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Richmond Business Retention and Expansion Strategies Program

Summary Report
October 2015



CITY OF
RICHMOND
ON THE HORSESHOE CHAIN OF LAKES

Minnesota

The bottom section of the page features the City of Richmond logo on the left, which is a circular seal with a ship and a building, surrounded by the text 'CITY OF RICHMOND' and 'ESTABLISHED 1890'. To the right of the logo, the text 'CITY OF RICHMOND' is written in a large, bold, dark green serif font. Below this, 'ON THE HORSESHOE CHAIN OF LAKES' is written in a smaller, dark green sans-serif font. To the right of the text, the word 'Minnesota' is written in a large, elegant, red cursive script.

Richmond Business Retention and Expansion Strategies Program

SUMMARY REPORT

October 2015

Authored by Monica Haynes and Gina Chiodi Gensing, University of Minnesota Duluth, Labovitz School of Business and Economics, Bureau of Business and Economic Research,

Assistance provide by Adeel Ahmed and Michael Darger, University of Minnesota Extension

Sponsors:

City of Richmond Economic Development Authority

Initiative Foundation

Minnesota Department of Employment and Economic Development

University of Minnesota Extension

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RICHMOND BUSINESS RETENTION AND EXPANSION PROGRAM

Business Retention and Expansion (BR&E) is a key element of local economic development efforts. The BR&E economic development strategy focuses on the retention and expansion of existing businesses to assist them in navigating today's global economy. While the attraction of new businesses and incubation of start-ups can be important components of an overall economic development strategy, communities now recognize that helping existing businesses survive and grow is the number one strategy.

The BR&E challenge to a community is to facilitate business expansions while also taking preventative actions to reduce the number of dissolutions and diminish the contractions. An expansion or contraction is defined as a change in employment at an existing plant or business location. A start-up or dissolution is defined as the creation or closing down of a separate plant or business location. This "churning" of business creation, dissolution, expansion, and contraction is a natural part of a local economy.

Commonly, more jobs are created by business expansions than by new business start-ups. Minnesota data from 2014 confirms that more than 75 percent of new jobs in the state were created by existing business, and the rest were created by new establishments.¹ Richmond, in launching this BR&E program, has the potential to improve the climate for existing businesses and, therefore, benefit from their continued presence and growth.

Another benefit of a BR&E program is the information provided by the survey on the community's strengths and weaknesses. The strengths can be highlighted in community promotional material, while the weaknesses give the community an opportunity to make important changes and show businesses it is responsive. By acknowledging its weaknesses, a

community also shows businesses it is trustworthy and will take a realistic look at its situation.

A final benefit of a BR&E program is how the process enhances the team of local leaders. The team is much broader than many other local economic development teams, since it includes representatives from education and government, in addition to business and economic development leaders. This diversity allows the local BR&E task force to bring in more resources, ideas, and contacts to address problems identified in the survey. Quite often, this local team will continue to interact in addressing other community concerns that arise long after the official program has ended.

Program Objectives

The Richmond BR&E Program has six objectives:

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

Program Sponsors

The Richmond BR&E Program is sponsored by the following organizations:

- City of Richmond Economic Development Authority
- Initiative Foundation
- Minnesota Department of Employment and Economic Development (DEED)

¹ Source: Minnesota DEED, QCEW program

- University of Minnesota Extension

BR&E Process and Key Dates

Several community leaders, who are invested in the program's implementation, form the core group for a BR&E initiative. They then identify four to six people to form the Leadership Team, each of whom has a clearly defined role in the BR&E process. The Leadership Team responsibilities are vast and vital to the success of the program. These include recruiting volunteers, identifying businesses to visit, providing survey input, performing business visits, coordinating milestone meetings, building community awareness, and recruiting the Task Force.

The Task Force guides the BR&E process, helps the Leadership Team with business visits, and becomes involved in prioritizing and responding to issues identified in the business interviews.

Richmond's BR&E initiative officially launched on October 22, 2014, with the Leadership Team's first meeting.

Volunteer Training

Volunteer Visitor training sessions, held January 15 and 20, 2015, oriented volunteer visitors to the BR&E process. Volunteer visitors were trained on the use of the interview guide and how to interview business owners. Working as teams of two during the interview, one volunteer was primarily responsible for asking the questions, while the second recorded responses.

Business Selection & Visits

The Richmond BR&E Leadership Team and Task Force visited 38 businesses during January, February, and March of 2015.

