

Forest Lake Business Retention and Expansion

Summary Report
December 2011

Sponsored by:



In collaboration with Minnesota Department of Employment and Economic Development

Forest Lake Business Retention and Expansion Strategies Program

Summary Report

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Credits:

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FOREST LAKE BUSINESS RETENTION AND EXPANSION PROGRAM

Communities recognize that helping existing businesses to survive and grow is a vital economic development strategy. The Forest Lake Business Retention and Expansion Program (BR&E) is designed to assist local businesses in thriving and expanding in the city. While attracting businesses from outside the community or encouraging 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 businesses already existing in the community.

The Forest Lake 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 Forest Lake BR&E Program has five objectives:

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

Sponsorship

This program is sponsored locally by the City of Forest Lake, the Forest Lake Economic

Development Authority, Connexus Energy, and Xcel Energy.

BR&E History

The Forest Lake BR&E Leadership Team approved participation in the Business Retention and Expansion program after a successful application to University of Minnesota Extension. The first Leadership Team meeting occurred on September 2, 2010, thus officially launching the program. One of its first orders of business was to create a Forest Lake BR&E Task Force comprised of Leadership Team members, as well as a broad-based group of local leaders.

Business Visits

A total of 36 businesses were visited by volunteers during the business visitation phase. The Leadership Team sent 100 invitations to participate in the visits (out of the 400 businesses in Forest Lake). Twenty-five of these businesses were selected by the Leadership Team as critical to the BR&E process. Seventy-five were randomly selected. The non-random selection is considered a convenience sample (i.e. non-scientific). Convenience samples are typical of most BR&E programs.

The Forest Lake Task Force conducted visits from January 15 to April 7, 2011. 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. This 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, builds goodwill among survey participants.

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 May 5, 2011 state research review meeting, where a team of thirteen 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 research.

The Research Report identifies three overarching strategies that Forest Lake could adopt to address general issues reported by businesses. The Research Report then provides a list of potential project ideas 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 Task Force to consider.

Task Force Retreat

A five-hour Task Force retreat was held on July 28, 2011 in Forest Lake. At this retreat, the Task Force was presented the Research Report. The presentation included an overview of the Forest Lake and Washington County economy and demographic changes, the composite results of the business surveys, and the three strategies. The Research Report can be obtained by contacting Doug Borglund, City of Forest Lake, at 651-209-9734 or by contacting one of the Task Force members whose names are listed later in this report.

Following the presentation, the Task Force reviewed and discussed the potential projects, as well as offered new project ideas. In the end, the Task Force established and adopted three priority projects which are featured in this report.

Following the Task Force retreat, the individual project committees met to discuss methods for implementing the projects. The project committees continue to meet. If you have ideas, time, or other talents to contribute to these projects, please contact one of the committee members listed in the project description or one of the overall coordinators. Your participation would be appreciated.

PEOPLE IN THE FOREST LAKE BR&E PROGRAM

Leadership Team

The Leadership Team coordinates the BR&E program as well as fully participates in program execution, including business visits. The team leads the group into the implementation phase. The Leadership Team is part of the Task Force.

Overall Coordinators - Doug Borglund, City of Forest Lake Community Development and Jackie McNamara, City of Forest Lake Economic Development Authority

Business Resource Coordinator - Clarice Olson, Minnesota Workforce Center

Milestone Meeting Coordinators - Mike Muske, City of Forest Lake Economic Development Authority and Judy Huntosh, City of Forest Lake Economic Development Authority

Visitation Coordinators - Stev Stegner, City of Forest Lake Economic Development Authority and Bob Morehead, City of Forest Lake Economic Development Authority

Sponsorship Coordinators - Doug Borglund, City of Forest Lake Community Development and Jackie McNamara, City of Forest Lake Economic Development Authority

Media Coordinator - Chantal Doriott, City of Forest Lake

Chamber of Commerce Representative - Colleen Eddy, Forest Lake Area Chamber of Commerce

Forest Lake 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 are listed below.

