

**BUSINESS  
RETENTION  
&  
EXPANSION  
Strategies  
Program**

# HUGO

## Business Retention and Expansion Summary Report

April 2010

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In collaboration with:



# Hugo

## Business Retention and Expansion Strategies Program

Summary Report  
April 2010

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## **Hugo Business Retention and Expansion Program**

Communities recognize that helping existing businesses to survive and grow is a vital economic development strategy. The Hugo Business Retention and Expansion Program (BR&E) is designed to assist local businesses in thriving and expanding in the city. While the attraction of new businesses and new business start-ups are important components of any economic development strategy, research has shown that forty to eighty percent of new jobs are created by existing businesses rather than by businesses new to the community.

The Hugo BR&E Program is a comprehensive and coordinated approach to assisting existing businesses. Visiting current businesses and learning their concerns is only one component of the process. The BR&E program builds awareness in the community of issues that face businesses and builds capacity for the community to address these issues. The program also assists local leaders and community members in working together to provide solutions to business concerns.

### **Objectives**

The Hugo BR&E Program has five objectives:

1. To demonstrate support for local businesses
2. To help solve immediate business concerns
3. To increase local businesses' ability to compete in the global economy
4. To establish and implement a plan for economic growth and
5. To build community capacity to sustain growth and development.

## **Sponsorship**

This program is sponsored by the City of Hugo, the Hugo Economic Development Authority, Connexus Energy, Xcel Energy, Hugo Business Association, Lake Area Bank, Postal Credit Union, Premier Bank, Reimer Photo, and WSB and Associates.

### **BR&E History**

The Hugo BR&E Leadership Team approved entering into the Business Retention and Expansion Program after being accepted into the program by University of Minnesota Extension. The first Leadership Team meeting took place in July of 2009.

### **Business Visits**

A total of 38 businesses were visited by volunteers during the business visitation phase. The Leadership Team and Task Force's goal was to visit an equally representative sample of businesses from each major industry classification in Hugo. Businesses were selected randomly from within each classification.

During the months of October, November and December of 2009, the Leadership Team, Task Force and Volunteer Visitors conducted the business visits. The teams had initially identified 70 businesses for visitation.

Visitors worked in teams of two and took responsibility for arranging and conducting the interviews.

### **Warning Flag Review**

After the surveys were completed and returned, the Task Force met to review each survey and decide how to handle the immediate follow-up. The Warning

Flag review is designed to identify and deal with immediate issues or problems discovered during the survey process, without the need to wait for formal analysis of the survey data. Prompt attention to issues raised, even when the issues may be intractable, creates a positive response from survey participants and builds good will.

### **Research Report Development**

The BR&E Leadership Team sent copies of the surveys to the University of Minnesota for tabulation and analysis. A summary of the data was prepared for the January 7, 2010 state research review meeting, where a team of fifteen individuals (listed later in this report) reviewed the results and suggested projects that might respond to the businesses' needs. Brigid Tuck then prepared the Research Report based on the input of the state research review panel as well as economic development expertise.

The Research Report identifies four overarching strategies that Hugo could adopt to address general issues reported by the businesses. The Research Report then provides a list of potential projects under each of these strategies. The Task Force has the knowledge of the community and what projects are suited locally. The potential projects are only suggestions for the community to consider.

### **Task Force Retreat**

A five-hour Task Force retreat was held on February 8, 2010 in Hugo. At this retreat, the Task Force was presented the Research Report. The presentation included an overview of the Hugo and Washington County economy and demographic changes, the composite results of the business surveys, and the four strategies.

The Task Force reviewed and discussed the potential projects and developed new projects. In the end, the Task Force established and adapted four priority projects. These priority projects are featured in this report.

Following the Task Force Retreat, the individual project committees met to discuss methods for implementing the projects. Lisa Hinz, University of Minnesota Extension, helped provide leadership at this follow-up meeting. The project committees will continue to meet. If you have ideas, time, or other talents to contribute to these projects, please contact one of the people listed. Your participation would be appreciated.

