Corridor PMD consists of a narrow strip of land along North Avenue. In contrast to the Clybourn Corridor buffer area, the Elston Corridor buffer represents a small portion of the PMD's total land area.

In terms of manufacturing and overall business and job retention and growth, the Elston Corridor PMD has performed well. Tables 7 and 8 show the total number of businesses and jobs by sector in the Elston Corridor PMD for the years 1988-2004. As Tables 7 and 8 indicate, the number of businesses increased from 119 in 1988 to 144 in 2004, while jobs increased from 2,691 to just over 3,000. Apart from a temporary lull during the late 1990s, the manufacturing sector in the Elston Corridor PMD has been relatively stable. Figure 5 shows manufacturing employment in the Elston Corridor PMD for the years 1988-2004. Particularly noteworthy is the resurgence of manufacturing jobs in recent years to levels comparable to the late 1980s and early 1990s. As discussed earlier in the study, this comes during a period when manufacturing jobs in the city of Chicago as a whole have been in decline.

Despite these relatively solid numbers, the Elston Corridor PMD has not been without problems. A number of industrial firms have left the area in recent years, and several industrial buildings are presently vacant. Several individuals interviewed for the study interpreted this as evidence of a decline in the industrial viability of the area, and suggested that retail development similar to what has occurred in the PMD buffer area along North Avenue would be appropriate for other areas of the PMD as well. Vacant buildings are a source of concern on the part of area businesses. One company representative who in the past routinely worked evenings no longer does so because she no longer perceives the area as safe after dark.

TABLE 7: Total Businesses in Elston Corridor PMD, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	9	8	10	9	12	14	17	18	18	8	8	9	12	12	-11.1%	50.0%
F.I.R.E.	6	6	5	5	5	11	12	7	6	5	10	16	17	9	-16.7%	80.0%
Manufacturing	46	44	49	47	45	46	46	46	47	30	32	36	39	37	-34.8%	23.3%
Retail Trade	18	19	21	16	18	24	22	20	23	16	22	25	25	19	-11.1%	18.8%
Service	16	18	31	36	41	44	41	39	35	28	35	40	53	40	75.0%	42.9%
Transportation	6	6	5	8	9	10	13	15	15	6	8	8	8	8	0.0%	33.3%
Wholesale Trade	18	22	17	12	15	34	31	30	27	14	16	17	19	16	-22.2%	14.3%
Other	0	0	1	1	1	2	1	1	2	3	22	19	18	3		0.0%
Total All Sectors	119	123	139	134	146	185	183	176	173	110	153	170	191	144	-7.6%	30.9%

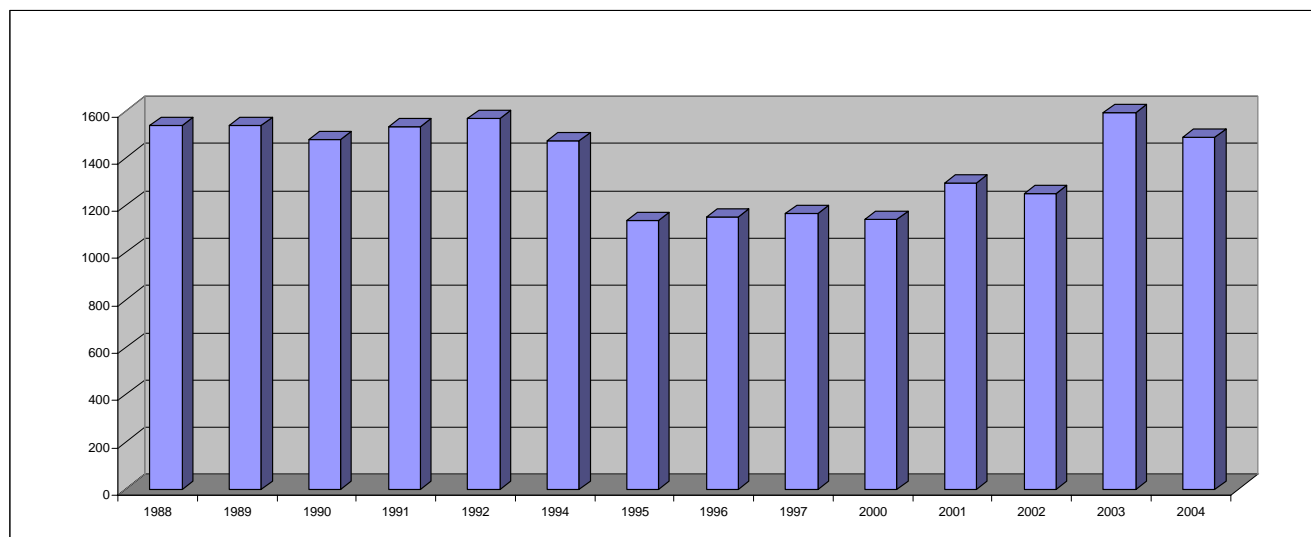
Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

