



Battle Lake Business Retention and Expansion Strategies Program

Summary Report
April 2018



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SUMMARY REPORT

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Edited by Michael Darger, University of Minnesota Extension

Sponsors:

City of Battle Lake
Network Battle Lake
West Central Initiative
Minnesota Department of Employment and Economic Development
University of Minnesota Extension

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NOTE: The data, analysis, and findings described in this report are specific to the geography, time frame, and project requirements of Battle Lake, Minnesota. Findings are not transferable to other jurisdictions. Extension neither approves nor endorses the use or application of findings and other contents in this report by other jurisdictions.

BATTLE LAKE BUSINESS RETENTION AND EXPANSION PROGRAM

Business Retention and Expansion 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.

Expansions and contractions are defined as changes in employment at an existing plant or business location. Start-ups and dissolutions are 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 2016 confirms that roughly 77% of new jobs in the state were created by existing business.¹ Battle Lake, 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 Battle Lake BR&E Program has three objectives:

- To improve communication
- To demonstrate support for local businesses and solve immediate business concerns
- To identify priorities for economic development

Program Sponsors

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

- City of Battle Lake
- Minnesota Department of Employment and Economic Development
- Network Battle Lake
- University of Minnesota Extension
- West Central Initiative

¹ Source: Minnesota DEED, QCEW program

BR&E PROCESS AND KEY DATES

Community leaders who are invested in the program's implementation form the core for a BR&E initiative. They 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.

Battle Lake's BR&E initiative officially launched in February of 2017 with the Leadership Team's first meeting.

Volunteer Training

Volunteer Visitor training sessions, held in August of 2017, 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

Battle Lake adopted Extension's interview guide (survey instrument). Volunteer visitors used the interview guide on the business visits.

Business Selection & Visits

The Battle Lake BR&E Leadership Team and Task Force surveyed 56 businesses during September and October of 2017.

The BR&E leadership team reviewed and selected businesses based on knowledge of existing businesses. The Leadership Team prioritized 80 businesses within the boundaries of the school district of Battle Lake for in-

person visits and other selected businesses were surveyed only by mail. All businesses were mailed a copy of the interview guide with a cover letter inviting their participation.

Campus Research Review

Completed business surveys were tabulated and analyzed by the University of Minnesota. The data summary was provided to participants of the Battle Lake BR&E Campus Research Review meeting held November 1, 2017, in St. Paul. Participants identified predominant, common themes in the survey results and suggested project ideas to address the themes.

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. This is probably the single most important activity that a BR&E initiative can do - responding appropriately and confidentially to businesses on issues, such as business relocations, concerns with public service, needs for resources, etc. This was done by overall coordinators and business resources coordinators throughout the process and formally in December of 2017 with the Leadership Team.

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. They utilized the results of the Campus Research Review meeting and additional economic development research. The research report collectively detailed four overarching strategies and a robust compilation of suggested projects for each strategy.

Task Force Retreat

A Task Force retreat was held January 17, 2017, in Battle Lake where the Task Force was presented with the Research Report. The presentation included a Minnesota Department

of Employment and Economic Development (DEED) overview of the Battle Lake area economy and demographic situation, the composite results of the business interviews, and the four strategies. The Research Report can be viewed by contacting one of the Task Force members or city hall.

Understandably, the Battle Lake BR&E Task Force has the most knowledge of its community and, therefore, can discern which projects would be locally suitable for implementation.

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

BATTLE LAKE BR&E PROGRAM PARTICIPANTS

Three groups of people have been instrumental to Battle Lake’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.

Battle Lake BR&E Leadership Team Members

Jeff Drake, Superintendent, Battle Lake Public Schools – Milestone Meeting Coordinator

Scott Duberowski, Assistant Vice President, First National Bank of Henning – member at large

Candace Heathington – member at large

Gene Kelm, Mayor, City of Battle Lake - Warning Flag Coordinator

Val Martin, Clerk/Treasurer/EDA Director, City of Battle Lake – Visitation Coordinator

Ed Pawlenty, Publisher, Battle Lake Review – Media and Warning Flag Coordinator

Sue Tysdal, Loan Officer, LeaderOne Financial Corporation - Overall Coordinator

University of Minnesota Extension BR&E Consultant

Ryan Pesch, Extension Educator in Community Economics, served as the BR&E consultant to Battle Lake. This included coaching and advising

the Leadership Team, conducting volunteer visitor trainings, and assisting in several important ways along the way.