Duane Arens, Connexus Energy

Rick Ashbach, Former City Council Member/Airport Commissioner/Business Owner

Brian Bernier, Gator Signs/Business Owner

Diane Borle, Forest Lake Area Schools

Wayne Buehner, Citizen
Aaron Buffington, City of Forest Lake City Planner
Rob Collins, Tennis and Collins P.A.
Dan Coughlin, Former City Administrator/
Former EDA Executive Director
Don Demorett, Geargrid Corp.
Sharon Dier Khising, Forest Lake Area Schools
Laurie Drolson, Forest Lake Area Schools
Mark Heggquist, Flyaways Gymnastics
Chris Johnson, Johnson and Turner P.A./Current
Mayor and EDA member/Business Owner
Jesse Johnson, State Farm Insurance/Business
Owner
Linda Madsen, Forest Lake Area
Schools/Superintendent
Larry Martini, Forest Lake Area Schools
John Milbauer, Patriot Bank
Jerry Moe, Wally McCarthy's Chevrolet
Dealership/General Manager
Julie Ohman, Forest Lake Area Schools
Jonathan Ploeger, Ploeger Chiropractic/Business
Owner
Blake Roberts, Forest Lake Floral/Business
Owner
Bob Rosenbaum, Citizen/Retired Forest Lake
Area Schools/Teacher and Principal
Bruce Saylor, Connexus Energy
Ron Shaketer, Citizen/Business Owner
Victor Shevchuk, MGM Liquors/Business Owner
Max Stephens, Stella's on 97/Business Owner
Lou Suski, Gaughan Companies
Ron Vannelli, Vannelli's on the Lake/Business
Owner
LeeAnn Weight, Olson's Sewer
Ben Winnick, Winnick Supply/Business Owner

Businesses Visited

Thirty-six 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.

Adévia Spa and Salon
Anytime Fitness
Birchwood Health Care Community
Blue Diamond Enterprises
Carter's Jewelry and Gifts
Castlewood Golf Course
Country Home Bakery
Daniela's
Famous Dave's
Forest Lake Ace Hardware
Forest Lake Floral
Forest Lake Printing
Forest Lake Vet Hospital
Forest Laker Grill and Bar
Friar Tuck's Pub
Gaughan Companies
Geargrid
Gentle Dental
Jamb Architects, Inc
Kodiak Coffee and Cones
La Grande Salon and Day Spa
MGI Custom Countertops
MGM Liquor
Patriot Bank
R & D Manufacturing
Rendezvous Retreats, Inc
Ruddy's Rental/Ruddy's Party Town
Search Appraisal
Stella's on 97
Sternberg Electric

TCF Bank
Themescapes
Thomco Carpet, Inc
Tired Iron Collision
Walmart
West Lake Liquor

Consultants

John Bennett, University of Minnesota Extension, served as the BR&E consultant for the Forest Lake 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 tabulated survey results and suggested potential actions that might be taken by Forest Lake leaders in response to local business concerns. The participants of the May 5, 2011 meeting were:

Forest Lake BR&E Task Force
Doug Borglund
Colleen Eddy
Jackie McNamara
Stev Stegner

University of Minnesota
John Bennett, Extension
Michael Darger, Extension
Laura Kalambokidis, Applied Economics
Hans Muessig, Extension
Lee Munich, Humphrey School of Public Affairs
Ward Nefstead, Applied Economics
Brigid Tuck, Extension

Department of Employment and Economic Development
Ed Dieter, Minnesota Trade Office
Rachel Vilsack, Labor Market Information Office

FOREST LAKE'S ECONOMIC AND DEMOGRAPHIC PROFILE

A profile of Forest Lake's economy and demographics was prepared for the Research Report and presented at the Task Force retreat in July. 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 education attainment.

A full copy of the profile can be viewed in the Research Report which can be obtained by contacting Doug Borglund, City of Forest Lake, at 651-209-9734.

