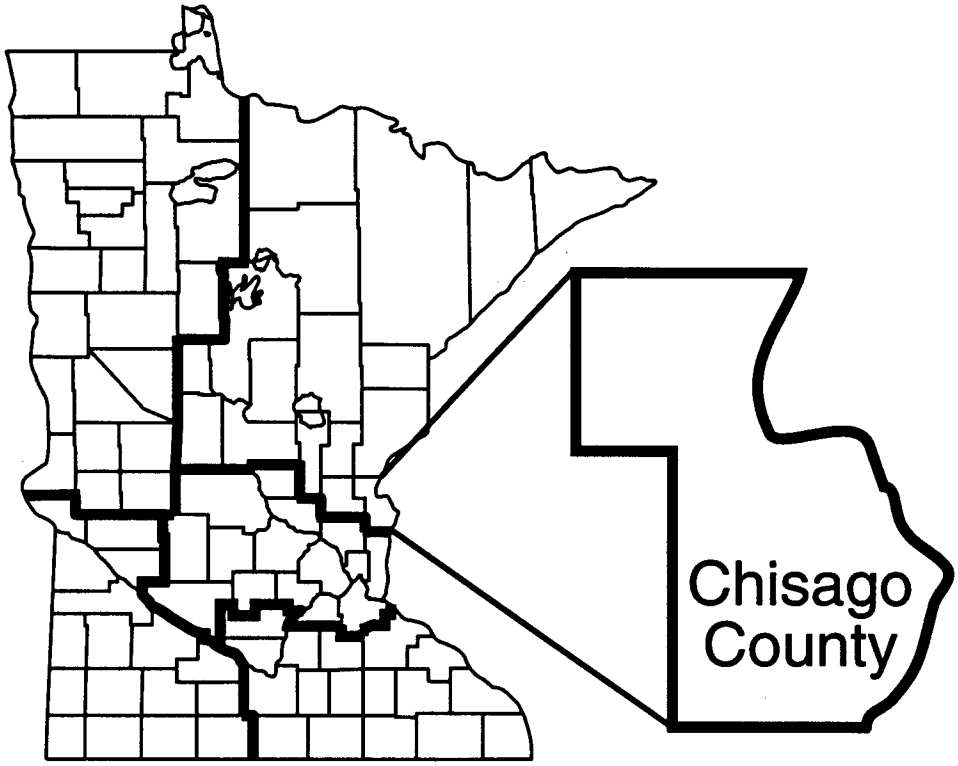
MINNESOTA EXTENSION SERVI
UNIVERSITY OF MINNES

BUSINESS RETENTION AND EXPANSION STRATEGIES PROGRAM
SUMMARY REPORT 1993



State Sponsors:

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Local Sponsors:

Chisago County HRA
Minnesota Extension Service, Chisago County
Chisago County Joint Commerce Board, representing:
- Greater Chisago Lakes Chamber of Commerce
- North Branch Chamber of Commerce
- Taylors Falls Chamber of Commerce, and
- Rush City Area Chamber of Commerce

Chisago County Business Retention and Expansion
Summary Report: September, 1993

The Chisago County HRA, Minnesota Extension Service, Chisago County and Joint Commerce Board representing the Greater Chisago Lakes Chamber of Commerce, North Branch Area Chamber of Commerce, Taylors Falls Chamber of Commerce and Rush City Chamber of Commerce worked with the Minnesota Extension Service and the Minnesota Department of Trade and Economic Development in conducting the Chisago County Business Retention and Expansion Strategies Program. The program had three primary objectives:

(1) to demonstrate the community's pro-business attitude;

(2) to assist, if possible, with the individual concerns of local firms; and

(3) to develop community programs to address those concerns mentioned by a number of firms.

Demonstration to a pro-business attitude is integral to any business retention efforts. Businesses are more likely to stay if local leaders convey the message that they want to collaborate with business owners in creating a healthy work environment. Sixty-three Chisago County leaders met this objective by personally visiting 76 firms in the county.

Following visits to firms, the BR&E Task Force met to review concerns raised by local businesses.

