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*Strategies
Program*



EAGAN BUSINESS SURVEY

Summary Report
June 2001

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Eagan Business Survey

Even rapidly growing cities such as Eagan need to pay attention to their existing businesses. The Business Survey is a key element in staying in touch with local businesses and developing strong local economic development efforts. While the attraction of new businesses and the encouragement of new business start-ups are important parts of an overall economic development strategy, many communities now recognize the need to do a lot more to assist existing businesses survive and grow.

As a city, it is useful to think of Eagan as a provider of input services to firms located here -- similar to other vendors that firms use. Just as businesses gain competitive advantage by continuously aligning their operations to provide better service to their better customers, cities must be looking for ways to provide a better environment for their premium paying customers -- businesses.

The survey conducted by the Eagan Business Survey Task Force is a way to get to know the needs and aspirations of Eagan's businesses. The survey results are used to develop strategies that help businesses to expand in Eagan and remain in Eagan.

Objectives

1. To demonstrate the community's interest in the needs of the local business community.
2. To identify and, where possible, help solve problems that area businesses are having, and especially, to reduce City-imposed barriers to business success.
3. To aid in setting City and economic development priorities for long-range business retention and expansion.

Sponsorship

This program is sponsored locally by the following organizations: the City of Eagan, the Eagan Economic Development Commission, the Northern Dakota County Chamber of Commerce, the Dakota County Economic Development Partnership, and Eagan educational institutions.

Eagan Business Survey History

The Eagan Business Survey started in the spring of 1999 at a meeting of the Economic Development Commission and the University of Minnesota Business Retention and Expansion Strategies Program. After a series of subsequent meetings with the Mayor, the City Administrator and other officials, the decision was made to launch a program in Eagan. A Leadership Team was recruited and an application was submitted to the University of Minnesota Business Retention and Expansion Strategies Program. The City of Eagan provided the program fee. In the spring of 2000 an orientation session was convened with the Leadership Team members. The Leadership Team held more meetings and did a great deal of work to prepare the written survey instrument, select the firms to visit, and to plan the entire process.

Task Force Recruiting and Training

The business survey leadership team recruited volunteers among Eagan community members to perform firm visits. Volunteers included business persons, educators, local government officials, economic development officials and citizens at large. The volunteers received training and practice visits were conducted to test the survey and actual visits.

Firm Visits

Fifty-two firms were visited from August to November of 2001. Steve King and Mike Ridley reviewed each completed survey.

The University of Minnesota staff tabulated the findings and organized a research review meeting held on March 8, 2001 of faculty, state agency, and local people to review the results of the survey and provide direction for the written report.

Jim Kielkopf prepared the research report with assistance from George Morse and Michael Darger, all from the University of Minnesota Department of Applied Economics. Input from the Research Review Panel and other ideas were included in the report.

On May 2, 2001, a four-hour retreat of the Business Survey Task Force was held. At this retreat, the Task Force reviewed a number of strategies to help businesses remain in and expand in Eagan, and they established priorities on which major projects they would undertake. A small committee was set up on each of the three priority projects shown in this report. If you have any ideas, time, or other talents that you wish to contribute to these projects please contact one of the people listed below.

People in the Eagan Business Survey

Leadership Team

Overall Coordinator - Patricia Awada, Mayor of Eagan

Business Resources Coordinator - Steve King, Executive Director, Dakota County Economic Development Partnership

Milestone Meeting Coordinator - Dave Devore, President, Ballard Moving and Storage

Visitation Coordinators - Dr. Thomas Wilson, Principal, Eagan High School; Julie Stackhouse, Member, Eagan Economic Development Commission

Media Coordinator - Karl Oestrich, Director of Public Relations, Blue Cross/Blue Shield

City Staff Representatives - Tom Hedges, City Administrator; Mike Ridley, Senior Planner

Eagan Business Survey Task Force and Volunteer Visitors

Many community leaders participated as Task Force Members and Volunteer Visitors. This group visited with firms and set priorities for action and implementation of selected projects.

