

**BUSINESS
RETENTION
&
EXPANSION
Strategies
Program**



PINE CITY

Business Retention and Expansion Summary Report

January 2007

Local Sponsors:



**Greater Pine Area
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Community Vitality**



*Research Report
Chapter II Prepared By:*



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January 2007

Written by

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for the Business Retention and Expansion Strategies Program,
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Even growing cities like Pine City need to pay attention to their existing businesses. The Pine City “Healthy Communities Business Retention and Expansion (BR&E) Program” is a key effort for staying in touch with local businesses as a part of 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, most communities now recognize the need to assist existing businesses to grow and survive.

It is useful to think of Pine City as a provider of input services to businesses located here—similar to other vendors that businesses use. Just as businesses gain competitive advantage by continuously aligning their operations to provide better service to their customers, Pine City must look for ways to provide a better environment for their premium paying customers—local employers.

The BR&E program is a way to get to know the needs and aspirations of Pine City’s businesses. The survey results are used to develop strategies to help businesses expand in Pine City and remain there.

Objectives:

The Pine City “Healthy Communities BR&E Program” has two major objectives:

1. To obtain a better understanding of the issues that local businesses face in Pine City
2. To obtain an intimate knowledge of what Pine City can do to improve the business climate to accommodate existing businesses so that they ...
 - a. stay in Pine City,
 - b. are able to grow, and
 - c. attract new businesses as their neighbors.

Sponsorship:

This program is sponsored locally by the following entities that provided financial and / or in-kind support: the City of Pine City, the Minnesota Workforce Center – Cambridge, Initiative Foundation, the Greater Pine Area Endowment (GPAE), the Minnesota Department of Employment and Economic Development, and the University of Minnesota Extension Service–Community Vitality.

Pine City BR&E Organization:

Although the Pine City Council had considered conducting some sort of business retention and expansion program previously, the local BR&E Program resulted from a team of Pine City representatives attending a BR&E Strategies Program Workshop on March 23, 2006, at the Initiative Foundation in Little Falls. Michael Darger, Business Retention and Expansion Strategies Program Director, and Elizabeth Templin, Northeast Regional Extension Educator, Community Economics, conducted the training.

Mayor Jane Robbins, City Administrator Lynda Woulfe, and City Planner Nathan Johnson participated in this workshop and then recommended conducting a BR&E Program to Pine City’s Economic Development Authority (EDA). After viewing the BR&E video and program materials the EDA concurred in recommending the City conduct the program. Mayor Robbins brought the EDA’s recommendation to proceed to the city council. The City Council was very receptive, approved both applying for the program to the University and seeking funding from the Initiative Foundation and other sources.

Matching funds or in-kind contributions were successfully obtained from the

Initiative Foundation, the Greater Pine Area Endowment (GPAE), and the University of Minnesota Extension Service. The University of Minnesota BR&E Strategies Program approved the Leadership Team's application in August of 2006.

Business Visits:

To gain a deeper understanding of the many aspects of local business in Pine City, city staff initially selected the approximately 100 manufacturing businesses, retail businesses, professionals and other trades in Pine City for visits. The EDA narrowed this list to 60 businesses, including all of the largest employers, manufacturers, businesses in the Tech Park, and retailers, as well as professionals and service businesses in the downtown area. Everyone on the list of 60 was contacted but interviews were successfully conducted with 35 that were available during the two "blitz" periods from mid-April to early June 2006 when interviews were conducted.

The survey instrument was adapted from the standard one used by the University and one used in Chisago County (the positive experience that Chisago County had with their program also influenced Pine City to undertake their project.) Nathan Johnson, City Planner, served as the Visitation Coordinator and organized the training of two-person teams to visit the local businesses.

Red Flag Reviews:

Within two weeks after each blitz, city staff worked with the EDA and the appropriate city departments to conduct "red flag" reviews of the completed surveys. A "red flag" is defined here as an opportunity for the city to respond to an individual business concern. Red flag issues included public use of business dumpsters, improving a building façade and other building improvements,

employee recruitment, road concerns, needs for new space and signage, and local property taxes and sewer rates. Some of these issues were resolved immediately; others are in the process of being addressed. Issues that concern multiple businesses were included in the strategic planning process and therefore addressed in the strategies and projects identified in the BR&E research review.