The University of Minnesota analyzed the survey data and presented "suggested recommendations" to the Chisago County Task Force. The task force then developed the action recommendations outlined in this summary report. The full Final Report, with all of the data and results, is available on loan from the local Chisago County Extension Office. Each of the BR&E Task Force members also has a copy of the full report.

A Leadership Team comprised of Rod Elmstrand, Bob Jennissen, John Silver and Mark Vahlsing along with a 21 member Task Force provided the motivation and incentive to keep the BR&E process moving forward to success.

Characteristics of Firms Visited Although covering a wide range of industries, the majority of firms in the Chisago County BR&E survey were in manufacturing and services. Not quite half (42.9%) of the manufacturing firms were initially located in their current location, while 64.1% of retail firms originated in their current location. Over half (65.1%) of the firms are organized as closely held corporations. Sole proprietorship makes up for 17.5% of the firms. (Full details are included in the final report).

Priority Strategies The Chisago County Business Retention and Expansion Task Force considered three strategies for promoting economic development in the county. Each of these is described below along with the survey results and related recommendations. Leadership Team and Task Force members are learning about local, state and federal resources available to address these strategies. The following section then outlines the recommendations set forth by the BR&E Task Force. Community Leaders wishing to contribute time and talent to the implementation of these recommendations are encouraged to contact any member of the leadership team.

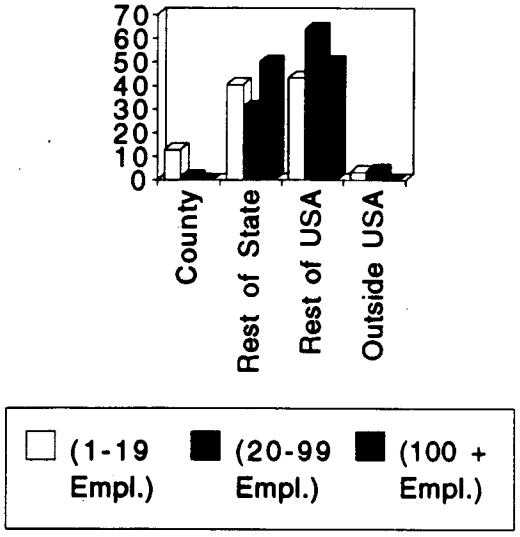
Strategy #1: Helping Chisago County Firms Become More Competitive.

Overview of Strategy:

Over 46 percent of the products of the smallest manufacturing firms (1-19 employees) surveyed are sold outside the state, with 3.4 percent being sold internationally. For the intermediate firms (20-99 employees), near 65 percent of the sales are out of the state. Chisago's retail and service businesses are facing additional competition from the expansion of these services in the Twin Cities.

In order to survive this increased competition, Chisago firms must reduce their costs per unit, improve the quality of their products or services, or expand into new market niches. With the reduction in costs per unit (by adapting new technology, e.g.), the firm can reduce prices and expand market share or it can capture higher profits.

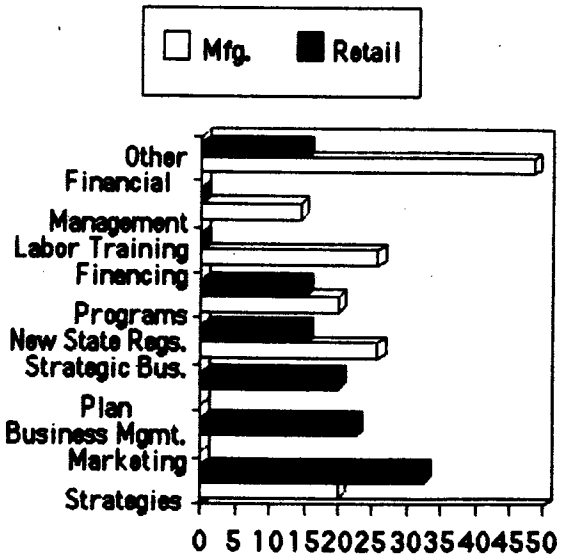
Percent of Sales by Location Manufacturing: Chisago County, 1993



Survey Results:

Chisago County businesses are already engaged in activities to remain competitive. Both manufacturing (13%) and retail (12.5%) have implemented labor saving technology. Firms also requested information on various aspects of business to help them become more competitive. The following chart includes the most frequently requested items for manufacturing and retail. The survey revealed

Percent of Manufacturing and Retail Firms Ranking Information Requests, Chisago County, 1993



that 50% of the manufacturing and 46% of the non-manufacturing firms had difficulty recruiting skilled labor. In addition, 751 employees in non-manufacturing and 235 in manufacturing firms will need training.