FOREST LAKE BR&E SURVEY RESULTS

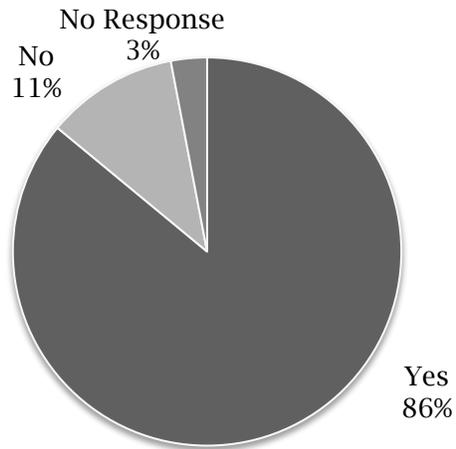
Following are results from the survey of the 36 businesses visited. The businesses' characteristics are summarized first, followed by priority projects selected by the Task Force. Survey results related to those projects are included in this summary. Additional survey results, including the three strategies, are in the Research Report.

Characteristics of Businesses Visited

Eighty-six percent of the businesses that participated in the Forest Lake BR&E survey are locally controlled, shown in figure 1. While locally owned businesses represent 86 percent of the businesses in the survey, they account for only 60 percent of reported employment.

Businesses surveyed currently employ a total of 1,149 individuals. This represents approximately 20 percent of total employment in Forest Lake. Total employment in responding businesses was up 83 jobs over three years ago, reflecting the trend of job growth in Forest Lake. Businesses report employing more full-time, seasonal, and temporary employees while decreasing the number of part-time employees. Deeper data analysis, explained in detail in the Research Report, indicates that one business may be driving the increases in full-time and seasonal employment.

Figure 1: Is Your Business Locally Owned?



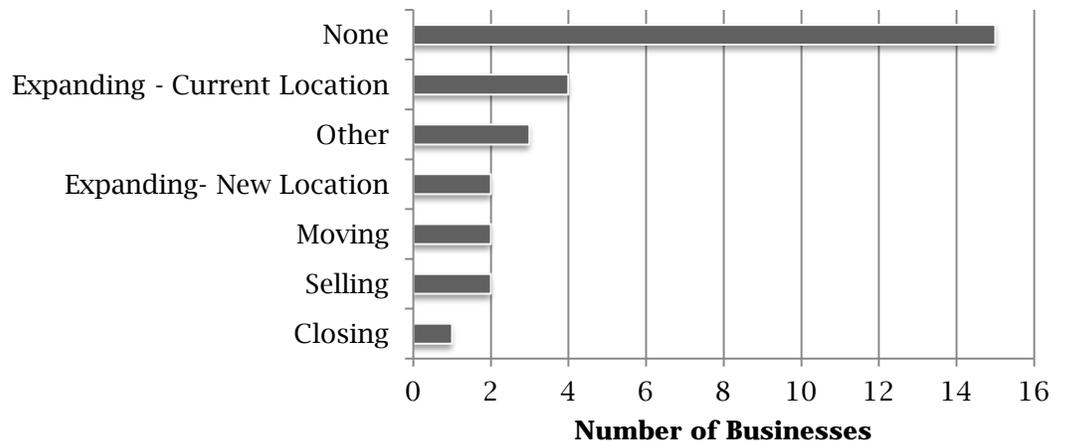
Businesses surveyed in Forest Lake are contemplating changes. Figure 2 illustrates that businesses surveyed are planning for a location change. Fifteen businesses have no plans to change in the next three years. However, four are considering expanding at their current location, two expanding at another location, two moving, two selling, and one closing. Three businesses have other changes in mind.

Finally, businesses shared their opinion of Forest Lake as a place to do business and as a place to live. On average, businesses feel Forest Lake is a better place to live than to do

business. This is not an uncommon BR&E result. On a scale of 1 to 5, 5 being “excellent” and 1 being “poor”, Forest Lake earned an average score of 3.43 as a place to do business. This is a relatively low score, compared to other metro communities. See the Research Report for more details on this score.

Despite this one low score, the survey results reflect positively on the community and business atmosphere in Forest Lake. Businesses indicated that Forest Lake is a good place to live, citing strong schools, the small town atmosphere, the natural environment, and above average community services as a few of

Figure 2: What Location Changes Are You Currently Considering? (Select All That Apply)



the positive attributes of Forest Lake. Businesses also found positives in the business climate. Among the positives of doing business in Forest Lake identified in the survey were local customers, an adequate supply of labor, short commutes, and freeway access. The results also reveal that the surveyed businesses are optimistic about opportunities to grow and expand in the future.

