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East Bethel Business Retention and Expansion Strategies Program

Summary Report
April 2016



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SUMMARY REPORT

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Edited by Michael Darger, University of Minnesota Extension

Sponsors:

City of East Bethel
East Bethel Economic Development Authority (EDA)
Connexus Energy
East Bethel Chamber of Commerce
Minnesota Department of Employment and Economic Development
University of Minnesota Extension

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EAST BETHEL BUSINESS RETENTION AND EXPANSION PROGRAM

Business Retention and Expansion has become 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.

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. The BR&E challenge to a community is to facilitate the expansions while taking preventative actions to reduce the number of dissolutions and diminish the contractions.

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

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 diverse membership 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 East Bethel 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 strategic plan for economic development
- To build community capacity to sustain growth and development.

Program Sponsors

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

- City of East Bethel
- East Bethel Economic Development Authority (EDA)
- East Bethel Chamber of Commerce
- Connexus Energy
- Minnesota Department of Employment and Economic Development
- University of Minnesota Extension

¹ Source: Minnesota DEED, QCEW program

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 five to eight 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.

East Bethel's BR&E initiative officially launched in March of 2015 with the Leadership Team's first meeting.

Volunteer Training

Volunteer Visitor training sessions, held in September of 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 the responses.

Interview Guide

East Bethel adopted Extension's interview guide (aka survey instrument). Volunteer visitors used the interview guide on the business visits.

Business Selection & Visits

The East Bethel BR&E Leadership Team and Task Force visited 43 businesses during September and October of 2015.

The BR&E leadership team reviewed and selected businesses based on knowledge of existing businesses. Businesses were selected from within the city. This approach to sampling

businesses is known as a convenience sample and it is very typical of BR&E programs. Although not statistically representative of the greater business population, it does represent the businesses that were visited. The initial goal was to accomplish 90 site visits.

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 two confidential review sessions of the business surveys in October of 2015, Task Force members looked for opportunities to respond to issues such as business 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 East Bethel BR&E Campus Research Review meeting held December 16, 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 four overarching themes and a robust compilation of suggested projects for each theme.

Understandably, the East Bethel 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 March 3, 2016, in East Bethel where the Task Force was presented with the Research Report. The presentation included the composite results of the business interviews and the four strategies. Presenters included U.M. Extension staff as well as Doug Welter and Sharon Johnson from the Leadership Team. The Research Report can be viewed by contacting one of the Task Force members or City Hall.

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

EAST BETHEL BR&E PROGRAM PARTICIPANTS

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

East Bethel BR&E Leadership Team Members

Doug Welter, EDA-East Bethel – Overall Coordinator

Colleen Winter, City of East Bethel – Visitation Coordinator

Sharon Johnson, East Bethel Chamber of Commerce – Media Coordinator

Bruce Saylor, Connexus Energy – Business Resource Coordinator

Cathy Beason, The Pines Craft Retreat Center – Milestone Meeting Coordinator

East Bethel BR&E Task Force Members

- Brian Mundle BDM Construction
- Dan Butler Butler and Associates

- Ruth Dutchak Retired/Lions Club member
- Ed Fiore Retired/Coon Lake Community Center
- Jill Hoffman Granny Mays
- Paul Johnson Aggressive Hydraulics
- Brian Bezanson EDA Board member
- Randy Chumley Highland Money Management
- Brad Slawson Route 65 Pub and Grub
- Bryan Rogers Village Bank
- Paula Moon Realm Marketing

Volunteer Visitors

The following volunteers helped visit the participating businesses:

- Al Ancheta Lions member
- Diane Evenson Peoples Bank
- Steve Melander Retired pastor
- Troy Lachinski East Bethel Fire Dept.
- Bridget Robinson Village Bank
- Chris Leibel Smokey’s
- Don Haller Connexus Energy
- Mark Merten Connexus Energy
- Brian Burandt Connexus Energy
- Jeremy Shierts East Bethel Fire Dept.
- Mark Prachar East Bethel Fire Dept.
- Keith Dragisich Peoples Bank
- Joe Morgan Retired
- Randy Plaisance Planning Commission member
- Ardelle Olsen Retired/lions

Business Visited

The following 43 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.