## **People in the Hugo BR&E Program**

### **Leadership Team**

Overall Coordinator - Rachel Simone, City of Hugo

Associate Overall Coordinator - Shayla Syverson, City of Hugo

Business Resource Coordinator - Beth Jameston, Department of Employment and Economic Development

Milestone Meeting Coordinator - Pat Nygaard, Hugo Community Leader

Visitation Coordinator - Galen Carlson, Hugo Business Owner

Media Coordinator - Deb Barnes, *The Citizen* Newspaper

### **Hugo BR&E Task Force**

Many community leaders participated as Task Force members. This group visited businesses, addressed warning

flag issues, set priorities for action and will assist in implementing the chosen projects. Task Force members (listed below) also participated in business visits.

Matt Alexander, Kraus-Anderson  
Jan Arcand, Hugo Economic Development Authority & Oneka Ridge Golf Course  
Duane Arens, Connexus Energy  
Bridgett Backman, Century College  
Deb Barnes, The Citizen Newspaper  
Bryan Bear, Executive Director of the Economic Development Authority and Community Development Director  
Duane Bengston, Hugo Community Leader  
Duane Berg, Wilson Tool  
Karyn Berg, Ramsey County WorkForce Center  
Jim Bever, Hugo Economic Development Authority and Bever Landscaping  
Karen Bever, Bever Landscaping  
Lenore Birch, White Bear Lake Area Schools  
Patti Breen, Northern Lights Pediatrics  
Galen Carlson, North Country Auto Body  
Shelly Clasen Tesser, Administrative Intern, City of Hugo  
Matt Dean, Minnesota House of Representatives  
Bob Dettmer, Minnesota House of Representatives  
Sharon Dierkhising, Hugo Community Leader  
Deb Drake, Hugo Community Leader  
Kris Emerson, Hugo Good Neighbors Food Shelf  
Randy Engelmayer, Country Financial  
Michael Ericson, City Administrator, City of Hugo  
Angie Fromm, Guys and Dolls Salon

Mike Gallivan, Gallivan Insurance  
Margo Geving, Hugo Good Neighbors Food Shelf and Forest Lake Area Schools  
Brant Gustafson, Postal Credit Union  
Dennis Hegberg, Washington County Commissioner  
Joe Houle, Premier Bank  
Beth Jameston, Washington County WorkForce Center  
Phil Klein, Hugo City Councilmember  
Jim Leroux, Former Hugo City Councilmember  
Mike Lovett, Superintendent, White Bear Lake Area Schools  
Steve Marier, Hugo Feed Mill  
Larry Martini, Business Services, Forest Lake Area Schools  
Mary McNellis, St. Croix Real Estate  
Mickey Michlitsch, Sertinos Café  
Pat Nygaard, Hugo Community Leader  
Pete Pederson, Former Hugo Parks Commissioner  
Frank Puleo, Lebens Flower Shop and former Councilmember  
Kerstin Quigley, Lake Area Bank  
Katie Riopel, Katie's K-9 Obedience School and Hugo Lions Club  
Denny Route, Hugo Lions Club  
Julie Route, Hugo Lions Club  
Keith Ryskoski, Superintendent, Stillwater Area Public Schools  
Bruce Saylor, Connexus Energy  
Molly Seidl, Kraus-Anderson  
Steve Seidl, Kraus-Anderson  
Rachel Simone, Associate Planner, City of Hugo  
Shayla Syverson, Economic Development/Parks Intern, City of Hugo  
Nikki Walters, Sun Barn Farms and Wild Wings of Oneka  
Tom Weidt, Hugo City Councilmember

## **Businesses Visited**

Thirty-eight businesses were visited during the BR&E process. The community greatly appreciates their willingness to help the community understand their needs. Their survey responses are confidential yet it is important to credit their participation by listing their names here.