Battle Lake BR&E Task Force Members

MacKenzie Barry	Edward Jones
Sean Belmont	Community Leader
Barry Bergum	Community Leader
Randy Dorn	First National Bank of Henning
Jeff Drake	Battle Lake Schools
Scott Duberowski	First National Bank of Henning
Dan Feda	ReMax Realty
Tyler Gagner	Johnson Bros Liquor
Reba Gilliland	Art of the Lakes
Nya Haberman	Battle Lake Schools
Karalyn Harrington	Community Leader
Craig Haukebo	Community Leader
Candace Heathington	Community Leader
Joyce Herbranson	Farmer / Community Leader
Heidi Hull	Creative Cuts
Patty Johnson	First National Bank of Henning
Molly Johnston	Community Leader
Gene Kelm	City of Battle Lake
Elizabeth Klinworth	Battle Lake Schools
Tanya Maethner	Business Owner
Val Martin	City of Battle Lake
Don Maslow	City of Battle Lake / Business Owner
Behn Massie	Battle Lake Inn and Suites
Debbie Ness	The Lodge on Otter Tail
Ed Pawlenty	Battle Lake Review
Marjorie Quammen	City of Battle Lake
John Shaw	Business Leader
Leigh Shebeck	Dairy Queen
Kelly Suko	Dairy Queen
Sue Tysdal	LeaderOne Financial

Businesses Visited

There were 56 business surveys completed. Visits were made in most cases (40), however, many surveys were mailed in without a visit (16). More than 56 businesses are actually represented because some completed surveys represent two or more businesses. Survey responses are confidential, yet it is important to acknowledge the contribution of these participating businesses.

1st National Bank	Heinee's Mobile Marine
A Touch of Class Hair & Nail Salon; Lakes Area Welding	Lake Area Docks and Lifts
Advanced Docks and Lifts; Battle Lake Boat Works; Sheldon's Car Care	Lake Avenue Café
Amor Pork	Lake Country Gardens
Art of the Lakes	Lake Region Healthcare - Battle Lake Clinic
Arvig Enterprises, Inc.	Lakes Area Law
Balmoral G.C.	Lakes Veterinary Hospital
Battle Lake Inn & Suites	Lakes Vintage & The Warehouse; Battle Lake Laundromat
Battle Lake Municipal Liquor Store	Larry's Supermarket of Battle Lake Inc.
Battle Lake Review	Madsen's Resort
Beach Bums Bar & Eatery	Maethner Inc. DBA KC Lawn & Snow Removal
Carlson SV LLP	Main Attraction
Carpenter Drywall LLC	Oasis
Century 21 Vista	Park Region Mutual Telephone
Chase Crew	Paul's Metal Petals
Chase Family Health	Prospect House Museum
Cline Jensen P.A.	Seip Drug
Creative Cutt	Shawn Frank Insurance Agency Inc.
Dairy Queen	Shoreline Restaurant
Evert's Lumber Company	South Turtle Lake Resort
First Lakes Agency	Spruce
Galloping Goose	Stella's; Rusty Nail; Smackin Cakes
Glendalough State Park	Stevelly's Steak & Seafood
Good Samaritan Society Battle Lake	Stub's Dining and Saloon
	Takes the Cake Bakery
	The Lodge on Ottertail Lake
	The Sportsman's Bar
	Trosdahl Bodyworks Inc.
	Twin Lake Landing Resort
	Vacationland Resort
	Williams Co. Store
	Zion Lutheran Church of Amor

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 Battle Lake 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.