Aggressive Hydraulics
BDM Construction
Beaverbrook Tri-County Sportsmen, Inc.
Blue Ribbon Golf
Butler and Associates Insurance Agency
Central Trailer Sales
Central Truck Service Inc.
Coopers Corner Liquor
Coopers Corner Store BP
Corner Express
Crashed Toys
Designing Earth Contracting
East Bethel 10 Theatre
George's Boat Repair Center
Gordy's Excavating
Greystone Mobile Home Park
Hidden Haven Country Club
Hot Rod Factory Inc.
Minnesota Fresh LLC
North Anoka County Emergency Food Shelf
North Country Concrete
Northway Sports
Olson's Sewer Service/Olson's Excavating
Osborne Development
Our Savior's Lutheran Church and
Preschool
Peoples Bank of Commerce
Pines Craft Retreat, The

Plow World
Premier Commercial Properties
RAK Construction Inc.
Realm Promotions
Roger's Rod and Custom Inc.
Route 65 Pub and Grub, Inc.
Shaw Trucking Inc.
Smokey's Pub N Grill
Sowada and Barna Plumbing
Tek Steel Fabricators Inc.
Tin Man Fabrications
University of Minnesota Cedar Creek
Ecosystem Science Reserve
Viking Meadows Golf Club
Village Bank
Wasche Commercial Finishes Inc.
Wayne's Liquor

Campus Research Review Team Members

The Campus Research Review panel was comprised of University of Minnesota faculty and staff, Minnesota Department of Employment and Economic Development (DEED) specialists, other economic development professionals, and East Bethel Leadership Team members. This group analyzed the survey data to identify both the SWOT (strengths, weaknesses, opportunities, and threats) as well as to ideate potential project ideas that address issues emerging from the SWOT analysis. A list of participants in the Campus Research Review follows.

East Bethel BR&E Task Force

Doug Welter, Economic Development
Authority
Colleen Winter, City of East Bethel

Sharon Johnson, East Bethel Chamber of Commerce

Cathy Beason, Pines Craft Retreat Center

Brian Mundle, EDM Construction

Bryan Rogers, Village Bank

Economic Development Professionals

Jerry Vitzthum, Anoka County Workforce Investment Board

Tim O'Neill, Minnesota Department of Employment and Economic Development

University of Minnesota

Michael Darger, Extension Center for Community Vitality

Lee Munnich, Humphrey School of Public Affairs

Adeel Ahmed, Extension Center for Community Vitality

John Bennett, Extension Center for Community Vitality

Additional Assistance

Lauren Sorgaard, Extension's Cloquet Regional Office, tabulated the data entry and prepared the data summary.

EAST BETHEL'S ECONOMIC AND DEMOGRAPHIC PROFILE

A profile of East Bethel's economy and demographics was prepared for the Research Report. The profile, created by Tim O'Neill 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 one of the Task Force members.

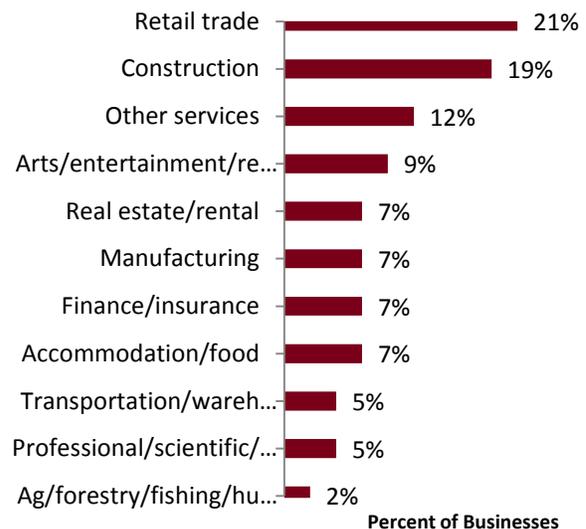
EAST BETHEL'S INTERVIEW RESULTS

Characteristics of Businesses Visited

Of the 43 businesses visited, 91% are locally owned. However, only about half (51%) began in East Bethel, and they indicated an average start date of 1995.

The most survey respondents (21%) identified as being in the Retail Trade Industry, see Figure 1. While that is the largest amount of businesses in one classification of surveyed businesses, it is not indicative of the actual amount of Retail Trade Industry in East Bethel. The Construction Industry, next highest for industry classification, is cited by 19% of surveyed businesses. However, 36% of all business located in East Bethel identify with the Construction Industry.