David Anderson	Inver Hill Community College
Tom Andrews	Inver Hills Community College
Lee Ashfield	Economic Development Commission
Pat Awada	Mayor of Eagan
Paul Bakken	Eagan City Council
Patrice Bataglia	County Commissioner
Heidi Bardwell	YMCA
Duey Bendt	Resident
Lou Besser	Owobopte Industries, Inc.
Kris Best	Minnesota Valley Humane Society
Jim Borgschatz	Eastern Lutheran Church
LaDonna Boyd	Dakota Electric
Ely Butler	Lifeworks Services
Ann Carlon	Eagan Convention and Visitors Bureau
Cal Clark	Eagan EDC
Tom Colbert	City of Eagan
John Curlee	State Farm Insurance
Margaret DeFeo	Resident
Mary Devine	Resident
Dave Devore	Ballard Moving and Storage
Tim Dunn	Economic Development Commission
Joe Dwyer	Insty Prints
Hugh Fitzgerald	Economic Development Commission

John Fitzgerald Lynae Gieseke	Reality Design, Inc. Minnesota Valley Humane Society	Nathan Spears	Economic Development Commission
Michelle Harrington	Town Centre Professional Building	Julie Stackhouse	Eagan Economic Development Commission
Larry Haugen	Lawrence D. Haugen, CPA	Tim Staley	Southwest Area YMCA
Tom Hedges	City of Eagan Administrator	Jan Stapleton	Northern Dakota County Chambers of Commerce
Stacy Hendricks	Northern Dakota County Chambers of Commerce	Kent Therkelsen	Eagan Police Department
Donald Hoeft	Resident	Ron Thomas	Dakota County Technical College
Bob Holton	Home Environment Center	Laura Tolaas	Employment Training Center
Cindy Johnson	Northern Dakota County Chambers of Commerce	Rick VanPuyvelde	Mazanec, Bauer & Associates PLC
Steve King	Dakota County Economic Development Partnership	Jamie Verbrugge Steve Wagner	City of Eagan Dakota County Technical College
Pradeep Kotamraju	Dakota County Technical College	Tom Wilson	Eagan High School
Sharon Lacombe	Dakota County Technical College	George Zimhelt	Power Systems Research
Bill Lindberg	The Ash Grove Group		
Nancy Ludwig	DCTC Foundation		
Cathleen Marquardt	Resident		
Gail Morrison	Inver Grove Community College		
Doreen Nevin	First Residential Mortgage		
David Niermann	Minnesota Workforce Center		
Karl Oestrich	Blue Cross/Blue Shield		
Tom Pederson	T-Plan Techniques		
Jim Rabuse	Amoco Certicare Center		
Mark Reimer	Economic Development Commission		
Mike Ridley	City of Eagan Senior Planner		
Dan Rogness	Dakota County Community Development Lifeworks		
Brian Ross	Cedar Ridge Church		
Tim Ruden	Minnesota Workforce Center		
L. Michael Ryan	ISD #196		
Sandra Setter			

Firms Visited

Fifty-two firms were visited. The community greatly appreciates them for their willingness to help the community understand their needs.

A & H Cartage
ACU Chiropractic Wellness Center
Alliant Foodservice
Alliant Heating & Air
Applied Power Products Inc.
BF Goodrich Aerospace
Bird & Cronin, Inc.
Blue Cross Blue Shield of MN
Byerly's Inc.
Campbell Knutson
Church of Christ
Cinnamon Ridge Apartments
Digital House Film & Design
E & M Liquor
Eagan Gentle Dental
Expeditors International
EZ Air Park, Inc.
Fairview Eagan Clinic

Freightmasters
 Hanco Corporation
 Holiday Inn Select
 Home Service Publications
 Kokomo Tan
 Master Tool & Die
 Mats, Inc.
 McDonald's
 Midwest Coca-Cola
 Midwestern Pole
 National Offset Blanket Supply
 Lawrence E. Nichols, Esq.
 Norlight Telecommunications
 Northstar Imaging Services, Inc.
 Northwest Airlines
 Office Max
 Park Nicollet Clinic, Eagan
 PBBS
 Power Dynamics Inc.
 Preneer Systems Inc.
 Prowire, Inc.
 Rooms to Grow Inc.
 Virgil Schaaf Construction Co.
 Southwest Area YMCA
 State Farm Insurance
 Paul Stensgard Agency
 Stinar Corporation
 Target
 Town Centre Tire & Auto Service
 (Goodyear)
 UPS
 US Postal Service BMC
 Walcro Inc.
 WAM!Net
 West Group

BREI Certified Consultant

Mark Vahlsing served as the Business Survey Program consultant to the project. This included helping the task force through the visitation phase of the program. Michael Darger, Director, Business Retention & Expansion Strategies Program also assisted in this process. Mark will also work with the community on quarterly implementation meetings for at least a year after the community meeting.