Battle Lake BR&E Leadership Team

Jeff Drake, Superintendent, Battle Lake Public Schools

Candace Heathington

Val Martin, City Administrator, Battle Lake

Ed Pawlenty, Publisher, Battle Lake Review

Minnesota Department of Employment and Economic Development

Chet Bodin, Labor Market Analyst

David Heyer, Business Development Specialist

Economic and Community Development Professionals

Nicole Lalum, Explore Minnesota Tourism Regional Manager

University of Minnesota

Michael Darger, UofM Extension BR&E Program Director

Monica Haynes, UMD, Bureau of Business and Economic Research Director

Tammy Korte, UofM Tourism Educator

Ward Nefstead, UofM Extension Economist

Kent Olson, UofM Extension Center for Community Vitality Associate Dean

Ryan Pesch, UofM Extension Educator

Additional Assistance

Lauren Sorgaard, data input and tabulation, Extension Cloquet Regional Office

Jodie Kaden, report assembly and printing, Extension Center for Community Vitality

BATTLE LAKE'S ECONOMIC AND DEMOGRAPHIC PROFILE

A profile of Battle Lake's economy and demographics was prepared for the Research Report and presented at the Task Force retreat on January 17, 2017. The profile, created by Chet Bodin of the Minnesota Department of Employment and Economic Development (DEED), 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.

BATTLE LAKE'S INTERVIEW RESULTS

Out of the 54 businesses included in the data set, over 90% of businesses were locally owned. One in five surveyed businesses (20%) classify themselves in retail, 19% in accommodations or food service, and 11% in arts, or entertainment and recreation. While the distribution of survey respondents is not a perfect representation of the businesses in the community, the results suggest that the hospitality and tourism sector is very important to Battle Lake's economy.

Over 60% of employees have a very short commute, traveling less than 15 minutes to work. In fact, businesses estimate that 93% of workers travel less than 30 minutes to their jobs in Battle Lake. This suggests that Battle Lake businesses are drawing from a highly localized labor force, where most employees live in the City of Battle Lake or in areas immediately surrounding the city.

Battle Lake businesses were asked to estimate the number of workers employed at their location, both currently and three years prior. Findings show that Battle Lake businesses tend

to be very small, with fewer than six full-time employees on average, and employ more part-time workers than full-time or seasonal.

Many of the positions that Battle Lake businesses expect to add in the next three years are also those they have the most trouble recruiting. Of those businesses surveyed, 35% report difficulties recruiting unskilled service workers and 20% reported difficulties hiring professional and managerial workers. Businesses expect to add 46 and 24 workers in those categories, respectively, over the next three years.

Battle Lake's recruitment challenges are especially pronounced when compared to averages from previous BR&E communities. Among 30 BR&E communities, from 1994 -2015, only 15% reported problems recruiting unskilled service workers.

Battle Lake businesses report competition for employees, inadequate labor skills, high wage rates, and commuting challenges as some of their top recruitment challenges.

A large majority of Battle Lake businesses report (85%) training their employees in house,

while other training methods were not commonly utilized (see Figure 1) but more than half of all Battle Lake businesses report needing training for their workers or managers. The two largest training needs were in *general* and *managerial* skills with 85 and 61 workers who need training, respectively, in these areas. The largest needs in the *other skills* category include continuing education and safety. In total, more than 300 workers need additional training in Battle Lake.

When asked about future plans, half of Battle Lake businesses reported no major changes to their location (e.g. expand, sell, move, close). Of those that indicated they were considering a change, the most common plans were either expanding at their current location (24%) or expanding at another location (15%). Only 17% of Battle Lake businesses were considering a negative change (i.e. selling, moving, downsizing, or closing). This is quite a bit lower than the average for previous BR&E communities, where 25% of businesses, on average, were considering a negative change. For those that indicated that they were considering a negative change, the most common reasons given were retirement or another business opportunity.