American Legion  
Bald Eagle Sportsman Association  
Carpenter's Steak House  
Chips Computer Service  
Cornerstone Chiropractic  
Country Video  
Discovery Financial Brokerage  
Kurt Grainger Enterprises  
Gene's Disposal Service  
Grundhofer's Old Fashion Meats  
Gunner Construction  
Health East Hugo Clinic  
Hugo Chiropractic  
JL Schweiters Construction  
JT Services Inc  
Katie's K-9 Obedience School  
Key Automotive  
KWIK Trip  
Lake Area Bank  
Lametti & Sons Inc  
Los Ninos Spanish Preschool  
Manomin Resawn Timbers  
Oneka Pet Resort  
Oneka Ridge Golf Course  
Premier Banks  
Reimer Photo  
Sertinos Cafe  
Subway  
TGK Automotive  
The Citizen  
The Fry Group  
Trepanier Stucco LLC  
US Bank  
White Bear Trailer Works  
Wild Wings Game Farm  
Wilson Tool  
Withrow Elementary School  
Woodrunn Horse Boarding

## **Consultants**

Bruce Schwartau and Liz Templin, University of Minnesota Extension, served as the BR&E consultants for the Hugo BR&E program. This included coaching and advising the local Leadership Team, conducting Volunteer Visitor training with the Task Force, assisting the Leadership Team in business selection, facilitating the Warning Flag review meetings, and participating in the State Review Panel.

### **State Research Review Panel**

The panel reviewed the tabulated survey results and suggested potential actions that might be taken by Hugo leaders in response to local firm concerns. The participants of the January 7, 2010 meeting were:

Minnesota Department of Employment and Economic Development:

- Ed Dieter
- Gene Goddard

University of Minnesota:

- Michael Darger, Extension
- Liz Davis, Applied Economics
- Lee Munich, Humphrey Institute
- Bruce Schwartau, Extension
- Brigid Tuck, Extension
- Ward Nefstead, Applied Economics

Hugo Task Force:

- Duane Arens
- Bryan Bear
- Karyn Berg
- Galen Carlson
- Michael Ericson
- Rachel Simone
- Shayla Syverson

## Hugo's Economic and Demographic Profile

A profile of Hugo's economy and demographics was prepared for the Research Report and presented at the Task Force retreat on February 8th. The profile was created and written by Rachel Vilsack of the Minnesota Department of Employment and Economic Development. The profile contains statistics on population, employment, income, commuting and labor sheds, occupations and educational attainment.

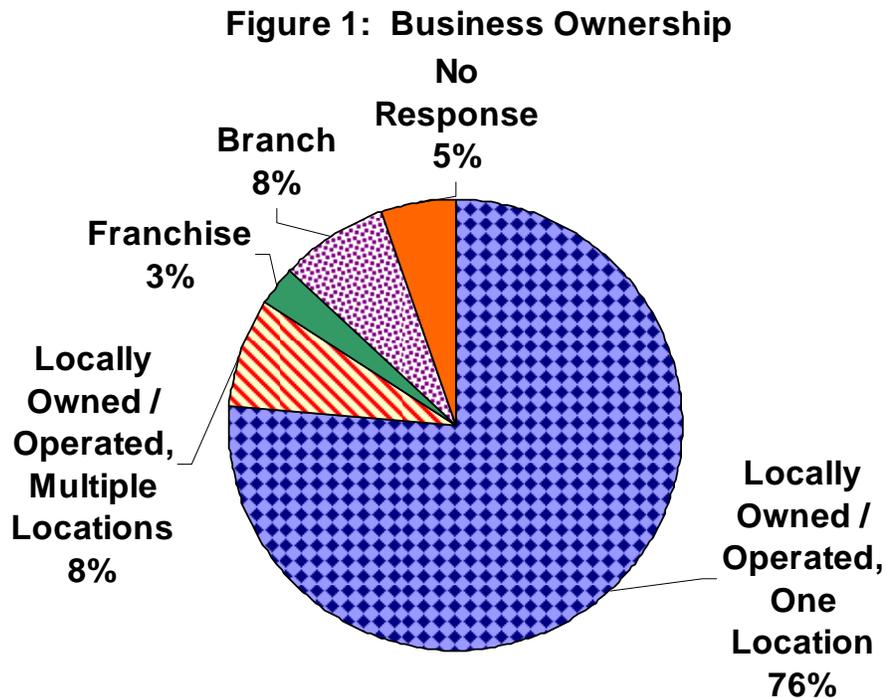
A full copy of the profile can be viewed in the Research Report which can be obtained by contacting Rachel Simone, City of Hugo, at (651) 762-6304.