Research Review Panel

The panel reviewed the tabulated survey results and suggested potential actions that might be taken by Eagan leaders in response to local firm concerns. The participants were:

Eagan Business Survey Task Force:

- Pat Awada, Mayor of Eagan
- Tom Hedges, Eagan City Administration
- Steve King, Dakota County Economic Development Partnership
- Karl Oestreich, Blue Cross and Blue Shield
- Mike Ridley, Eagan Planning Department
- Julie Stackhouse, Eagan Economic Development Commission and Federal Reserve Bank

University of Minnesota:

- Candace Campbell, U.M. Humphrey Institute and CDC Associates
- Michael Darger, U.M. Department of Applied Economics
- Laura Kalambokidis, U.M. Department of Applied Economics
- Jim Kielkopf, U.M. Department of Applied Economics and TCF Bank
- George Morse, U.M. Department of Applied Economics

Minnesota State Agencies:

- Gary Campbell, Minnesota Technology, Inc.
- Diane Knutson, Minnesota Department of Trade and Economic Development
- John Lavine, Minnesota Department of Planning
- Kyle Uphoff, Minnesota Department of Economic Security

Eagan's Economic Profile

An economic profile of Eagan was prepared for use by the Task Force at its May 2 retreat. This profile gave an overview of

population, income, and employment trends in Eagan, comparing it with other communities. The profile is included in the Eagan Business Survey Research Report, which is available for review at Eagan City Administration or from a Task Force member.

Briefly, Eagan is a prosperous middle class community. A higher proportion of citizens' income is derived from salaries and wages than both the metro area and the rest of the state. Yet it is also one of the wealthier and faster growing cities in the state. This indicates that there are probably fewer very low-income and fewer very high-income households than in other communities in the metro area.

Eagan Business Survey Results

Following are the results of the survey of 52 firms by Eagan community leaders during August through November of 2000. The firm characteristics are summarized first, followed by strategies and priority projects selected by the Task Force. Survey results related to those projects are included in this summary. Additional survey results are in the Research Report.

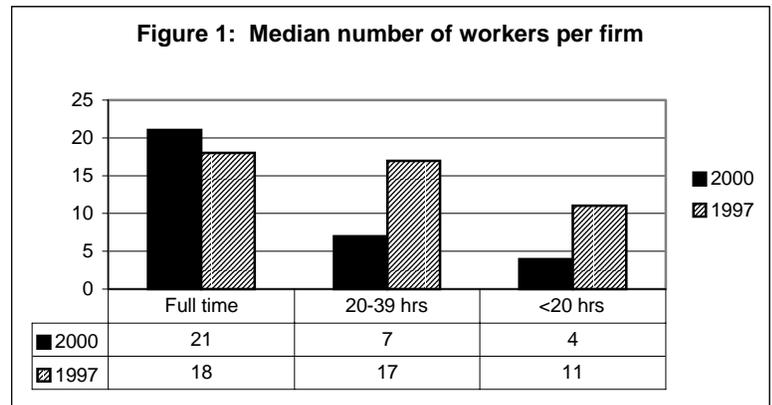
Characteristics of Firms Visited

The firms visited represent a sample of about 3.3 percent of the businesses in Eagan (1566 firms, as listed in *Zip Code Business Patterns, 1997*, published by U.S. Census Bureau). These firms employed 15,254 full time persons and 2,366 part-time people. The survey sample covered 34.4 percent of the Eagan workforce. Of the 100 firms targeted, 52 completed the visits for an overall 52 percent response rate.

A few firms represent a very large proportion of both the survey sample's and Eagan's total employment. Survey results were therefore tabulated both in terms of firms visited and by job. This prevented the

responses of a few large employers from being lost if they differed from the responses of the majority of smaller employers, as was frequently the case.