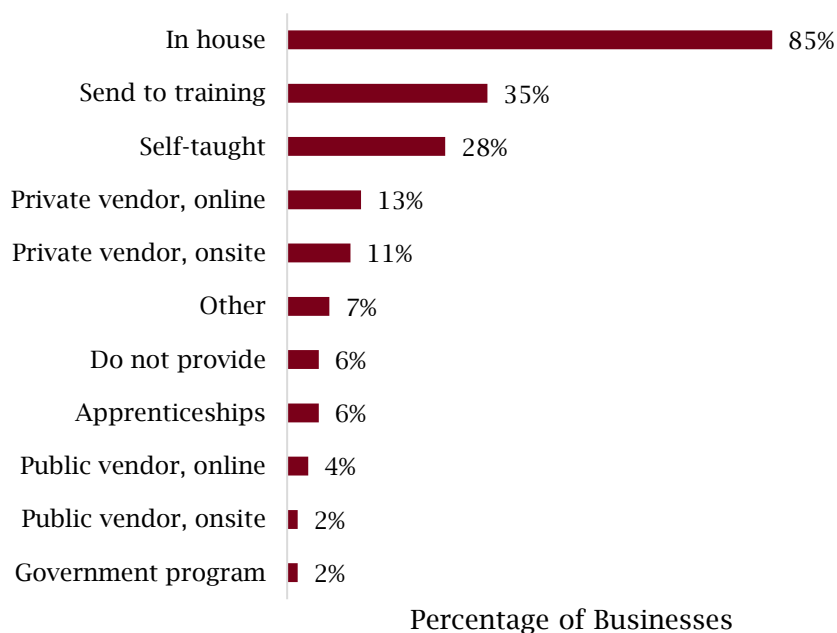


Figure 1. How do you currently train your employees?

Battle Lake businesses were generally very satisfied with their community's retail factors. The highest rated factors were the variety of places to eat, safety, personnel, and the exterior atmosphere. The factors with which BR&E respondents were least satisfied were the prevalence of group advertising, store hours, and parking, respectively. Finally, business participants in the Battle Lake BR&E have a positive view of their community

as a place to live and a place to do business (See Figure 2). As a place to live, 85% of respondents say Battle Lake is either excellent or above average. As a place to do businesses, about 80% of respondents say that Battle Lake is above average or excellent. The mean rating, out of 5, is 4.30 for Battle Lake as a place to live and 4.04 as a place to do businesses. These values are quite a bit higher than the mean ratings for previous BR&E communities at 4.1 and 3.8, respectively.

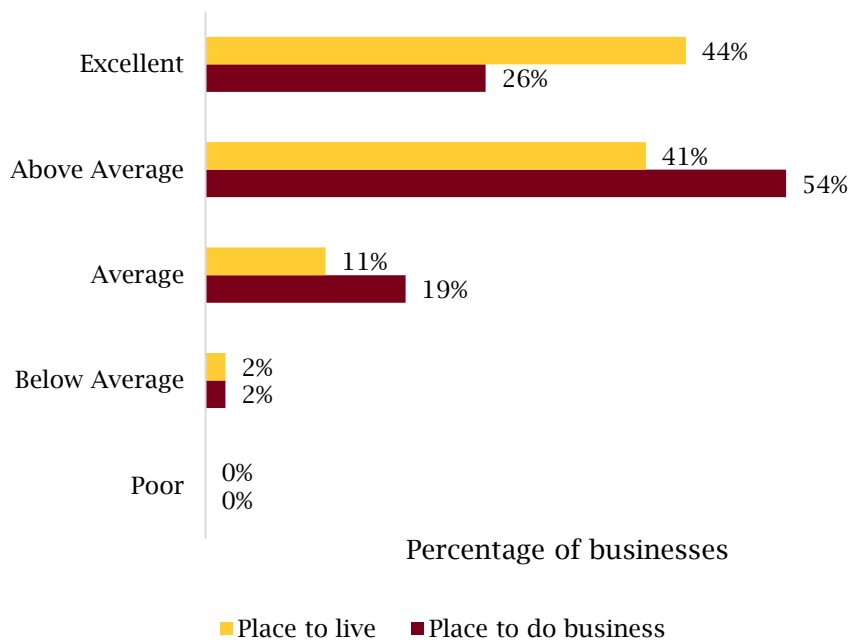


Figure 2. Rate Battle Lake as a place to live and conduct business

Identified Strategies

Four primary strategies emerged from an analysis of the interview results and discussions by the Campus Research Review Panel. These strategies provide a framework for studying the issues raised in the Battle Lake BR&E process. Below are the four identified strategies.