## Hugo BR&E Survey Results

Following are the results of the survey of the 38 businesses visited. The businesses' characteristics are summarized first followed by priority projects selected by the Task Force. Survey results related to those projects are included in this summary. Additional survey results including four strategic themes are in the Research Report.

### Characteristics of Businesses Visited

Eighty-four percent of the businesses that participated in the Hugo BR&E survey are locally controlled, shown in Figure 1.



Seventy-six percent of the participating businesses are locally owned with one location and eight percent are locally owned with multiple locations. One conclusion that can be drawn from these results is that many decisions regarding Hugo businesses are made locally.

The businesses visited employ a total of 599 full-time employees and 224 part-time employees. Overall, employment is down 220 jobs from three years ago. Full-time employment is down 324 jobs while part-time employment is up 64 jobs. This downturn is consistent with the economic recession experienced in the United States during this time period, although it looks like the participating Hugo businesses took a harder hit. Businesses appear to believe that the recession's effects are waning for their businesses. None of

the businesses surveyed intend to decrease their work force in the next three years. Roughly one-fifth of businesses expect to add employees in select job categories in the next three years.

Overall, the survey results indicate that businesses in Hugo are hopeful for the future. As shown in Figure 2, only one of the responding businesses indicated that they are considering closing and none are contemplating downsizing. Nearly a quarter of the businesses (24 percent) are considering expanding at their current location and another thirteen percent in another location. The majority of businesses indicated they were not currently considering any changes.

**Figure 2: Future Plans**



Finally, businesses report Hugo as a good place to live. On a scale of 1 to 5, 5 being "excellent" and 1 being "poor", the average response to the question "What is your overall opinion of Hugo as a place to live" was 4.16. A similar question, "What is your overall opinion of Hugo as a place to conduct business" earned an average of 3.79.

### **Overview of BR&E Projects for Hugo**

Profits are the key to the retention and expansion of firms. While the owners of a business might be attracted to a place because it is a nice place to live or raise a family, a business can only survive if it makes a profit. The same is the case for businesses that start in the community. The owners may be loyal to the community, but if they cannot make their business profitable they will close or move it; they do not have a choice.

In a market economy, making a profit is the responsibility of business management and its employees, not community groups, local or state governments. However, the actions of these groups can sometimes help businesses become slightly more profitable. The priority projects outlined below are aimed at helping businesses become more profitable and thus be able to survive and grow in the community.

### **Hugo BR&E Priority Projects**

The following four priority projects were selected at the Task Force retreat held in Hugo on February 8, 2010.

1. Market the City of Hugo
2. Create, Coordinate, and Encourage Events

3. Host Business and Breakfast Workshop(s)
4. Address Highway 61 Access Issues and Improve Downtown Hugo

### **Priority Project #1: Market the City of Hugo**

Increased exposure can help businesses generate profits. Exposure to consumers, to other businesses, and to new business opportunities, for example, can all provide businesses with avenues to generate more revenue and greater profit. For some businesses, the highest priority is direct exposure, through advertising or promotion, to the individual consumer. For other businesses, it's paramount to gain exposure to other businesses that may present an opportunity for business-to-business sales. Hugo businesses could profit from greater exposure of the City of Hugo itself.