Seventy-one percent of the surveyed firms were locally (metro area) owned. The largest numbers of firms are closely held corporations (56 percent) and public corporations (21 percent). The firms reported a median number of 21 full-time employees and a mean number of 311. The median number of part-time employees is seven with a mean of 60 for those who work 20-39 hours and 4 with a mean of 30 for those who work less than 20 hours. Figure 1 shows how employment compares with three years ago. More full time employees are reported, and much less part time employment prevails.



Source: Eagan Business Survey, question 9.

Table 1 provides the responses of firms when asked to identify their industry. When weighted by job, the responses heavily favored high technology, transportation, and financial firms. Other services and retail firms made up a large proportion of the survey sample, although only a minor proportion of the total jobs represented in the survey.

Table 1: Visited Firms by Industry

Industry	Percent Firms	Percent Jobs
construction	10%	1%
manufacturing	10%	2%
transportation	15%	28%
public utilities	0%	0%
retail trade	13%	0%
wholesale trade	8%	4%
travel	0%	0%
finance, insurance, real estate	4%	20%
education	0%	0%
entertainment	0%	0%
high tech	8%	36%
other services	13%	2%
Other	17%	8%

Source: Eagan Business Survey, Question 3.

Overview of Business Strategies for Eagan

Profits are the key to the retention and expansion of firms. While the owners of a firm might be attracted to an area because it is a nice place to live or to raise a family, a firm can only survive if it makes a profit. The owners may be loyal to the community due to emotional ties, but if there are impediments to profitability they will close or move their business to another community.

In a market economy, making a profit is the responsibility of firm management and its employees, not community groups, or governments. However, the actions of these groups can sometimes help firms become more profitable, and those actions can thus provide a competitive advantage to the communities that employ them. In this sense it can be useful to view a city such as Eagan as a vendor of input services to firms, just as those firms use other vendors for supplies, space, and other inputs to their business processes. The city provides a secure and convenient environment in which to do business for the price of the taxes paid

to it. The community must weigh its provision of business environments against the amount of revenue, amenities, or other benefits those businesses provide to the residents of the community.

The strategies and specific projects outlined below are aimed at helping firms become more profitable and thus able to survive and grow in the community:

1. Improving Labor Availability
2. Improving the Quality of the Business Environment the City Provides.
3. Development of Commercial and Housing Areas

Strategy One: Improving Labor Availability

Labor availability is a chronic problem throughout Minnesota and the nation due to continuing very low unemployment rates. Eagan is no exception to the problem.

Related Survey Results

Firms were asked whether they had difficulties getting workers in various labor categories. Table 2 summarizes the responses.

Table 2: Percent of businesses that reported having difficulties recruiting labor. Listed by labor category.

Labor category	% firms	% jobs
skilled labor	35%	50%
general labor	37%	23%
production labor	25%	55%
high tech specialists	31%	53%
clerical	21%	10%
sales	15%	10%
professional/management	23%	11%
temporary/contract	12%	13%
under age 18	13%	8%
other	10%	8%

Source: Question 13 of the Eagan Business Survey

Among the surveyed firms, general and skilled labor was most difficult to find, followed by high tech specialists and production labor. However, when weighted by jobs, a more critical shortage of production labor, high tech specialists, and skilled labor appears. This indicates that the larger employers are more affected by the worker shortage than smaller ones, and that their labor needs are in shortest supply in the more technically proficient fields.

Firms were also asked where their employees live. Among both large and small employers, the majority of employees do *not* live in Eagan, St. Paul, or Minneapolis. Firms reported that 27 percent of their employees live more than 10 miles away. This means that firms may not be particularly dependent upon Eagan's own resident population for their supply of labor.¹ Also, although few firms were considering moving from Eagan, the second highest reason given for considering leaving, when weighted for employment, was shortage of labor.²

Fortunately, when compared to the communities of their competitors, firms responded that Eagan was about the same regarding labor availability. This means that other cities currently have no competitive advantage regarding labor supply either. However, the importance of labor availability to Eagan employers shows that projects that address this issue could reap high rewards for Eagan businesses that wish to expand in and remain in Eagan.