Strategy #2: Expanding Import Substitution Possibilities.

Overview of Strategy:

Every region "exports" and "imports" products. One means of increasing a region's (or county's) income and employment is to reduce the volume of imports to the region (or county). This strategy is generally called "import substitution." New production can come from existing local firms or by the attraction of new firms if technically and economically feasible.

Survey Results:

Sixteen firms felt that inputs they purchased outside the county could feasibly be produced within the county. The most opportunities appear to be in the primary metal industry and industries involving stone, clay, and glass products.

Strategy #3: Building an Ongoing "Red Flag" System.

Overview of Strategy:

Some economic development professionals define economic development as simply "removing bottlenecks to new investments in local jobs." This means that practically anything fits under the economic development umbrella if it is an obstacle to the growth of a firm. It also means that the majority of economic development activities are responding to a wide variety of small, but important, issues. Those issues that are urgent concerns to a firm or that signal that the firm might be cutting employment or closing are often called "red flags." Successful economic development efforts require an ongoing process for identifying and handling the "red flags."

Survey Results:

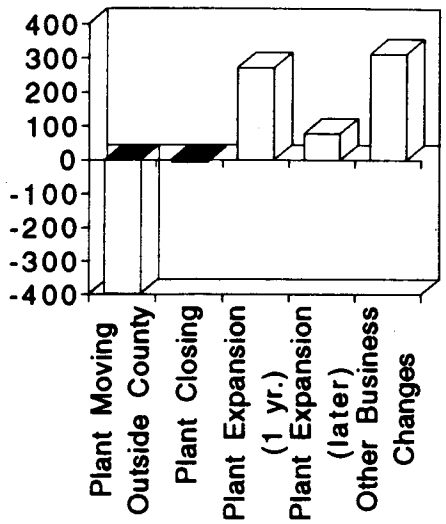
Seven manufacturing firms (out of 36) reported that they were considering moving or closing Another seven non-manufacturing firms are considering moving or closing, with four looking at sites outside the county.

The most frequently cited reason for considering moving out of Chisago County was the high level of state taxes (6 firms), followed by high local taxes (5 firms), no land for expansion (4 firms) and overcrowded buildings (3 firms). Despite these potential closures, the overall impact of manufacturing plant closures, moves, or expansions are estimated to be an expanse of 253 jobs.

Factors influencing profits can provide clues for "red flags" that need attention. The most frequently cited factors expected to influence profits for manufacturing firms in the next five years are: new products, wage rates, taxes, government policies and domestic competition. Factors expected to influence profits for retail firms include: government policies, taxes, wage rates, new products and demographics.

A second means of identifying "red flag" issues is the data on the importance and quality of location factors. Overall, both manufacturing and non-manufacturing firms perceive quality of life factors as more important than the business cost or other business factors. Fortunately, the firms surveyed also rated Chisago County very highly on the quality of life variables.

Expected Changes in Employment: Chisago County, 1993



Chisago County Business Retention and Expansion Final Recommendations

After considering survey results, strategies and recommendations provided by the University of Minnesota BR&E staff, the Chisago County BR&E Task Force adopted five recommendations. Their decisions are based on discussions held during a series of meetings with other community leaders in Chisago County. These recommendations address the three strategies discussed in the final report

in several ways. These are:

- improving networking and sharing of information;
- reducing "red tape" for more immediate responses to business needs;
- reducing costs through creative finance programs; and
- promoting short and long term growth potential in service and retail firms by studying trends and developing strategic plans.

The five recommendations adopted by the Chisago County BR&E Task Force are:

(1) Develop Business Friendly Zoning on a county-wide basis.
(2) Establish a Community Manufacturers Network.
(3) Form a Star County Program.
(4) Develop a county-wide incentive financing program.
(5) Examine service and retail trends and growth potential.