OVERVIEW OF BR&E PROJETS FOR FOREST LAKE

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.

FOREST LAKE BR&E PRIORITY PROJECTS

The following three priority projects were selected at the Task Force retreat held in Forest Lake on July 28, 2011.

- Form a Highway 61 Corridor Task Force to Address Issues Identified in the Survey
- Form a Business-City Partnership for Economic Prosperity
- Implement a Market Area Profile.

PRIORITY PROJECT #1: FORM A HIGHWAY 61 CORRIDOR TASK FORCE TO ADDRESS ISSUES IDENTIFIED IN THE SURVEY

Businesses thrive in attractive communities. These attractive communities have amenities and opportunities that draw resources businesses require. These can be quite varied, including quality employees, tourists, developers, complementary businesses, and infrastructure. Businesses need these resources to be successful and profitable. Attractive commerce corridors are such a resource.

Related Survey Results

The decision to form a Trunk Highway (TH) 61 corridor Task Force stems from businesses' identification of street maintenance in Forest Lake as a concern. Street maintenance ranked in the bottom 5 on a list of 25 community services. Each service was ranked on a scale from 1 being "poor" to 5 being "excellent". Street maintenance earned a score of 2.80 or "average", see table 1.

Table 1: Five Community Services Receiving the Lowest Ratings from Businesses	
5=Excellent, 4=Above Average, 3=Average, 2=Below Average, 1=Poor	
Community Service	Average Score
Planning and zoning	2.47
Cultural opportunities	2.77
Economic Development Authority	2.78
Street maintenance	2.80
Code enforcement	2.89

The Highway 61 corridor also drew several comments from businesses when they were asked "We have covered many issues. Please help us set some priorities on how we can help your business or what we should work on to help all of our existing businesses grow and expand. Please give your additional comments". Thirty-one businesses answered this question. Of those, two mentioned Highway 61 and four mentioned the need for

street maintenance and/or beautification. One business summarized the problem this way, “First impressions of Forest Lake when entering are affected by the physical look. It needs to be maintained and dressed up.”

Project Plans from the Committee

Businesses thrive in attractive, well-functioning communities. This project focuses on strategies for improvements along the Highway 61 corridor in Forest Lake. Some project goals include: better median and ditch maintenance; promotion of the downtown revolving loan project to assist with storefront rehabilitation; and promotion of new program partnerships such as the annual “Highway 61 Clean-Up Day”. The Task Force will implement a host of programs and projects, working with property owners along Highway 61, to create a thriving and attractive business market for our community.

Strategic Goals:

1. Beautify and further develop the Headwaters commercial site located along Highway 61.
 - a. Action Strategies:
 - Meet with Headwaters Development Project staff and review project site.
 - Put together list of items that need to be completed or addressed.
 - Developer or City cleans up site and completes undone work (curbs, street, trails, weeds, etc.).
2. Grow business along the Highway 61 corridor.
 - a. Action Strategies:
 - Promote downtown revolving loan program (press releases, individual property owner/business mailing)
 - Work with realtor and/or property owner to promote lease and sale properties.
 - Utilize City website to advertise available lease and sale properties.
 - Create a business news bulletin to market what Forest Lake has to offer.

3. Provide better maintenance of the ditches and median along Highway 61.
 - a. Action Strategies:
 - Work with public works and State of Minnesota and implement a consistent year-round maintenance schedule.
 - Use Volunteer Program workers for activities such as plantings or maintenance.
 - Work with Park department for activities such as plantings and maintenance.
4. Improve businesses/properties along the Highway 61 corridor.
 - a. Action Strategies:
 - Assess all properties along Highway 61. Make sure all properties comply with city code and present no nuisance issues.

This committee will be led by Mike Muske, Chantal Doriott, Bob Morehead, Blake Roberts, and Chris Johnson.