Figure 1: What Industry Classification Best Describes Your Business?



A measurable increase in employment is evident by surveyed businesses with a total number of employees at 794 currently compared to 643 three years ago. The majority of growth resulted from Growth in Demand (36% of businesses surveyed) and Expansion (26% of businesses surveyed). Additionally, 42% of businesses surveyed indicated they are considering expanding at their current location.

East Bethel’s interviewed businesses cited many reasons to celebrate their community. Some of the factors include the fire department, availability of land, availability of loans, the chamber of commerce, the community attitude, and the police department. See Figure 2 below.

Figure 2: Community Factors with High Importance and High Satisfaction

Community Factor	Importance	Satisfaction
Fire Department	3.31	3.55
Availability land	3.51	3.52
Availability of loans	3.19	3.48
Chamber	3.19	3.46
Community attitude	3.67	3.40
Police	3.54	3.40
Cost loans	3.13	3.37
Energy reliability	3.40	3.33
Highway	3.57	3.31
Environmental	3.18	3.27
Cost land	3.65	3.26
Cost buildings	3.46	3.26
Street maintenance	3.34	3.24
Planning and zoning	3.43	3.18
EDA	3.39	3.15
Code enforcement	3.41	3.12
Energy cost	3.19	3.08
Housing costs	3.00	3.08
Community promotion	3.31	3.06

It was also interesting to note that East Bethel’s commuting patterns show that 97% of East Bethel’s labor force commutes outside of the city for work. Only 214 of the city jobs are filled by people who live and work in East Bethel.

Strategic Themes

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

1. Improve Business Retention and Expansion Through Business Assistance
2. Upgrade Telecommunications/Broadband Services
3. Improve the Livability and Conditions for Doing Business Within Town
4. Improve Communications Between City Entities and Businesses

Under each strategy, the Research Report listed potential projects that the East Bethel BR&E Task Force could select to help accomplish the strategy. During their March 3, 2016, retreat, the Task Force developed three 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 East Bethel. 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, the 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: Connect 17

Work to upgrade telecommunications and broadband services which includes increasing speed, reliability and availability through East Bethel. The project team envisions broadband in East Bethel to be provided through multiple

companies, highly reliable, cost effective, and a conduit of knowledge and education for their businesses and residents.

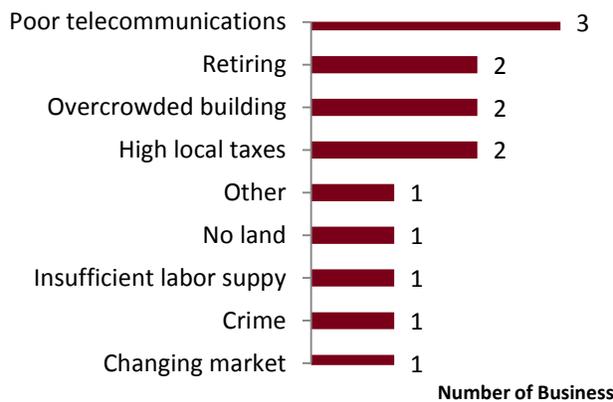
The committee is comprised of Dan Butler as leader, and Brian Bezanson, Brian Mundle, Wes Maack, Mark Koplin, Eric Schmoll, Colleen Winter, Bryan Rodgers, and Randy Chumley.

Related Research Results for Project 1

East Bethel’s surveyed businesses cited poor telecommunication issues, such as reliability, cost and broadband speed, as items that required action, showing low satisfaction but high importance—70% of respondents cited broadband reliability as important to very important, and 45% were somewhat or very dissatisfied. Broadband issues were also rated as a threat to the economy in the SWOT analysis.

Additionally, of 14 businesses that indicated they are considering moving, downsizing or selling, three cited poor telecommunications for the reason. See Figure 3.

Figure 3: Why are you considering moving/downsizing/selling?