The following summarizes the recommendations as they relate to survey results, and include methods of implementation for action.

Recommendations:

1. <u>Develop Business Friendly Zoning on a county-wide basis</u>.

Background: In the BR&E survey, 7 of 35 manufacturing firms reported that they were considering leaving the county. In seven of these cases, the firms cited a lack of space as a reason for the move. If these firms, or new firms consider other locations within the county there needs to be more land zoned for industrial uses. The process of working with the firms needs to be more user friendly. For zoning changes to be successful there must be consistency among the 11 zoning jurisdictions in the county. In order for the changes to be accepted by the zoning jurisdictions, the process must involve government leaders from throughout the county to clarify the goals and to promote cooperation. If improvements and consistency were made in the zoning process, Chisago County would be a more attractive place for manufacturers, and make it easier for existing firms to expand.

Implementation: A county-wide zoning program is in reality a cooperative effort between the 11 zoning jurisdictions to begin to cooperate and examine their local regulations in respect to business development. This would include examining the need for more industrial space and the need for local regulations. Each local chamber of commerce should appoint 2 or 3 of their members to meet with local leaders and examine their respective ordinances and follow-up to insure that changes are made within an established time period.

Implementation Responsibility: Local Communities, Chambers of Commerce

Suggested Completion Time: 16 months

2. Establish a Community Manufacturers' Network.

Background: The purpose of a community Manufacturers' Network is to assist small and medium sized manufacturers in meeting their quality, productivity, and profitability goals. The group may meet monthly or quarterly at a breakfast meeting to discuss issues as determined by the local participants. The Chisago County BR&E Leadership Team and area manufacturers are working with Minnesota Technology, Inc. to develop these programs.

Implementation: With assistance from the banks of Chisago County and Minnesota Technology Inc., the manufacturers of the county will be invited to kick-off dinner to introduce the program. Since the network belongs to the manufacturers, they must decide how the network will serve them.

Implementation Responsibility: HRA, County Banks

Suggested Completion Time: 6 months

3. Examine Service and Retail Trade Trends and Growth Potential.

Background: A detailed analysis is needed on the degree to which local businesses are capturing sales which you would expect with the population and income of the county and how this has changed over the past 10 years. Based on this examination, additional steps to encourage retail stores in the county should be taken. This will include helping smaller retail stores find new niches.

Implementation: Work with the Department of Agricultural and Applied Economics at the University of Minnesota to utilize the "pull factor" analysis program to determine retail sales activity. Use this information to work with local retailers to make changes needed to help them survive. Another important element of this step would be to feature workshops with local retailers on programs to improve their businesses.

Implementation Responsibility: Chambers of Commerce.

Suggested Completion Time: 1-2 years

4. Develop a County-wide Incentive Financing Program. (Industrial Initiatives)

Background: A county-wide revolving loan fund can provide low interest competitive financing which can be used as a incentive to attract new business or assist in business expansions. With the diminishing amount of state and federal funding programs available, local financing sources are becoming more critical. The H.R.A. and the ten banks in the county are involved in developing an Industrial Initiatives Program. This program would

provide reduced rate financing for industrial expansion.

Implementation: The banks of the county will begin to develop the program guidelines for Industrial Initiatives. After an acceptable program has been developed, investment in the program will be sought from local units of government, school districts, and private parties. This funding will then be offered to new or expanding business at 1% below prime interest rate.

Implementation Responsibility: HRA and local banks.

Suggested Completion Time: 1 year

5. <u>Form a Star County Program</u>.

The Minnesota Department of Trade & Economic Development's Star County Program is an excellent way to establish a county-wide economic development network. The Star Program will also help market the county as well as make it easier for the county to work with DTED and other state and federal agencies.

Implementation: The HRA and Joint Commerce Board as the established County-Wide Economic Groups will be the lead groups in the developing the Star County Application. Support will be required from all the Cities in the County.

Implementation Responsibility: HRA and Joint Commerce Board.

Suggested Completion Time: 16 months to 2 years.