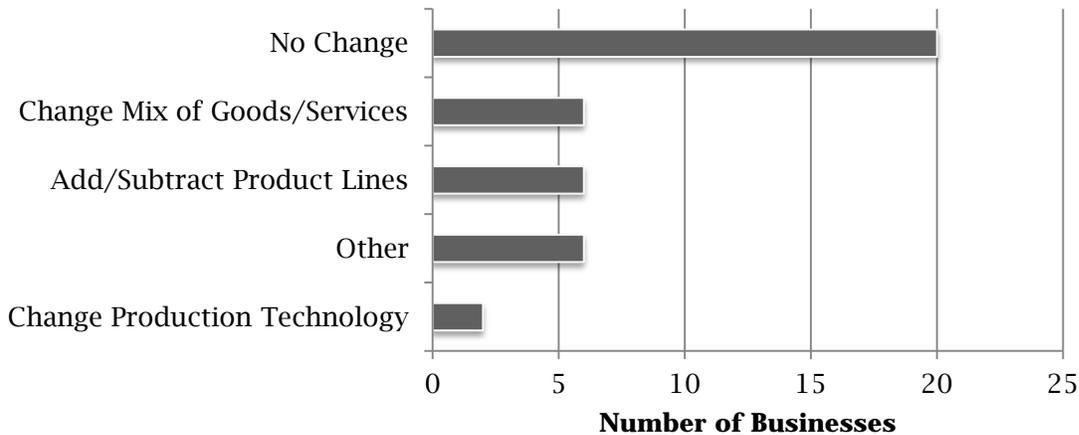
PRIORITY PROJECT #2: FORM A BUSINESS-CITY PARTNERSHIP FOR ECONOMIC PROSPERITY

Businesses spend a considerable amount of time and resources preparing plans for the future. Both moving and expanding require a business to be proactive. Often, during the planning process, businesses encounter obstacles that make their planned move and/or expansion difficult or impossible. By developing local capacity to assist businesses in these transition periods, communities can increase their ability to retain and grow local businesses.

Related Survey Results

Survey results indicate that businesses are planning for change in Forest Lake. Planned modifications include location changes, adjustments for technological innovations, business plan changes, and modernization and expansion decisions. As shown in figure 2, six of the businesses (representing 19 percent of the survey responses) are planning to expand. Forty-four percent of the surveyed businesses

**Figure 3: Changes to Business Plan in Next Three Years?
(Select All That Apply)**



plan to make some change in their business plan in the next three years, see figure 3. Finally, 31 percent of surveyed businesses in Forest Lake plan to modernize or expand their present building and/or equipment. Plans include redesigning space for more efficient movement of clients and product, installing automated equipment, and buying new equipment (computers, software, lighting, and trucks, for example).

As they consider these changes, businesses will require assistance. A third of the surveyed businesses have taken advantage of local, regional, state, or federal business assistance programs in the past three years. Overwhelmingly, the respondents would recommend these programs to other businesses. No business indicated they would not recommend the program they had utilized.

Project Plans from the Committee

This project focuses on strategies to strengthen relationships and partnerships between the business community and the City of Forest Lake.

Strategic Goals:

1. Conduct a community-based strategic planning process to help establish a

collective vision for all facets of Forest Lake.

2. Improve communication and build trust between the business community and the City of Forest Lake.
 - a. Action strategies: Chamber, City of Forest Lake staff, and EDA will:
 - i. Send regular communication to businesses, including:
 1. Chamber email blast of EDA meeting highlights; and
 2. Posting of EDA meeting minutes on city and chamber websites.
 - ii. Implement regular “Business Town Hall” meetings.
 1. Model after the City of Hugo’s Breakfast Business meetings.
3. Provide feedback to the City Administrator as he completes an organizational analysis to become familiar with the city as an organization and begins to understand opportunities for future improvement.
 - a. Review city staff job descriptions.
4. Instill a business friendly environment.

- a. Action strategies: Chamber and City of Forest Lake EDA staff will:
 - i. Educate businesses about the different ordinances that impact their business;
 - ii. Stay abreast of important dates, e.g. deadlines for amending ordinances; and
 - iii. Communicate these dates to businesses and invite them to be at the table.