### **Related Survey Results**

Businesses in Hugo value small town atmosphere and charm. When asked to rate from a list of community features which features have a positive impact, no impact, or a negative impact on their business, Hugo businesses awarded "small town atmosphere" an average of 1.34 (2.0 = very positive impact; 0 = neutral), making it the most highly rated community feature. "Freeway access" (1.13) and "festivals and events" (0.79) rounded out the top three community features. None of the eighteen features received a negative score.

### **Project Plans from the Committee:**

This project is based on several potential marketing strategies that all relate to the City of Hugo and its businesses. Each item falls under an idea for a marketing plan for the City

that would consist of public relations, advertising, and sales. There were several indications within the BR&E surveys that suggested that businesses wanted help promoting their business with an emphasis on advertizing. Over the next several months the project team will be working on putting together a marketing plan for the City and incorporating ways to help the businesses in Hugo. The marketing plan will also help recruit new businesses into the City. Some of the goals for the marketing plan include a City slogan, multimedia campaign, visitor guidebook, and tradeshows. The project team suggested that the City partner with the local business associations to put together portions of the marketing plan for the City.

This committee will be led by Rachel Simone, Tom Weidt, Louis Melamed, Bridgett Backman, Gretchen Boyd and Michele Tesser.

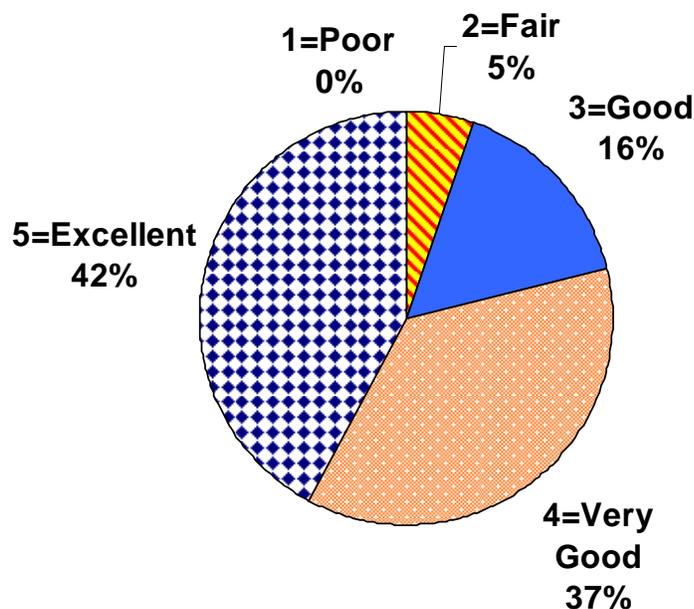
### Priority Project #2: Create, Coordinate, and Encourage Events

Businesses thrive in attractive communities. These attractive communities have amenities and opportunities that draw resources the businesses require. These resources can be quite varied, ranging from quality employees to tourists to developers to complimentary businesses to infrastructure. Businesses need these resources to be successful and profitable. Events could potentially help the City of Hugo be more attractive.

### Related Survey Results

Responding businesses perceive Hugo as a great place to live. When asked to rate their overall opinion of Hugo as a place to live, where 1 equaled “poor” and 5 equaled “excellent”, businesses gave Hugo an overall score of 4.16 or “very good”, see Figure 3.

**Figure 3: Overall Opinion of Hugo As a Place to Live**



No business responded that Hugo was a “poor” place to live.

Businesses were asked if certain community features had a positive impact (+2), no impact (0), or a negative impact (-2) on their business. The community features having the most positive impact were small town atmosphere (1.34), freeway access (1.13), and festivals or events (0.79). The community features having the least positive impact were lodging facilities (0.03), museums and historic sites (0.11) and meeting facilities (0.32).