Businesses selected for visits were chosen by the Richmond Task Force via a dual approach. First, the team compiled a list of all known Richmond businesses using data from InfoUSA. The list, supplemented and verified by Richmond's Economic Development Authority (EDA), comprised a total of 200-300

establishments. Paring down the list to a manageable amount of businesses to interview, the team focused on establishments that employ more than three individuals. The result was approximately 80 businesses that were mailed paper copies of the business survey and then contacted via phone to schedule in-person interviews.

Warning Flag Review

The Warning Flag Review session, a highly critical piece of the BR&E process, provided an opportunity for the Task Force to identify individual business concerns that needed immediate attention. Through a confidential review of the business surveys on February 12 and March 11, 2015, Task Force members looked for opportunities to respond to issues such as business expansions and relocations, public service concerns, and resource needs. The leadership team contacted those businesses that indicated appropriate officials could access their information.

Campus Research Review

Completed business surveys/interview guides were tabulated and analyzed by the University of Minnesota. The data summary was provided to participants of the Richmond BR&E Campus Research Review meeting held April 15, 2015, in St. Paul. Participants identified predominant, common themes in the survey results and suggested project ideas to address the themes.

Research Report Development

Monica Haynes, Director of the Bureau of Business and Economic Research for UMD's Labovitz School of Business and Economics and her team prepared the research report utilizing the results of the Campus Research Review meeting and additional economic development research. The research report collectively detailed three overarching themes and a robust compilation of suggested projects for each theme.

Understandably, the Richmond BR&E Task Force has the most knowledge of its community and,

therefore, can discern which projects would be locally suitable for implementation

Task Force Retreat

A four-hour Task Force retreat was held May 27, 2015 in Richmond where the Task Force was presented with the Research Report. The presentation included a DEED overview of the Richmond area economy and demographic situation, the composite results of the business interviews, and the three strategies. The Research Report can be viewed by contacting the Richmond EDA or one of the Task Force members.

The Task Force reviewed and discussed the potential projects and developed new project ideas. Ultimately, four priority projects were created.

RICHMOND BR&E PROGRAM PARTICIPANTS

Three groups of people have been instrumental to Richmond's BR&E program success to date—the Leadership Team, the Task Force and volunteer visitors, and the businesses visited. Additionally, the Campus Review team also deserves acknowledgement for their process participation.

Richmond BR&E Leadership Team Members

Lydia MacKenzie, Richmond EDA - Overall Coordinator

Don Calhoun, Murphy Granite - Media Coordinator

Cindy Rathbone, Real Estate Agent - Milestone Meeting Coordinator

Cindy Anderson, City of Richmond - Visitation Coordinator

Richmond BR&E Task Force Members

Anita Reichert	State Bank of Richmond
Charles Reichert	Charles Reichert Dental
Father Edward Vebelun	Saints Peter and Paul Church
Jeff Mergen	Stearns Cty. Commissioner
Jim Bruner	State Bank of Richmond

Josh Worm	Richmond City Council
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Julie Schulte	Sand Companies Inc.
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Kathy Hoffman-Gabler	Richmond Resident
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Marshal Weems	Cherrywood Advanced Living, LLC
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Trudy Nielsen	Real Estate Agent
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Patti Plantenberg	Plantenbergs Food Pride
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Tim Paczkowski	Richmond City Council
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Additional Volunteers

Bill Kemp	Greater St. Cloud Dev. Corp.
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Gary Brinkman	Brinky's Liquor
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Heidi Stalboerger	Wakefield Township Clerk
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Jack Stang	Local Resident
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Mike Ricke	Local Resident
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Scott Staska	Rocori School District
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Sharon Niehaus	Sharon's Gifts and More, LLC
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Steve Nies	Local Resident
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Tom Ruhland	Local Resident
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Jim Hemmesch	Mayor of Richmond
Emily Mueller	Humphrey Institute University of Minnesota

Business Visited

The following 38 businesses graciously agreed to be interviewed as part of the BR&E visitation process. While survey responses are confidential, it is important to acknowledge the effort of participating businesses.