Research Report Development:

The University of Minnesota tabulated the 35 completed surveys. Christina Learn, a student in the Department of Applied Economics Library, entered the data into a spreadsheet and word processing files. She and Michael Darger prepared a summary for the State Research Review Meeting on September 11, 2006. At that meeting, a panel of fifteen people with various kinds of expertise (listed later in this report) used SWOT analysis (strengths/weaknesses and opportunities/threats) to review the survey data and suggest projects to address the businesses' identified needs.

Marilyn Grantham, Consultant and Report Writer, Elizabeth Templin, and Michael Darger then drafted the research report, based on the input of the state research review panel and their experience with previous BR&E projects. Contact a BR&E Task Force member or Pine City Planning Department to view the report. Cameron Macht, Regional Analyst for Central and Southwest Minnesota with the Minnesota Department of Employment and Economic Development (DEED), prepared a brief profile of Pine City and Pine County Economy and Demographics using DEED data which was contained in Chapter II of the research report.

Task Force Retreat:

The survey research was presented at a four-hour retreat on October 18, 2006, in Pine City. At this retreat, the Task Force reviewed the survey findings and then selected four major projects to implement. Teams were formed for each of the projects. The initial reports from these project teams are included in this report.

People in the Pine City BR&E Program**Leadership Team:**

Overall Coordinators: Lynda Woulfe, City Administrator, and Nathan Johnson, City Planner

Media Coordinator: Nathan Johnson, City Planner

Visitation Coordinator: Nathan Johnson, City Planner

Milestone Coordinator: Lynda Woulfe, City Administrator

At-Large Members: Frank Christopherson, Terry Dalby, Dick Kuzel, Mark Nisley, Jane Robbins, Jason Spaeth, Bob Thompson, Oscar Thorson, and Amanda Wimmer

Pine City BR&E Task Force Members:

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

Table 1. Task Force Members and Volunteer Business Visitors

Name	Affiliation
Frank Christopherson	US Bank
Nathan Johnson	City Planner
Dick Kuzel	1 st National Bank
Tom Lambrecht	Great River Energy
Mark Nisley	City Council Member
Jane Robbins	Mayor
Jason Spaeth	Pine City Technical College
Robert Thompson	MINPACK Owner
Oscar Thorson	Planning Commission Member
Amanda Wimmer	Realtor
Lynda Woulfe	City Administrator

Businesses Visited:

Thirty-five businesses were visited. The community greatly appreciates their willingness to help the community understand the needs of local businesses. Their survey responses are confidential but it is important to acknowledge their contribution by listing their names in this report.

Table 2. Businesses Interviewed

Advance Design & Systems, LLC
All-American Auto Glass
Allina Medical Clinic
Atscott Manufacturing
Avalon Programs
B & D Repair
Broekema Beltway USA, Inc.
Campbell Tire & Auto
Cavallin Ford, Inc.
Cedar Creek Outfitters, LLC
Colors by Craig
Culligan

Dale's Heating & Appliance
Dollar Stuff, Inc.
First National Bank
The Flower Box
Garden Path
Hoffman's Ace Hardware
IT Platoon
Jack's Bake Shoppe
Lakeside Medical Center, Inc.
Mercury Technologies
Metro Land Surveying & Engineering
MINPACK, Inc.
NAPA, Mohr Parts & Supplies
Northwoods Bank
NuDesign
Old Oak Inn, LP
Paul's Welding & Machine, LLC
Pine Health & Fitness
Pine City Pioneer – Northstar Media, Inc.
Pine City State Bank (now Horizon Bank)
Product Fabricators, Inc.
The Red Poppy
Stan's Radiator

Technical Assistance from the University of Minnesota Extension Service:

Elizabeth Templin, Northeast Regional Extension Educator -- Community Economics, assisted Pine City in determining the research assistance requested from Extension and reviewed the survey instrument used by Pine City to determine if the University of Minnesota would provide research assistance. Ms. Templin also edited the data tabulation, served on the Campus Research Review Team, reviewed the research report, and participated in the Task Force Retreat.

State Research Review Panel:

Fifteen people served on the State Research Review Panel, including University faculty, state agency personnel, and some of the Pine City BR&E Leadership Team members. On September 11, 2006, the panel reviewed a summary of the survey research results,

conducted a SWOT analysis, and suggested actions that the community might pursue to address businesses' concerns and needs. Panel members also provided information on programs and resources available to help the community meet the needs of local businesses.