The task force considered five potential projects for improving labor availability. They also considered ideas generated during discussion at the retreat. One priority project was selected: A Business/Job fair for residents, Eagan businesses, and job-seekers from throughout the metro area. For details

¹ Eagan Business Survey, question 14, page 6.

² Eagan Business Survey, question II-4, page II-2.

on the other projects considered see the Eagan Business Survey Research Report.

Priority Project #1: Business/Job Festival

The project idea is to help businesses recruit workers by organizing a job fair. However, as will be discussed in Strategy Two, below, there is also a need to improve the lines of communication between businesses and the city government as well as help Eagan residents to learn more about the businesses in their community and vice-versa. The festival will be a city sponsored event that brings residents, businesses and job-seekers together in one place.

In order for this project to work as an effective employee recruitment strategy, it is important to focus on the whole metro area for potential employees (very few people live and work in the same city). For this reason, this project will need to partner with regional sources of labor such as the Department of Economic Security, as well as colleges, universities, and technical schools throughout the metro area.

Several employers, including some larger ones, should be part of the planning for this project to ensure that their labor needs are being addressed in the publicity for this event.

Since Eagan has a highly educated and skilled labor force, the Business/Job Festival can also serve as an event to educate businesses about the advantages of being in Eagan where such workers are nearby. Resources to partner with regarding this side of the project would be the Economic Development Commission, the Dakota County Economic Development Partnership, and the NDC Chamber of Commerce.

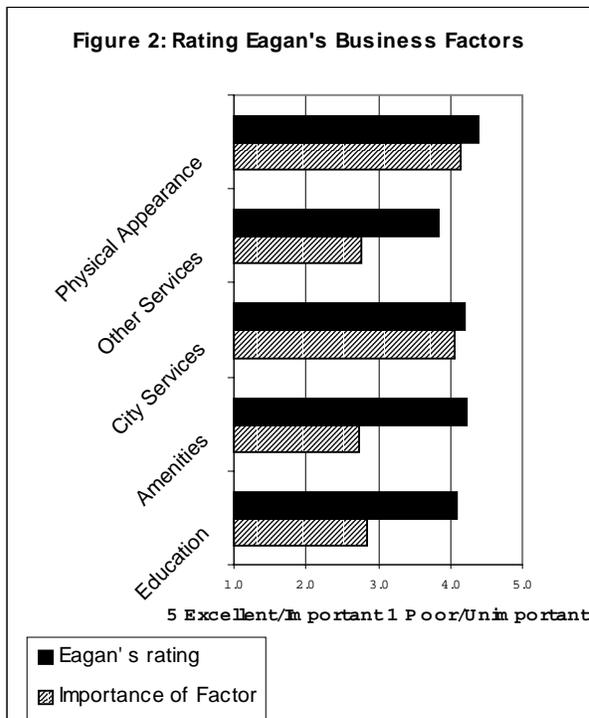
The Committee members for this project are: Pradeep Kotamraju, Stacie Hendricks, and Steve King. For more information or to offer assistance please contact one of them.

Strategy Two: Improving the Quality of the Business Environment the City Provides.

A business, to remain competitive and profitable, must be able to both communicate with its customers to know their needs, and to respond to them at least as effectively as its competitors. It is the same with cities and the environments they provide to business "customers" in exchange for the fees and taxes those businesses pay. If businesses perceive that other cities are providing a better environment for them, they will move there and expand there when convenient to do so.

Related Survey Results

In general, the businesses surveyed ranked Eagan highly regarding the business factors that were most important to them. Eagan provides an environment that fosters business profitability. Figure 2 gives the summarized results of the survey questions regarding importance of and Eagan's delivery of various business factors. Eagan rated fairly high overall, with all general areas achieving a "good" rating or above. Eagan also scored highest in those areas that firms value most: city services and physical appearance of the city.



However, a number of open-ended questions indicated that businesses did not see Eagan as a particularly relevant factor in their business. From the city's point of view this is a concern because the physical environment and infrastructure provided by the city are arguably some of the most important and expensive inputs that all businesses purchase. Firms should feel that the city is both relevant and valuable to it.