Backes Wood Products, LLC

Braun Excavating LLC

Brinky's Liquor

C & D Granite

Channel Marine

Cherrywood Advanced Living, Richmond

Corky's

Cozy Corner Campground

Dino's Southside Café

Dollar General

Edina Realty - Satellite Office

Granite Realty of MN
Heying & Torborg Enterprises
Jill's Café
Lakes Gas Company
Lang's Mink Farm
Lisa's Little Ones
Murphy Granite Carving, Inc.
NAPA Auto Parts, Central MN
New Adventures Golf Carts and Sports
Plantenburgs Market
Regional Health Center
Regional Taekwando
Rich Spring Golf Course
Richmond Bus Service, Inc.
River Lake Civic Arena
Riverside Resort
Schroeder Tax
Sharon's Gifts & More, LLC
Shear Perfection
State Bank of Richmond
Steil Insurance Services, Inc.
Totally U On Main
Tri County Topsoil
Twilight Acres Resort
Wedding & Tuxedo Connections
Wenner Funeral Home-Cold Spring-Richmond
Wenner Hardware

Campus Research Review Team Members

The Campus Research Review panel was comprised of university faculty, Minnesota Department of Employment and Economic Development (DEED) specialists, economic development professionals, and Richmond Task Force members. A list of participants in the Campus Research Review follows.

Richmond BR&E Task Force

Lydia M. MacKenzie, Ph.D., Richmond Economic Development Authority
Don Calhoun, Murphy Granite Carving, Inc.
Cindy Rathbone, Century 21 First Realty Inc.
Cindy Anderson, City of Richmond

Kathy Hoffman-Gabler
Anita Reichert, State Bank of Richmond
James Bruner, State Bank of Richmond
Marshall Weems, Cherrywood Advanced Living, LLC
Minnesota Department of Employment and Economic Development
Luke Greiner, Labor Market Analyst
Tim O'Neill, Regional Analyst
Economic Development Professionals
Michelle Kiley, Initiative Foundation
Kathi Schaff, Minnesota Chamber of Commerce
University of Minnesota
Michael Darger, Extension Center for Community Vitality
Lee Munnich, Humphrey School of Public Affairs
Adeel Ahmed, Extension Center for Community Vitality
Matt Kane, Extension Center for Community Vitality
Monica Haynes, Bureau of Business and Economic Research, UMD
Gina Gensing, Bureau of Business and Economic Research, UMD
Kent Gustafson, Tourism Center (retired)
Will Craig, Center for Urban and Regional Affairs (retired)

Additional Assistance

Trudy Frederick, of Extension's Cloquet Regional Office, tabulated the data entry and prepared the data summary.

RICHMOND'S ECONOMIC AND DEMOGRAPHIC PROFILE

A profile of Richmond's economy and demographics was prepared for the Research Report and presented at the Task Force retreat on May 27, 2015. The profile, created by Luke Greiner of the Minnesota Department of Employment and Economic Development, contains statistics on population, demographics, employment, wages, commuting and labor sheds, unemployment, and occupations.

A full copy of the profile can be viewed in the BR&E research report by contacting the Richmond EDA or one of the Task Force members.

RICHMOND INTERVIEW RESULTS

Of the 38 businesses visited, 89% are locally owned. Approximately 84% indicated they began operations in Richmond and, on average, have been open since 1983.

Eleven survey respondents (29%) are classified in the Retail Trade Industry; see Figure 1. While that is the largest amount of businesses in one classification of surveyed businesses, Retail Trade in Richmond is actually closer to 12%. Conversely, only 5% of the surveyed businesses were classified as Construction, but the largest percentage of businesses overall in the Richmond area falls in the Construction classification (35%).

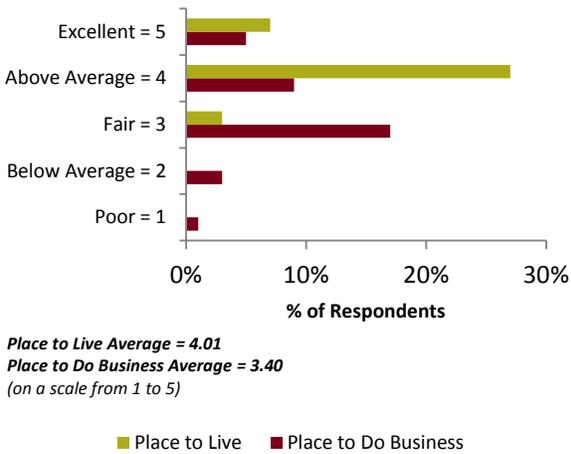
A small increase in employment is evident. Businesses surveyed reported a current total number of employees at 382.5, as compared to 348 three years ago. The majority of growth resulted from Expansion (seven businesses) and New Products/Services and Growth in Demand (five businesses each).

Figure 1: What Industry Classification Best Describes Your Business?