1. Restructure Business Outreach Organizations/Develop New Initiatives
2. Strengthen the Retail and Hospitality Sectors
3. Expand Workforce Strategies

4. Assist with Infrastructure and Land Needs

Under each strategy, the Research Report listed potential projects that the Battle Lake BR&E Task Force could select to help accomplish the strategy. During their January 17, 2018 retreat, the Task Force developed four 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

Battle Lake. These priority projects are listed here and described below.

1. Foster collaboration between Network Battle Lake (NBL) and the Economic Development Authority (EDA)
2. Develop training and career pathways for local youth
3. Ensure timely completion of the Battle Lake Area Childcare Center and develop a business stipend program
4. Consider options to address the lack of land for development

The respective project teams created each project's description.

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: Foster collaboration between Network Battle Lake (NBL) and the Economic Development Authority (EDA)

The committee is chaired by Ed Pawlenty. Committee members are Val Martin, Jeff Drake, and Candace Heathington.

The committee will meet with the two groups to discuss the roles and functions of each group in the community, potential communication improvements between the two groups and within community, and a potential partnership of the two groups.

Timeline and action steps:

- Completed: Meeting set for May 3 with the two groups.
 - Discuss the roles of each group after each presents.
 - Discuss if and how we can collaborate on future initiatives.
 - Discuss how to communicate better with businesses.
- If we agree on collaboration, set up future joint meetings to discuss how that will work and who will be responsible for ongoing tasks.

The project was inspired in part by the results of a special question in the Battle Lake BR&E, which asked businesses about their familiarity with the two business support organizations in the community, the Economic Development Authority (EDA) and Network Battle Lake (NBL). As shown in Figure 3, Battle Lake businesses are more familiar with NBL than with EDA. More than 60% of businesses were familiar or very familiar with NBL, while only 22% of businesses responded in that manner for EDA. A related

question asked businesses whether they had engaged with one of the two groups in the past year. The majority of surveyed businesses (63%) had engaged with NBL, while only 26% had engaged with the EDA.

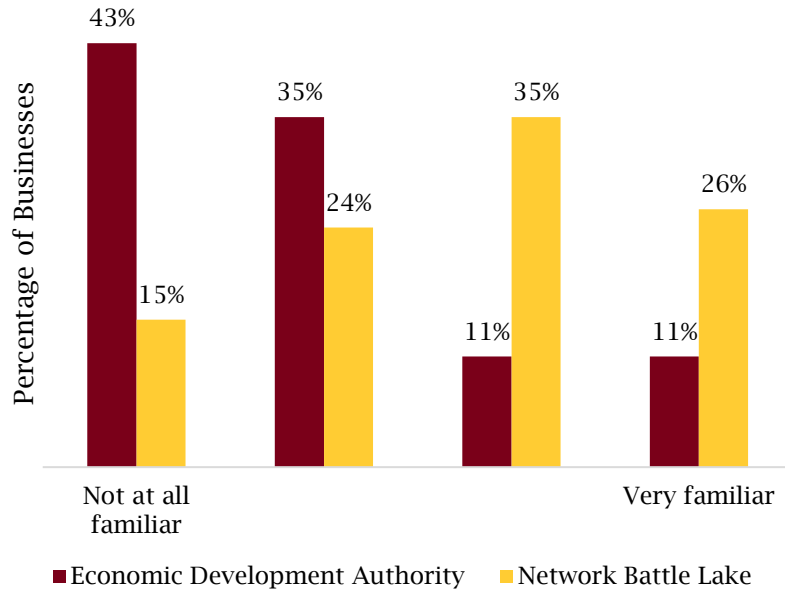


Figure 3. How familiar are you with the activities and resources of..