### **Project Plans from the Committee:**

This project consists of supporting existing events and brainstorming additional events that have an economic impact on Hugo. Hugo has several existing community events which are well-planned and have grown in the last few years. These events have been developed and promoted by organizations such as the Lions Club, Hugo Business Association, Oneka PTA and other community groups. One of the most well known community events to support is Hugo Good Neighbor Days. The project team will work with the Lions Club to further promote and expand this event. The project team will encourage the organizers of existing community events to coordinate with businesses and take advantage of opportunities for business promotion.

The project group will also brainstorm other events, as a part of a two to three year plan. A number of very exciting possibilities have already been discussed: a park bonfire, sledding party, pet fest, music in the park, golf tournament and triathlon. Also, developing a charity motorcycle run to draw a large contingent of motorcycle enthusiasts to local businesses is an option. Creating and expanding trails to

encourage biking, hiking, skiing and running would draw outside visitors to Hugo. Encouraging healthy family-friendly activities would benefit the lifestyles enjoyed in Hugo. The residents of Hugo support community events and there is the potential for additional offerings which promote local businesses.

This committee will be led by Shayla Syverson, Patti Breen, Mike Gallivan, Kate Riopel, and Duane Berg.

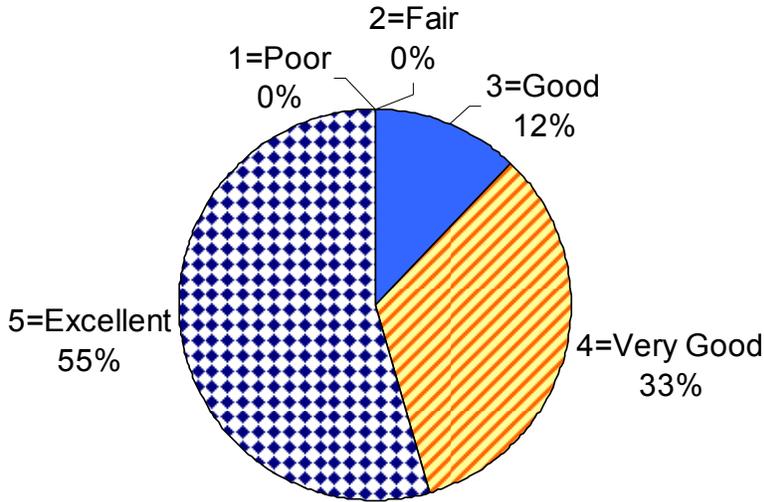
### **Priority Project #3: Host Business and Breakfast Workshop(s)**

Profitable businesses tend to have efficient, knowledgeable, and skilled owners, managers and employees. A business owner must not only have a marketable product, but also the skills and abilities to bring that product to market at a profit. Trained and skilled employees can assist business owners in achieving that goal. Business and Breakfast Workshop(s) would give local business owners an opportunity to be exposed to training opportunities and other resources as well as to information about City activities.

### **Related Survey Results**

Overall, businesses in Hugo appear to be satisfied with the quality and availability of the labor force in and around Hugo. When asked to rate their employees with respect to their attitude towards work and their productivity on a scale, where 1 equaled “poor” and 5 equaled “excellent”, the average score for both attitude and productivity was 4.4. No business rated employees as either poor or fair with respect to either of these measures, as evidenced in Figure 4.

**Figure 4: Employee Attitude**



**Project Plans from the Committee:**

This project is based on the survey results that stated businesses wanted ways to network with each other. The project team recommended having a business breakfast workshop with a speaker and a time to socialize. The business and breakfast can be thought of in many forms, for example, brunch, lunch and dinner socials. One of the main ideas was having an annual “State of the City” speech from the Mayor of Hugo and also bringing in County and State officials in to speak to the business owners. This would give an opportunity for the businesses to interact with their local, County and State officials. The project team will be brainstorming over the next few months on how to accomplish their goals to provide a new way for businesses to network and exchange information with their officials.