Priority Project #2: Communications

Work to improve communications between the city and businesses of East Bethel. This will be achieved by:

- Face to face meetings with non-Chamber business owners to encourage them to join.
- Chamber to be represented at every city council meeting.
- City council to inform the Chamber of all new companies opening in East Bethel. Chamber to make contact within the first 2 weeks. Chamber to give the city a welcome package on the Chamber to give to new employers.
- Minutes of Chamber membership meeting to be available on line.
- Have a Chamber spokesman at the East Bethel business sunrise breakfast (Brad Slawson)
- Recruitment at sunrise breakfast meeting.
- Join MN Chamber of Commerce (Grow MN)
- Face-to-face meeting with employers who did a BR&E interview and who are not in the East Bethel Chamber of Commerce.

The committee is comprised of Paula Moon as leader, and Cathy Beason, Ruth Dutchak, Jill Hoffman, and Brad Slawson.

Related Research Results for Project 2

Respondents cited the City’s Budget Process and Financial Management and Spending Priorities as items with high importance and low satisfaction. Comments in the survey included bolstering transparency and communications in the city’s processes. Compared to other BR&E communities, East Bethel rated Local Government and Financial Management as very important.

Priority Project #3: Workforce and Residential Recruitment

Market the community of East Bethel as a great place to live and work by promoting employment opportunities, building partnerships with local businesses and educational institutions and providing potential employees with tools to find and assess employment opportunities. Some ideas are:

- Partnerships with schools for apprenticeship programs, job fairs, career fairs and skills training
- A shared job posting site to highlight and consolidate local job openings
- Develop a virtual job fair
- Create information linkages between city and chamber websites for businesses to post jobs
- Develop a list of job types available in East Bethel
- Coaching for employers on how to differentiate their business
- Develop a list of benefits for businesses to support/engage in this project

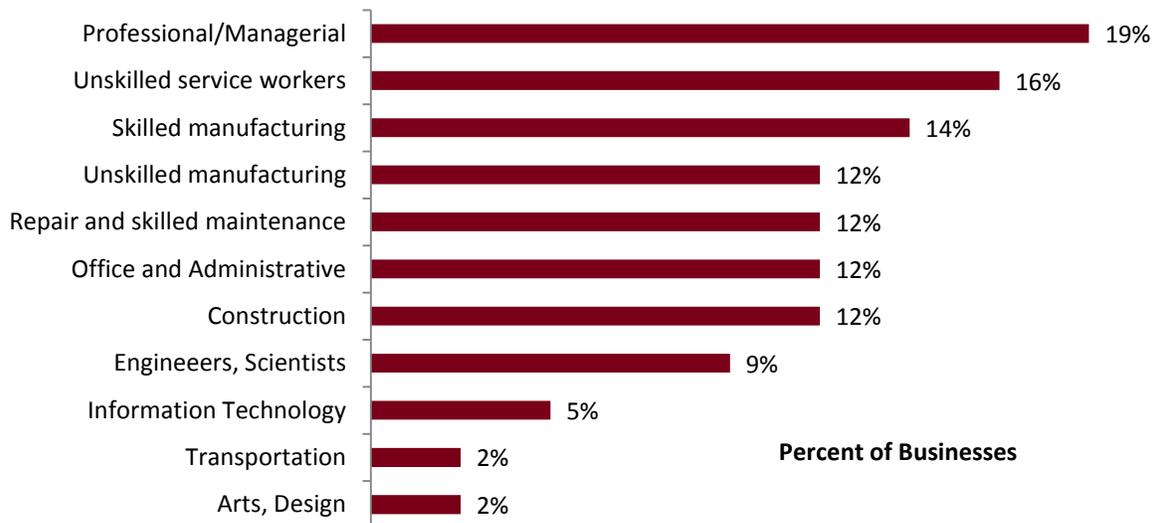
The committee is comprised of Jodi Milbradt as leader, and Paul Johnson, Bruce Sayler, Sharon Johnson, Julie Lux, and Doug Welter.

Related Research Results for Project 3

One quarter (23%) of surveyed businesses reported that their recruiting problems are the result of inadequate labor skills, while 14% say workers will not commute into the area.

Specifically, companies report problems recruiting workers in the areas of professional/managerial, clerical, unskilled services workers, repair and skilled maintenance, and skilled manufacturing. What's more, businesses expect growth in many of those same positions in the coming years (specifically professional/managerial, unskilled service, and skilled manufacturing). This growth will only exacerbate recruitment issues in the future.

Figure 4: Does your company have problems recruiting the following?



CREDITS

The East Bethel 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 report compilation assistance.