Richmond rated as above average and excellent as a place to live (90.5% of respondents) with an average rating of 4.01. As a place to do business it ranked fair to above average (38.5% of respondents) with an average rating of 3.40. In comparison, data taken from 38 communities that have participated in BR&E since 1993 show an average rating of 3.8 as a place to do business. The average from data of 29 communities responding to the question regarding their community as a place to live is 4.1. See Figure 2 below.

Figure 2: Rate Your Community as a Place to Live/Do Business



Strategic Themes

Three primary themes emerged from an analysis of interview results and discussions by the Campus Research Review Panel. These themes, called strategies, provide a framework for studying the issue raised in the Richmond BR&E process. Below are the three identified strategies:

1. Enhance and promote community and natural resources
2. Encourage policies and solutions conducive to business retention and expansion
3. Develop and strengthen business support programs

Under each strategy, the Research Report listed potential projects the Richmond BR&E Task Force could select to help accomplish the individual strategy. During their May 27, 2015 retreat, the Task Force developed five priority projects to address business concerns. The Task Force built on project ideas, as written in the Research Report, to create projects that were suitable for Richmond. These priority projects are described below.

The respective project teams created each project description below. Descriptions include general reasoning for each project and the plans

developed by the project committee. Furthermore, interview results that highlight the need for the project are included where appropriate. If you are interested in assisting in any of the projects' implementation, please contact one of the committee members listed.

Priority Project #1: Blue Bike Project

This project aims to expand outdoor recreation options and improve amenities for outdoor enthusiasts. The project will launch spring 2016 with 12 bikes that will be housed outside of Casey's General Store. The bikes will be accessible to the public to check out free of charge, but interested parties will need to provide an ID. The committee is working on installing more bike racks around the city of Richmond in time for the launch.

The committee is comprised of Jim Bruner, as leader, and Don Calhoun, Kathy Hoffman-Gabler, and Cindy Anderson.

Priority Project #2: Winter Festivities & Fish House Parade

To bring light to Minnesota's long dark winters, this project committee is planning to conduct an icehouse parade on December 4, 2015. People will show off their icehouses before they park them on the area's many lakes. Other festivities will be added in the future.

The committee is comprised of Cindy Anderson, as leader, and Josh Worm, Charlie Reichert, Patti Plantenberg, and Tim Paczkowski.

Priority Project #3: Tourism Assessment Program

Richmond was recently awarded a \$3,500 grant from the EDA Center at the University of Minnesota, Crookston to conduct the University of Minnesota Extension's Tourism Assessment Program. The committee applied for this program with the University of Minnesota Tourism Center because the BR&E survey data shows the Richmond area has great potential as a tourism destination, yet few facilities exist for tourists. The program will seek to take a very close assessment of the Richmond area's

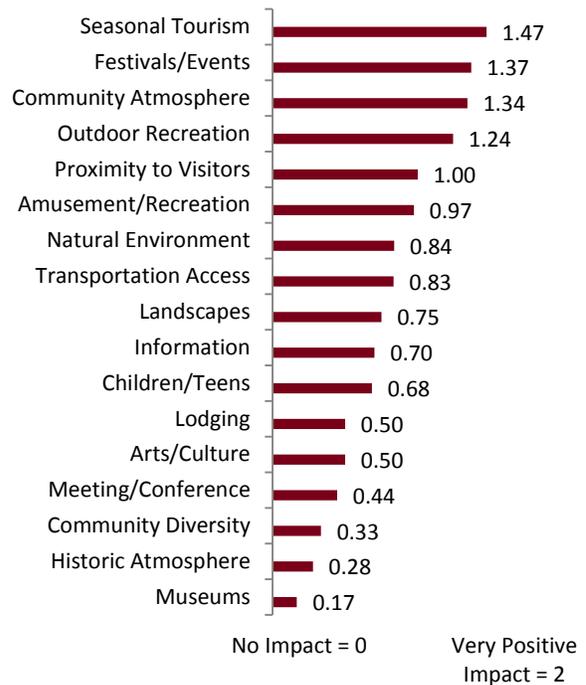
potential amenities for tourism with assistance from experts from the Tourism Center.

The committee is comprised of Cindy Anderson, as leader, and Don Calhoun, Lydia Mackenzie, Cindy Rathbone, Kathy Hoffman-Gabler, Jim Bruner, Josh Worm, Charlie Reichert, Patti Plantenberg, and Tim Paczkowski.