A list of the participants in the State Research Review Panel Meeting follows:

Table 3. Research Review Panel Members

Name	Organization
Michael Darger	University of Minnesota Extension Service
Elizabeth Davis	University of Minnesota Applied Economics
Marilyn Grantham	Consultant
Rachel Hillman	Minnesota DEED
Nathan Johnson	Pine City Planner
Laura Kalambokidis	University of Minnesota Applied Economics
Diane Knutson	Minnesota DEED
Dick Kuzel	1 st National Bank
Tom Lambrecht	Great River Energy
Mark Nisley	Pine City Council
Jane Robbins	Mayor
Jason Spaeth	Pine City Technical College
Elizabeth Templin	University of Minnesota Extension Service
Oscar Thorson	Pine City Planning Commission
Amanda Wimmer	Realtor
Lynda Woulfe	Pine City Administrator

Pine City BR&E Survey Results

Thirty-five businesses were visited between April and June 2006. The survey response rate was 58 percent of the 60 businesses the Pine City Economic Development Authority (EDA) targeted for possible interviews.

Characteristics of businesses:

More than two-thirds of the businesses interviewed identified themselves as service providers. About a fifth said they are manufacturers while one business classed itself as technology based. Examples of the services provided included: banking, health care, car sales and repair, computer repair, engineering, and surveying. The manufactured products included: microfilm aperture cards; precision fixtures and automated equipment; and agricultural crop conveying, belting, and related drive components.

Of the 33 businesses that responded to the question about gross sales, 24 said their sales are increasing, six said they are stable, and three said they are decreasing.

Twenty-two out of the 35 respondents said they primarily serve the local market. The market for seven businesses is state/regional, national for five businesses, and international for one. One business listed all four markets and another two of the four options.

Thirty-four businesses answered a question about where their company's primary product/service is in its market at the present time. Three said the market for their primary product/service is emerging, sixteen said their primary product/service's market is growing, twelve said their primary market is maturing/stabilizing, and three said theirs is declining.

Twenty-five businesses have introduced new products or services or increased their capabilities in the past three years. Twenty-five businesses also anticipate adding new products or services in the next two years. Eight businesses plan to add new services, seven plan new product lines, and three anticipate new computer-related capabilities.

Regarding research and development (R&D), nineteen businesses indicated that their business conducts R&D—the remaining sixteen businesses either indicated R&D isn't applicable to the nature of their business (retail, service, etc.) or they skipped the question. Fourteen businesses said they conduct R&D in Pine City, two indicated Pine City and elsewhere, and three businesses conduct R&D elsewhere--in the Twin Cities, another state, or abroad. Five businesses reported spending less than two percent of their gross sales on R&D, five spend two to four percent, and two spend five percent or more.

Eleven businesses said suppliers of products or services could benefit from locating nearer their Pine City facility. Two businesses mentioned sheet metal vendors, two suggested "businesses related to the Courthouse," and two mentioned specific fast food restaurants. Other individual suggestions included local platers, storage for security, sign supplier, real estate attorney, medical clinic, other treatment organizations, snowmobile-related businesses, and a discount retailer.

Seven businesses also think their customers or clients would benefit from being closer to their Pine City facility. Two businesses mentioned tourists, two mentioned buses, two suggested "downtown people," and two suggested group homes. Other individual suggestions included Medtronic, Guidant, and a real estate attorney.

Overview of Business Retention and Expansion Strategies for Pine City

Profits are the key to the retention and expansion of businesses in any local economy. While the owners of an individual business might be attracted to an area because it is a nice place to live and raise a family, a business can only survive if it makes a profit (business revenues exceed costs). The same is true for businesses that start up in the community. The owners may be loyal to the community, but if they cannot make their business operation profitable they must close it or move it—they do not have any other choice.

In a market economy, making a business profitable is the responsibility of the business's management and its employees. However, the actions of community groups or local and state governments can help businesses become more profitable. The BR&E strategies and specific project suggestions that follow are aimed at helping Pine City businesses become more profitable and thus better able to survive and grow in the community.

The University of Minnesota Extension Service suggested four strategies for enhancing business retention and expansion in Pine City. The strategies are:

- 1. Expand the profitability of existing local businesses by enhancing their marketing and sales efforts.**
- 2. Consider expanding tourism.**
- 3. Revitalize the downtown area.**
- 4. Develop the local workforce and create additional employment opportunities.**

Strategy 1. Expand the profitability of existing local businesses by enhancing their marketing and sales efforts.