TABLE 8: Total Employment in Elston Corridor PMD, 1988-2004

SIC Division	1988	1989	1990	1991	1992	1994	1995	1996	1997	2000	2001	2002	2003	2004	% Change	
															1988-2000	2000-2004
Construction	146	141	165	180	270	173	251	252	281	147	150	151	166	134	0.7%	-8.8%
F.I.R.E.	18	18	12	18	14	31	33	21	38	30	55	62	73	64	66.7%	113.3%
Manufacturing	1536	1537	1475	1531	1565	1473	1137	1149	1165	1141	1294	1249	1592	1489	-25.7%	30.5%
Retail Trade	477	240	254	249	257	153	131	114	376	629	636	442	399	405	31.9%	-35.6%
Service	118	104	231	292	532	395	376	288	249	260	655	250	344	286	120.3%	10.0%
Transportation	77	75	28	46	220	235	264	280	283	61	62	62	62	157	-20.8%	157.4%
Wholesale Trade	319	267	276	242	292	467	468	334	399	416	425	464	472	488	30.4%	17.3%
Other	0	0	20	20	20	24	20	20	22	15	15	20	18	15		0.0%
Total All Sectors	2691	2382	2461	2578	3170	2951	2680	2458	2813	2,699	3,292	2,700	3,126	3,038	0.3%	12.6%

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

Figure 5: Manufacturing Employment in Elston Corridor PMD, 1988-2004



Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

There is a perception on the part of some Elston Corridor stakeholders that either the uses allowed within the PMD or the PMD boundaries themselves will ultimately have to be rethought. As evidence of this, portions of the Elston Corridor PMD are experiencing real estate pressures similar to what occurred on Goose Island during the late 1980s and early 1990s. The relatively high prices paid for certain industrial property in the Elston PMD in recent years suggests optimism on the part of buyers that zoning changes or zoning variances will eventually be granted. Speculation and uncertainty about the future of land use in portions of the Elston Corridor PMD have led to underinvestment in some areas, encouraging a “wait-and-see” attitude on the part of property owners.

Finally, residential development west of the Elston Corridor has begun to produce land-use conflicts at the southern end of the PMD. With a railroad corridor serving as the only buffer between heavy manufacturing and gentrified residential neighborhoods to the west, residents of newly constructed condominiums have voiced complaints about noise and truck traffic. While manufacturers do not appear to view this as an immediate threat to their operations, the absence of a more substantial buffer in this portion of the PMD is a shortcoming which could ultimately compromise the viability of this area for heavy manufacturing.

DISCUSSION

With PMDs resurfacing in recent years as a key feature of the City's industrial policy, there is much to be learned from the experiences of Chicago's first three PMDs. The Clybourn Corridor, Goose Island, and Elston Corridor PMDs experienced impressive growth in businesses and jobs from 1988-2004. However, as indicated earlier in the study, much of this growth has come in sectors besides manufacturing. With manufacturing representing just 29 percent of all employment in the three PMDs by 2004, it could be argued that the term Planned Manufacturing District has become something of a misnomer.

It is worth recalling that these PMDs were originally established in large part to preserve well paying manufacturing jobs for Chicago residents. PMDs continue to provide jobs, but the majority of them are no longer manufacturing jobs. A worker on Goose Island today is more likely to be employed in a warehouse than in an industrial firm. Given this turn of events, the assumption that PMDs will furnish living wage jobs for city residents is somewhat less convincing today than it was 15 years ago. While an analysis of wage rates in the PMDs lies outside the scope of this study, it is likely that the shift away from value-added activities in the PMDs has had a negative impact on wage growth. Since regulations governing PMDs are expected to remain flexible in terms of uses allowed, the impact of non-industrial uses on wages in the PMDs merits further investigation.