BR&E Leadership Team

Rod Elmstrand, Chisago County Extension Educator
Bob Jennissen, Vice President, Lake Area Security Bank
John Silver, Publisher, Chisago County Press
Mark Vahlsing, Chisago County HRA

BR&E Task Force

Bob Anderson, County Commissioner, Taylors Falls
Jim Casterton, Attorney
Dennis Coryell, City Administrator, Wyoming
Daniel Dewan, Attorney
Tim Eklund, Superintendant, Rush City Schools
Russ Goudge, County Commissioner, Wyoming
Bob Gustafson, County Commissioner, Chisago City
Bob Jonnasson, Retired Executive
Mark Karnowski, City Administrator, Lindstrom
Phil Leier, former County Commissioner
Dale Madsen, Community Relations, GTE
Bob Meyer, Community Education Director, Chisago Lake School District
John Milbauer, President, Chisago County Bank
Swede Nelson, Manufacturer
Joanne Ploetz, Owner, Trucking Firm
Tony Randall, Realtor
Twyla Ring, Publisher, ECM Post Review
Dave Schwartz, Community Relations, NSP
Wally Soderman, Community Relations, East Central Electric
Sheree Vincent, Member, Wyoming EDA
Scott Wordelman, CEO, Chisago Lakes Health Service

Volunteer Firm Visitors

Bev Anderson
Bob Anderson
Sarah Anderson
James Casterton
Dennis Coryell
Tom Delaney
Randy Diers
John Dutkowski
Tim Ecklund
Kelly Eich
Rod Elmstrand
Susan Erickson
Leilani Freeman
Joanna Fynboh
Jim Garrison
Russ Goudge
Steve Graff
Phil Grosland
John Grossmann
Pete Grundhoefer
Don Hartzell
Diane Havolds
Nora Holt
Leo Hudalla
Angie Hughes
John Jackson
Bob Jennissen
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Phil Leier
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Steve Sicheneder
John Silver
Tom Simonetti
Michelle Smith
Shad Swanson
Mark Vahlsing
Steven Vanderheuval
Annette Vellenga
Sherie Vincent
Wade Vitalis
Ellen Walker
Darrol Williams
Mark Wolcott
Scott Wordelman
Myeron Zaruba
Scott Zitelman

Firms Visited

Chisago Lakes
- Anderson Chassis Service
- M. Bakke
- Chisago Health Services
- Chisago Lakes Distributing
- Chisago Lakes School District
- Chisago State Bank
- Community Market
- Corey Oil Co.
- Design II Enteriors
- Eichten's Hidden Acres
- Engineered Wall Corporation
- Gustafs
- Hardee's
- Hazelden Foundation
- Hoffman Construction
- Lake Area Bank
- Plastics Products Co.
- Postmarketing, Inc.
- Rose Hill Resort
- Spree Market
- Stephanie's Hair Styling
- St. Croix Computer Graphics
- Super 8 Motel
- Wally Carlson & Sons

North Branch
- A & C Engine Specialists
- Action Chromate
- Bosco's Restaurant
- Branch Manufacturing
- Enron
- Edgewood Machine
- E.F. Hals & Sons, Inc.
- Micon
- Merchants State Bank
- Natural Spaces
- Nelson's Country Market
- Oak Inn
- Pretty Bird
- Product Fabricators
- Ramberg Welding & Repair
- Stepp Manufacturing
- Superior Engineering
- Swede-O-Universal
- Treasures & Tea

Rush City
- Amber Milling
- Assemblers Automated
- Bev's Greenhouse
- Chinook Group
- Dexon Manufacturing Inc.
- First State Bank of Rush City
- G & G Carquest
- Harris Feed Mill
- Lofgren Trucking
- M & M Sanitation
- Plastech Corporation
- Rush City School District
- Rush Printing
- United Sprinkler

Taylors Falls
- Amador Corporation
- Croix Management Co.
- Merit Machine
- Rivard Sporting Goods
- River Valley Medical Center
- Town and Country Bank
- Valley Graphics

Wyoming
- Berry's Garage
- Bishop Fixture
- C-Aire Compressors
- C.T.B. Inc.
- Carter Day Co.
- Deluxe Tool & Engineering
- Fiberglass Structures
- General Safety
- Hallberg Marine
- MN Precision Plastics
- Productions Aides
- Wyoming Building Center