Priority Project #2: Develop training and career pathways for local youth

Committee members are Jeff Drake, Abbey Kwapinsky, and Krys Marso. Contact one of these people to learn more or to get involved.

This project involves activities to engage local students and connect them with the business community.

1. Summer Job Fair

Location: Battle Lake Public School

Date: April 20

Time: 1:00 p.m. - 3:00 p.m.

Local businesses with available summer jobs will be at tables in the media center. They should be prepared to tell students about their businesses, what jobs they have available, hours, salary, and other pertinent information. Students will have prepared resumes or business cards and can leave either

with an employer that they would consider working for.

2. Apprenticeship Program

Location: Battle Lake Public School with Area Businesses

Time/Date: During the school year, summer, or following graduation

Local businesses with available apprenticeships will contact committee members Abbey Kwapinsky or Krys Marso at the Battle Lake Public School. The school apprenticeship program, which has been established for many years, is not being utilized by students. The program allows students to leave the campus and apprentice under an area employer. The student learns a trade while earning high school credits. The school might also be a conduit to apprenticeship opportunities for students following graduation. For

some who have little interest in continuing on with a post-secondary education program this opportunity might be an excellent alternative.

3. Hospitality Training

Location: Battle Lake Public School with Area Businesses

Time/Date: April/May

The school will offer training for students aimed at developing strong customer service skills and expectations employers

have for employees. It is recommended that the instructors for the training come from local business owners. A local business owner has stepped forward to offer a hospitality training course.

This course could take place during Ramp-Up time and/or be offered as a course through Battle Lake Community Education. Students who have been hired by a business for summer

employment might have the course fee sponsored by their employer. Another option for those students might be paying them for time spent in the course.

A number of Battle Lake’s BR&E survey results support the development of this priority project. More than half of surveyed Battle Lake businesses cited a need for additional training for their employees. Specific training needs include general skills (85 employees), managerial skills (61), and sales and marketing (56).

When asked about their current training methods, nearly all Battle Lake business (85%) use in-house training. For almost every other method listed (e.g. off-site training, private vendors, public vendors, apprenticeships), a smaller proportion of Battle Lake businesses use those training methods than is typical for

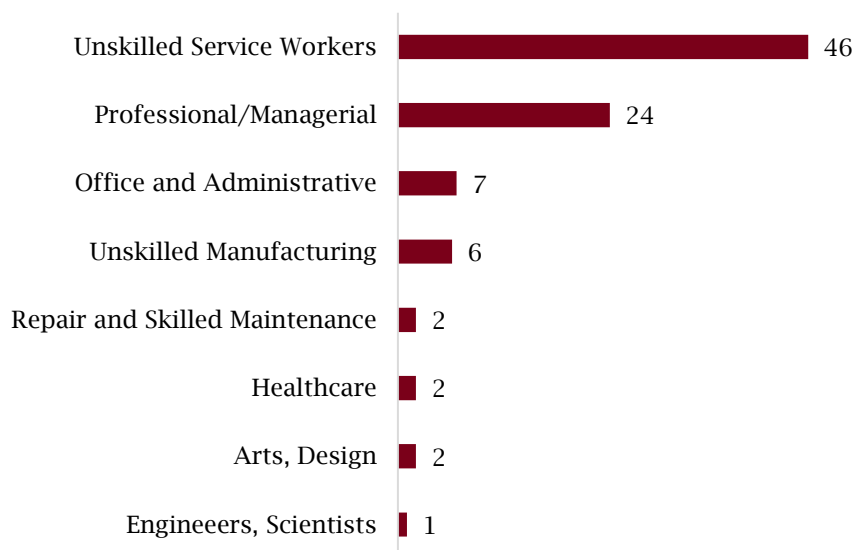


Figure 4. How many employees will be added over the next three years?

previous BR&E communities.

Battle Lake businesses also reported difficulties recruiting unskilled service workers and professional/managerial workers, but hope to add significant numbers of these workers in the next three years (see Figure 4).