This committee will be led by Mike Ericson, Duane Arens, Bruce Sayler, Galen Carlson, and Mickey Michlitsch.

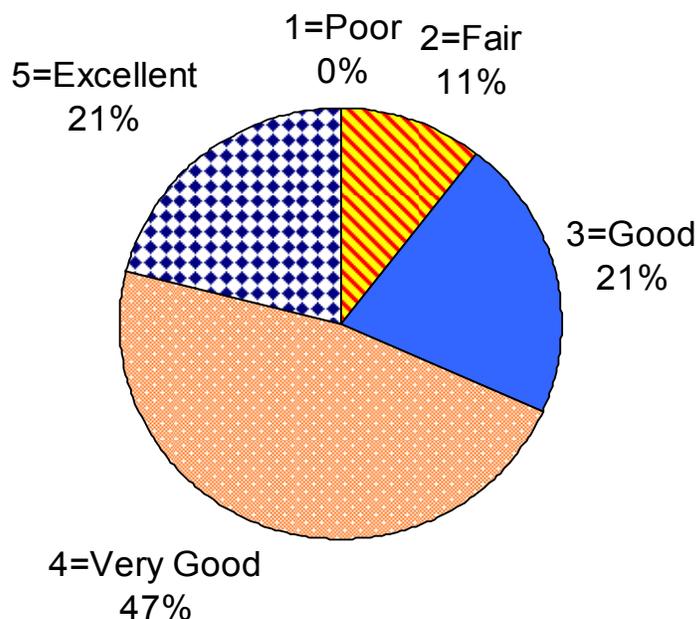
**Priority Project #4: Address Highway 61 Access Issues and Improve Downtown Hugo**

Just as loving a community does not ensure profitability for a business; profitability does not ensure a business will remain loyal to a community. Businesses may also consider a host of factors when deciding to remain in a community or to move to another. Businesses need quick, easy access to their businesses for both their customers and their suppliers. They may also prefer to be located in a community with an attractive, thriving downtown.

**Related Survey Results**

Businesses appear to have mixed opinions of Hugo as a place to do business.

**Figure 5: Overall Opinion of Hugo As A Place to Conduct Business**



Businesses were asked to rate Hugo as a place to conduct business on a scale where 1 equaled “poor” and 5 equaled “excellent”. The average score for the businesses’ responses was 3.79. This translates into a rating between “very good” and “good”, which is slightly lower than the score typically seen in other communities. Responses to the question are shown in Figure 5.

However, businesses are also being attracted into Hugo. One of every three responding businesses started in another community and moved into Hugo.

**Project Plans from the Committee:**

This project started because access to Highway 61 was identified as a concern of businesses located in the downtown area of Hugo. They wanted to make sure that there was adequate access to their businesses as the highway is improved. At the implementation meeting on February 16, 2010, the

group was presented with the Memorandum of Understanding for Highway 61 between the City, Washington County and the State of Minnesota on the access to the highway. This was something the members did not previously know about and will learn more about as the project team meets.

Within the survey there were three retail factors that were chosen as the most important to be improved. These three were variety of businesses, exterior atmosphere, and variety of places to eat. This project team will also be working on tasks to improve the downtown by eliminating blight and attracting new businesses with an emphasis on quality. As the project team meets there will be an outline created on how to implement the goal of improving the downtown area.

This committee will be led by Bryan Bear, Jan Arcand, Steve Marier, and Richard Fischer.



The Task Force selected the priority projects. This summary report was prepared by Brigid Tuck, University of Minnesota Extension Center for Community Vitality, Community Economics. Editorial assistance was provided by Bruce Schwartau and Michael Darger of University of Minnesota Extension. Task Force members also contributed to this report.

In accordance with the Americans with Disabilities Act, this material is available in alternative formats upon request. Please contact Brigid Tuck at 507-389-6979 or email at [tuckb@umn.edu](mailto:tuckb@umn.edu).

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