Pine City businesses indicated business cost factors were about the same as their direct competitors in most areas, with land costs and employee housing costs being slightly lower (1 = Much lower, 2 = About the same, 3 = Much higher)

Table 4. Business Cost Factors	Average
Transportation costs	2.1
Other taxes (Workers Comp, etc.)	2.1
State (income and sales) taxes	2.1
Raw materials costs	2.1
Electric & gas utility costs	2.1
Labor costs	2.0
Local property taxes	2.0
Telecommunications costs	2.0
Municipal utility costs	2.0
Land costs	1.9
Employee housing costs	1.8

Source: Survey question 7.

Respondents rated most non-cost business factors about the same as what is available to their competitors, e.g., affordable housing, labor (quality as well as availability), raw materials, commercial/industrial land, and telecommunications. On the same scale as above affordable housing received the most favorable rating (1.8) whereas the availability of airport facilities fared worst (2.4).

About two-thirds (23) of the Pine City businesses said their current facilities in Pine City are adequate for anticipated future operations. Five of the remaining twelve businesses said they have space needs, although those needs were not defined. Two businesses said their existing site is too small and one business said their building would likely be full by the end of the year. One business is still working on improvements to their existing facility, another had infrastructure concerns that are not related to their building, and another has

drain field issues and needs city water and sewer. Only one business is looking at relocating its present facility elsewhere.

Eleven out of 31 businesses indicated they plan to expand or relocate within the next three years. Eight of the eleven plan to expand in Pine City. One plans to expand in North Branch and another in Cambridge. Only one business was unclear about where they will expand or relocate.

Expansion plans for the eight businesses planning to expand locally will result in an estimated \$5,175,000 of additional investment in local facilities and create an additional 19 new jobs. Expansion of existing facilities will add an estimated 32,400 square feet to them. Two businesses indicated they plan to double the size of their existing facilities within the next three years. One business had planned to expand in 2006, four during 2007, and two during 2008. Two businesses requested help in selecting a new site and three want help in securing financing for expansion.

About a fifth of the businesses are interested in more information on selected topics. The most requested topics, in rank order, were:

Table 5. Information Requests

Topic	Number of Businesses Interested
Workforce studies/labor statistics	8
Incentives for expansion	7
Market research	7
Available commercial/industrial sites	6
Communications with customers	5
Financing programs	5
Business plan development	4

Source: Survey question 9.

Strategy 2. Consider expanding tourism.

Businesses rated the importance of various community resources to their business on a scale of one to five, with five being the highest. The highest rated items were:

Table 6. Rating of Importance of Community Resources

Proximity to I-35	4.3
High speed Internet access	4.0
Area recreation	4.0
Proximity to the Twin Cities	3.7
Area parks	3.6
Pine Technical College	3.3
Pine City K-12 schools	3.3
Being located in the county seat	3.3

Source: Survey question 4.

The top five items could be viewed as assets to promote for greater advantage for tourism, especially day trip tourism from the Twin Cities metro area that is only about an hour's drive away.

Strategy 3. Revitalize the downtown area.

Local businesses ranked the five most critically needed local improvements in the shopping area. The results are:

Table 7. Desired Shopping Area Improvements

Most Critically Needed Improvements	Number of Firms
Exterior improvements (store fronts, front and rear entrances, attractive signage, landscaping and trees, cleanliness)	24
Additional/greater variety of businesses	16
Parking improvements	13
Greater variety of places to eat	13
Increase safety/street lighting	11
Better customer service	10
Special events/shopping promotions	9
Improve tech infrastructure	6
Inc. group advertising	6
Inc. shopping hours	5
Coordinated store hours	5
More knowledgeable, friendly personnel	5
Better retail merchandising	4
Inc. individual advertising	3
Better quality merchandise	3
More competitive businesses	3

Source: Survey question 5.

Strategy 4. Develop the local workforce and create additional employment opportunities.