Priority Project #3: Ensure timely completion of the Battle Lake Area Childcare Center and develop a business stipend program

Committee members are Randy Dorn, Gary Harrington, and Karalyn Harrington. Contact one of these people to learn more or to get involved.

The Battle Lake Area Childcare Center will impact the lakes area employers and population by enabling the attraction and retention of young families. The positive impact of attracting and retaining young families will manifest in enhanced economic development, increased available workforce, improved school enrollments, added church and service organization memberships, and overall regional enrichment. At a minimum, the positively impacted area will include communities within a 20-minute drive of Battle Lake with a total population of approximately 12,600. The critical need for childcare is widely recognized and evidenced by a shortage of childcare space for over 200 children. The Battle Lake Area Childcare center will help address the dire need with a capacity for 42 infants, toddlers, and preschoolers.

Completed milestones include:

- Tax incentives of \$104,000 over eight years approved by Battle Lake City Council.
- There has been 75% of required capital funds raised as of 3/25/18.
- Approximately \$29,000 in-kind donations as of 3/25/18.
- Broad community support demonstrated by over 150 donors as of 3/25/18.
- Childcare center management firm selected/contracted with.
- General contractor selected.
- Land and architectural design fees paid for.

- Promotion and publicity launched.

Future plans include:

- Breaking ground ceremony and fundraising event on 4/21/18.
- Beginning construction later in spring.
- Working with area employers to develop a stipend strategy by fall.
- The 12-person capital campaign team finishing off capital fundraising by late summer to achieve 100% of required funds.
- Grand opening by late fall 2018.

This priority project addresses one of the main findings from the BR&E survey results. When businesses were asked about the importance of and their satisfaction with various community factors, there were a number of factors that fell into the “Take Action” quadrant, meaning they had high importance and low satisfaction. Included among these were housing costs (mean importance rating of 3.24 and mean satisfaction rating of 2.69), housing supply (3.17, 2.56), and availability of childcare (3.10, 1.75). Please see the BR&E research report for more information.

These three factors were also mentioned in the survey’s open-ended comments. For example, when asked for suggestions to improve the community (survey question 37), ten respondents mentioned childcare and five mentioned housing.

Priority Project #4: Consider options to address the lack of land for development

The committee is chaired by Darryl Booker. Committee members are Milt Paulson, Steve Young, Joan Vorderbruggen, and Reba Gilliland. Contact one of these people to learn more or to get involved

Strategies to address the issue include:

Create a land-use map showing three types of land: 1) undeveloped with no structures, 2)

developed with under-developed uses, abandoned, or unused structures, and 3) land outside the city limits with potential to be acquired by the city that could be described as one or two stated above.

This map is to be cursory but will show the city has potential to grow, change, and be sustainable by mapping future housing, commercial and (industrial??), parks & recreation, and other uses appropriate for small cities. In other words, uses for LIVE, WORK, PLAY opportunities.

Set priorities for development/redevelopment of land:

- 1) Support EDA's continued research on redevelopment and expansion of Hatchery Row.
- 2) Explore innovative housing options to meet the needs of people looking for smaller, well-designed residences within proximity of downtown and walking/bicycling trails.

This priority project addresses another key finding from the BR&E survey results. When asked if they have sufficient property to allow

for expansion, 35% of surveyed Battle Lake businesses said no. Building availability and cost of land were also cited among the community factors on which Battle Lake should act, both having high importance and low satisfaction ratings.

Finally, at the BR&E research review meeting, Battle Lake community members mentioned a lack of land available for development as a major concern facing the community.

Participation in Otter Tail County Broadband Task Force

The surveyed businesses indicated some concern with both the *reliability* and *cost* of broadband. They also indicated that each of these factors are relatively important, especially broadband reliability. Therefore, the BR&E Task Force considered establishing a priority project to address this issue. Rather, it was decided to have Battle Lake represented at the Otter Tail County Broadband Task Force. Val Martin and Ed Pawlenty will represent the community on the county group.

Credits

The Battle Lake 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 (BBER) prepared this summary report. Michael Darger of U.M. Extension provided editing and report compilation assistance.