Related Research Results for Projects 1, 2, and 3

Richmond is home to a wealth of natural resources, and tourism is an important part of the local economy. In the survey, businesses were asked to rate 17 community features related to tourism on whether or not these features have a positive or negative impact on business. Respondents could rate each feature on a scale from having a very positive impact (+2) to a very negative impact (-2). The 17 features are shown in Figure 3 below and ordered from highest to lowest in response. On average, Seasonal Tourism was seen as having the largest positive impact on business (1.47), followed by Festivals and Events (1.37), Community Atmosphere (1.34), and Outdoor Recreation (including hunting and fishing) (1.24).

Figure 3: Impact of Tourism Features on Business



Priority Project #4: Business Assistance Program

The team followed up with businesses to learn the necessary resources that will help them increase their ability to conduct business from Richmond, such as long-term business and transition plans. Based on the information received, the team plans to schedule quarterly education seminars beginning November 2015. The seminars will be coordinated with the Central Minnesota Small Business Development Center (SBDC), attorneys, accountants, and consultants who are experts in the presentation topics. Initial seminars include the following:

- a. Structuring the sale of a business for the least amount of tax liability
- b. Developing a business plan
- c. Strategic planning processes
- d. Developing a succession plan

The committee is comprised of Julie Schulte, as leader, and Anita Reichert, Jim Bruner, and Lydia Mackenzie.

Related Research Results

Research indicated that only 26% of surveyed businesses have a written transition plan, and only 55% have a business plan. See Figures 4 and 5.

Figure 4: Do You Have a Written Transition Plan?

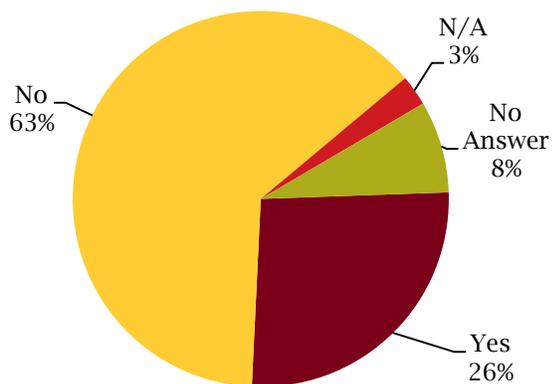
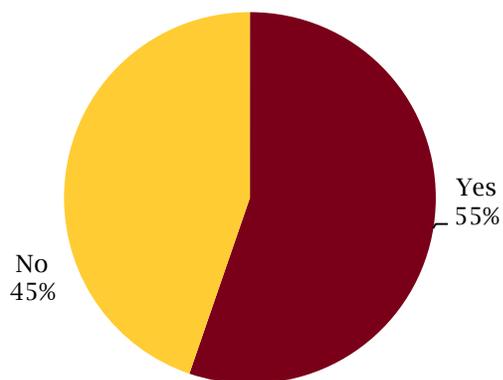


Figure 5: Do You Have A Written Business Plan?



Surveyed businesses gave relatively low ratings for Richmond as a place to do business (3.4, whereas the average from many BR&Es is 3.8), Only 39% of survey participants rated Richmond as above average or excellent in this respect, compared with 70% in small communities like Richmond. Additionally, 16% of Richmond's businesses are considering selling compared with 9.3% in small BR&E communities.

Conversely, 24% of Richmond businesses report they are considering expanding their current location compared to only 7.9% of businesses that have participated in similar BR&E surveys.

Priority Project #5: Housing Study

Based on survey information, this BR&E committee asked the EDA to fund a housing study for the Richmond area. The study was completed in September 2015 and indicated a need for entry-level homes for single families, as well as residences for empty nesters and retirees. Additionally, there is a shortage in rental properties with three or more bedrooms. The study also found 70 homes are classified as dilapidated, and the group recommends seeking grant funding to update these homes.

The committee is comprised of Marshall Weems, as leader, and Cindy Rathbone, Trudy Nielsen, Father Edward Vebelun, and Lydia Mackenzie.

Related Research Results

Surveyed businesses see Richmond as an excellent place to live. The community atmosphere and recreational opportunities are seen as strengths, and the local school system is considered excellent. (82% of surveyed businesses report being satisfied or very satisfied with K-12 education in the community.) However, housing options in the community are limited. While there are plenty of single family homes, there are very few options for alternative housing, such as apartments, condos, and townhomes. Additionally, 25% of Richmond's population is age 60 years or older.

CREDITS

The Richmond BR&E Task Force selected these priority projects. Monica Haynes and Gina Gensing of UMD's Labovitz School of Business and Economics' Bureau of Business and Economic Research prepared this summary report. Adeel Ahmed of the University of

Minnesota Extension - Center for Community Vitality collected the project plans from the BR&E Task Force. Michael Darger provided editing and coordination.