Pine City businesses rated worker attributes on a scale of 1-5, with 5 being the highest, 4 being high and 3 being neutral. Businesses rated workers as follows:

Table 8. Ratings of Workforce Attributes

Workforce Attribute	Average Score
Stability	3.57
Productivity	3.53
Availability	3.43
Quality	3.13
Cost	2.97

Source: Survey question 35

Pine City businesses responding to the survey currently employ a total of 341 full-time employees (40 or more hours per week), 178 part-time (20 to 39 hours per week) workers, and 28 part-time (less than 20 hours per week). These businesses average ten full-time employees, 5.1 part-time (20 to 39 hours per week) workers, and 0.8 part-time (less than 20 hours per week). The median number (midpoint in a list of employees per business for all businesses) of workers per business is four full-time and one part-time. Employment has increased during the past three years – up from total employment of 335 full-time workers, 142 part-time (20 to 39 hours per week) workers, and 27 part-time (less than 20 hours per week) workers in 2003.

By 2009, these businesses anticipate increasing by a total of sixteen full-time workers, and one part-time (less than 20 hours per week).

The medians for “average starting hourly wage or salary” were: \$8.00 for temporary/contract labor, \$9.00 for general (unskilled) labor, \$9.50 for clerical employees, \$10.50 for sales people, \$11.00 for production (semi-skilled) labor, \$14.00 for skilled/technical labor, and \$20.00 for professionals/managers. Fewer than half the firms, however, answered this question.

Seven businesses indicated trouble filling skilled/technical positions. Three businesses

mentioned difficulty recruiting in each of the following categories: professionals and managers, sales/customer service people, skilled/technical workers, and general (unskilled) workers. However, seventeen of the eighteen businesses responding to a question about unfilled positions indicated that the situation is stable—not getting better or worse. Twelve businesses think that recruiting difficulties are related to the nature of their industry, four felt that they are due to the community, and one thinks it is a combination of the nature of the industry and the community.

Nine out of 31 Pine City businesses indicated there are major new technological innovations on the horizon that would change either their company's primary product or how it is produced. Seven of the nine businesses also indicated that these anticipated new technological innovations will require retraining their labor force or upgrading their facility.

Priority Projects:

On October 18, 2006, the Task Force created four priority projects—related to three of the four strategies—for implementation.

Strategy 1. Expand the profitability of existing local businesses by enhancing their marketing and sales efforts.

Priority Project 1. Provide the assistance requested by local businesses to help them expand. Start with those who've indicated in the BR&E interviews they are planning to expand in the near future. Committee members: Mark Nisley and Sara Jayne Treiber

- Step 1. Prepare packet of assistance information (financing, education, etc.).

- Step 2. Meet with business representatives and provide existing information from city—demographics, CD, agency contacts.

Strategy 2. Consider expanding tourism.

Priority Project 2. Exploit water resources (lakes and river).

Committee members: Frank Christopherson, Nathan Johnson, Dick Lindig, and Jane Robbins.

- Advertise existing beach.

Possibly create these amenities:

- Recreational equipment rental
- Resort
- RV park
- Boat access
- Cross-country ski trails

Strategy 3. Revitalize the downtown area.

Priority Project 3. Create downtown task force.

Committee members: Beth Iallonardo, T. Janet Musgrove, Pat Thiry, and Cheryl Schroeder

- Tie into city comprehensive plan.
- Host retailers for meal and share survey results.

Priority Project 4. Bring in the Minnesota Design Team to develop a master plan to revitalize store exteriors and streetscapes downtown. Also install new signage and improve downtown parking and access to it, as well as arrange financing to help individual businesses make these improvements. Committee members: Rodney Elmstrand, Wendy Johnson, and Jason Spaeth

Comments:

(1) The Minnesota Design Team was here twenty years ago and in the past government

dollars were available for small town revitalization.

(2) This team may merge with Priority Project Team 3.

Pine City BR&E Commencement

Each task force will present their project ideas at a community meeting on January 11, 2007, from 5:30 to 7:00 pm at City Hall. The public is invited to hear about the projects and to get involved in implementing them.

Additional expertise and assistance with the projects is needed and welcomed. If you have ideas, time, and talents to contribute to any of the four projects, please contact one of the team members listed with each priority project report.

If you would like to review the Research Report, contact Nathan Johnson at the City of Pine City Planning Office (320-629-2575, ext. 11).

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Marilyn Grantham, Consultant, wrote this report with the assistance of Elizabeth Templin and Michael Darger of the University of Minnesota Extension Service – Community Vitality, and Nathan Johnson, Pine City Planner.

This publication is available in alternative formats upon request. Please contact Michael Darger, BR&E Strategies Program Manager, at 612-625-6246.

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