- 5. Create a Sense of Community.
 - a. Action strategies: Chamber and City of Forest Lake EDA staff will:
 - i. Develop collaboration among the city, chamber, and school district to partner with the business community on events such as school spirit week, in which businesses dress staff in maroon and gold and decorate storefronts with those colors.

- 6. Promote Forest Lake.
 - a. Action strategies: Chamber, EDA staff, and Forest Lake City Council will:
 - i. Create a marketing plan through the EDA and with city council approval; and
 - ii. Utilize the branding activity the city is implementing.

- 7. Promote community events - i.e. FLake Festival, Lake Fest, Light up our City event, Arts in the Park, and the Easter egg hunt.
 - a. Action strategies: Chamber and City of Forest Lake staff will:
 - i. Collaborate with the Park Department and the Forest Lake Area Chamber of Commerce.

- 8. Promote reinvestment.
 - a. Action strategies: Chamber and City of Forest Lake EDA staff will:

- i. Communicate about the new revolving loan program with the business community.

The overall anticipated outcome of the project is to strengthen the relationships and partnerships between the business community and the City of Forest Lake.

This committee will be led by Lee Weight, Colleen Eddy, Jesse Johnson, Julie Ohman, Judy Huntosh, Bob Morehead, Stev Stegner, and Jerry Moe.

PRIORITY PROJECT #3: IMPLEMENT A MARKET AREA PROFILE

Business diversity can help increase economic prosperity for all businesses in a city, county, or region. For direct-to-consumer businesses, having a wide selection of stores to shop at can be a draw for potential customers. For manufacturers, being able to purchase necessary supplies locally can reduce costs and increase productivity. Finally, business diversity can make a community more attractive to potential residents. Forest Lake businesses could benefit from greater business diversity.

Related Survey Results

Businesses were concerned about the retail atmosphere in Forest Lake. When asked to rate the overall atmosphere in the local shopping area on a scale where 1 equals “poor” and 5 equals “excellent”, the average response from businesses was 2.89. This score is between “average” and “below average”. See figure 4.

Businesses assigned high ratings to knowledge and friendliness of local personnel (3.53), feeling of safety (3.47) and customer service (3.47).

The businesses surveyed felt that coordination in the retail community could use improvement, assigning group advertising (2.54) and special events/promotions (2.58) the lowest ratings. Variety of businesses, exterior atmosphere (e.g. front entrances, rear entrances, landscaping, street trees, sidewalks,

store fronts, cleanliness, and signage), and public restrooms were also given low scores.

After rating the list of 20 factors, businesses were asked to indicate which three factors should be the focus of improvement efforts. Variety of businesses received 17 votes, exterior atmosphere 16 votes, and variety of eating establishments 11 votes.

Project Plans from the Committee

This project focuses on the creation of a Market Area Profile (MAP). A MAP organizes data from multiple sources into a comprehensive description of those who shop in and visit Forest Lake, including its demographics, purchasing power, lifestyles, information sources and values. Information is organized into an easy-to-understand report that can be used as a tool by the community for economic development. The MAP includes a breadth of information of interest to local businesses and community leaders, including: The geographic reach of Forest Lake's trade area; Types of customers in Forest Lake's trade area; Demographics and income levels of households in the Forest Lake trade area; Types of media and leisure activities engaged by the varieties of

households in the Forest Lake trade area; and Market potential across multiple retail and service categories to identify gaps in the Forest Lake trade area.

Chambers, economic development staff, tourism organizations, local businesses, and elected officials can use this information to answer questions such as: What other businesses might succeed here in Forest Lake?; How can we effectively use media to market our community or business?; Do I have a viable business plan for our market?; How can we change our inventory or expand our product lines to increase profits based on our market conditions?

University of Minnesota Extension offers a MAP program. The committee will arrange for Extension to run the analysis and present the results via a facilitated discussion to community members.

This committee will be led by Judy Huntosh, Max Stephens, and Doug Borglund.

Figure 4: Rate the Overall Atmosphere in Your Local Shopping Area