The task force considered three potential projects as well as various ideas generated at the retreat related to the quality of the business environment. They chose to prioritize a Comprehensive Communications Campaign to address Strategy Two.

Priority Project #2: Comprehensive Business Communications Campaign

The Business Survey contains a lot of good news for Eagan. Business people generally like it here. They think it is a good place to do business and a good place to live. There are still areas where the city can improve, however, and marketing to businesses is one. Marketing involves communication – getting to know your customers better so that you can provide them better service and to let them know how good you are at it.

The communication campaign contains a number of distinct parts. One is to establish a business hot line for the city – a widely publicized phone number just for businesses that need help with city services or regulators or have immediate concerns that they want heard by city leadership.

Another piece of the campaign is the establishment of an Internet Bulletin Board or Chat Room where business people can post the concerns or questions online and read what others from the city and other businesses have to say.

Revisiting how and where the city publicizes information for businesses is a third part of the campaign.

The fourth part is the establishment of a regular "breakfast with the mayor" event. Here business people have a regular, informal forum to discuss business issues with the mayor. Those issues are more likely to be placed at the top of agendas when city business done.

The Northern Dakota County Chambers of Commerce and the Economic Development Commission are two partners that would be useful in this campaign, as would city and regional periodical publications.

The committee for this project includes: Kent Therkelson, Duey Bendt, Jan Stapleton, Dave Devore, Tom Hedges, and Jim Rabuse. For more information or to offer assistance please contact one of them.

Strategy Three: Development of Commercial and Housing Areas

Two related tools that the city can use to address problems that businesses have are zoning ordinances and development projects. The city can create and re-create its physical environment to better meet the needs and desires of local firms.

Related Survey Results

Fifteen percent of the visited firms are considering relocating. That figure becomes 21 percent if weighted by employment, which means that 21 percent of full-time jobs covered by the survey potentially could leave Eagan. Although the survey indicates that many of those would like to relocate within Eagan, ample site selection is key when other cities can entice them to move there, either directly with incentives or indirectly by just being a better place to do business.

Firms that consider moving are two and half times more likely to locate in Eagan and Dakota County than anywhere else. This means that Eagan has a good chance of retaining those firms if it has the space and people available for them.

Only 18 percent of the surveyed firms' customers are in Eagan, and only 34 percent are in Dakota County. This means that most firms do not necessarily need to remain in Eagan. If space, labor and other critical business factors are not solved, the firms will move to communities that have the solutions they seek or other amenities that they desire.

Priority Project #3: Build Homes for CEO's and Build a Championship Golf Course

The task force considered three potential projects, ranging from affordable housing to revisiting the city plan, as well as other ideas generated at the retreat related to development of commercial and housing areas. They chose to prioritize building homes for corporate CEOs and a championship golf course.

Labor scarcity and difficulties in finding adequate space to expand at existing sites can lead businesses to move to other communities. Direct solutions to these challenges can be expensive in terms of time and financial resources or politically impractical for a volunteer group of community leaders to accomplish. One way to meet these challenges is to offer other reasons for business people to remain in Eagan. The Task Force determined that CEOs would prefer to live near their work, even if many of their employees cannot. Eagan currently does not have a significant amount of truly upscale properties that would attract CEOs to live in the city. Building such housing and building a championship golf course were deemed to have high reward prospects regarding business retention and expansion.

The main partner for the project will be the City Planning department. The Economic Development Commission could also be a useful partner. Input from residents and businesses will be critical as well as adequate preliminary market research for both high-end housing and golf course.

If the city has quite limited experience in developing very high-end housing for a CEO class of residents, it is probably important to lay aside preconceptions regarding their presumed tastes and architectural preferences. Instead they may want to contract with a market research firm. The needs and wants of potential customers of both high-end housing and the golf course need to be determined before planning advances.

The committee for this project includes: Mike Ridley, Pat Awada, Jaime Verbrugge and Hugh Fitzgerald. For more information or to offer assistance please contact one of them.



The Task Force selected the priority projects. This summary report was written by Jim Kielkopf, with assistance from Michael Darger and George Morse, all from the University of Minnesota Department of Applied Economics, and Mike Ridley, from the Eagan Planning Department. This publication is available in alternative formats upon request. Please contact Michael Darger at 612-625-6246.

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