Our concerns about the declining share of manufacturing jobs in the PMDs are tempered somewhat by the revival of manufacturing in the PMDs during the years 2000-2004. As noted earlier, both manufacturing jobs and manufacturing businesses in the PMDs increased during this period, even as manufacturing in the city of Chicago as a whole declined. What explains this recent growth in manufacturing? Several of the individuals we interviewed suggested that manufacturing in the PMDs has gone through a process of restructuring. As one individual put it, "There were some tired old companies that needed to go out of business.... People that were making products like horsehair brushes—things that aren't made in the U.S. anymore—left and other kinds of businesses that support our new economy moved in." Manufacturers locating in the PMDs today are more likely to be engaged in such activities as light assembly work than in traditional heavy manufacturing. While the revival of manufacturing in the PMDs is cause for optimism, we caution once again that the impact of these developments on wages should be

monitored. If industrial workers today are adding less value to products than workers 15 years ago, it is likely that they are also earning less.

It is clear from the experience of Chicago's Clybourn Corridor, Goose Island, and Elston Corridor PMDs that healthy PMDs require a combination of careful planning, support by stakeholders, and a strong and perceptible commitment from the City. If any one of these three conditions is absent, a PMD will likely encounter problems. This is most evident today in portions of the Elston Corridor PMD, where manufacturers and real estate developers both appear somewhat uncertain about the future of the PMD. As one manufacturer put it:

I think the PMDs—this one and all others—are only as good as the officials in office that want them to be there. If another mayor came in and wanted housing developments because the developers were all over him, [this business] would be history. The PMD is only as strong as the officials that protect it. Otherwise the land goes to the highest bidder, the highest use.

Uncertainties over the future of a PMD can undermine the viability of the area for industrial development, fostering real estate speculation and other unwanted activities. As land changes hands, new owners may await the City's next move rather than acting quickly to redevelop the property. In such cases, land may sit vacant or underutilized for long periods of time, undermining the confidence of area manufacturers in the PMD. If companies that PMDs are intended to protect ultimately turn against the policy, PMDs become difficult to justify.

Situations like this can best be avoided through concerted efforts to involve stakeholders in the planning stages of the PMD. The Clybourn Corridor, Goose Island, and Elston Corridor PMDs have successfully weathered opposition due in part to the fact that they were developed through a broad-based community planning process. As the planning process moved forward, manufacturers gradually came to view the PMDs as their initiative. For several of the companies we interviewed, this sense of ownership remains palpable today. While support for the PMDs among manufacturers is not unanimous, those arguing for the dismantling of the PMDs are clearly in the minority.

CONCLUSION

We close with a word of caution to the planners of Chicago's most recent PMDs. In the two-year period since January 2004, the City of Chicago has created eight new PMDs. While the

observations for this study did not extend to these newly established PMDs, we find it hard to imagine that the planning of these PMDs has featured the same degree of community participation as Chicago's first three PMDs did. The planning of the Clybourn Corridor, Goose Island, and Elston Corridor PMDs each took several years, partly to allow sufficient time to build support among stakeholders. Planning processes that occur over a period of months rather than years are less likely to produce strong and lasting bases of support. This may not be problematic in the short term, but PMDs are ultimately conflict prone. When opposition arises, it is important that a solid core of leadership and support exists among area companies.

The Clybourn Corridor, Goose Island, and Elston Corridor PMDs have preserved and created a substantial number of jobs in an area of the city that, but for the PMDs, would have likely transitioned from industrial to residential. With respect to overall job and business creation and retention, the PMDs have performed remarkably well. As this study shows, however, business activity in the PMDs is undergoing a transformation. Manufacturing now represents a smaller portion of overall economic activities in the PMDs, and fewer of these companies are engaged in traditional heavy manufacturing. PMDs cannot prevent such changes from occurring. However, city officials should be aware that such trends affect the earnings of workers employed in the PMDs. In many cases, the impact seems likely to be a negative one.

Chicago's economy is changing, and business development within PMDs can be expected to change as well. Not all of the three PMDs we examined for this study make as much sense economically as they did 15 years ago. Regardless of this, it is our opinion that the intent of the Chicago Zoning Ordinance is best fulfilled by preserving these PMDs as long as they are necessary to protect property owners from encroachment by incompatible land uses. Only when owners of industrial property in an underperforming PMD decide to cease operations should the status of the PMD be reconsidered. The Clybourn Corridor, Goose Island, and Elston Corridor PMDs have not been problem free, but our research indicates they are fundamentally sound. City officials should continue to work with area stakeholders to uphold confidence in the PMDs and to better ensure that they perform their intended function of providing living wage jobs for Chicago residents.