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Research Report

Two Harbors Quality of Life Survey

For
Two Harbors Area Fund

Bureau of Business and
Economic Research

Labovitz School
OF BUSINESS AND ECONOMICS

UNIVERSITY OF MINNESOTA DULUTH

Driven to Discover

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Executive Summary

ABOUT THE PROJECT

The Two Harbors Area Fund (THAF), an affiliate of the Duluth Superior Area Community Foundation, was established in 1998 and is entrusted with the responsibility of enhancing the quality of life for the residents of Two Harbors and the surrounding areas.

The THAF contacted the Bureau of Business and Economic Research (BBER) at the University of Minnesota Duluth's Labovitz School of Business and Economics to update a 2007 "Quality of Life Survey," which included various economic and social indicators measuring the quality of life in Two Harbors and Lake County.

The BBER used secondary data sources to track economic and social indicators, including measures of employment, demographics, income, housing, and poverty. The data was collected at the municipality (Two Harbors) or county (Lake) level, depending on the indicator. All indicators include a brief description as well as graphical or tabular output. Trend and/or comparison data is included as available.

While the overall population for Lake County and many of its cities has been in decline over the past decade, Two Harbors has shown positive growth over the past decade. The current populace in the region is older and less diverse than that of the state of Minnesota. However, projections suggest that the diversity in Lake County will increase significantly in the years to come, while the average age of the population will continue to increase.

The unemployment rate in Lake County has trended downward since 2007, but like many

other indicators for the county and city, it maintains stronger seasonal variation than that of the state and nation. This greater variation is likely due to the high percentage of people in Lake County employed in industries that are heavily reliant on the weather and the time of year for operation. This is evidenced further by the relatively high percentage of unoccupied housing in the county, which can likely be attributed to changes in tourism and seasonal employment patterns.

While Lake County is on par with the state for household income levels between \$35,000 and \$75,000, it had a much lower percentage of households above that range and a much higher percentage of households below that range relative to the state. Importantly though, the average poverty rate for the county over the period from 2007 to 2013 was less than the state's and much less than the national averages.

Two Harbors and Lake County residents enjoy higher average life expectancy than the nation as a whole. This is likely due in part to their lower incidence of obesity and high blood pressure compared to the averages for the rest of the country. Air and water quality tested higher in Two Harbors than average findings for the state and country as well. Finally, K-12 education posted high marks for Lake County and Two Harbors. Although the percentage of residents with a Bachelor's degree or higher was low, the percentage of high school graduates was very high, topping both the state and national averages.

Two Harbors Quality of Life Survey

I. Project Description

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The research objectives of this study included the following:

- To model various, current economic indicators of the economic health of the city of Two Harbors and Lake County.
- To analyze the findings as positive or negative to economic viability and to describe those findings as they compare to similar geographic areas (state, United States).
- To draft the findings of this analysis into a report.

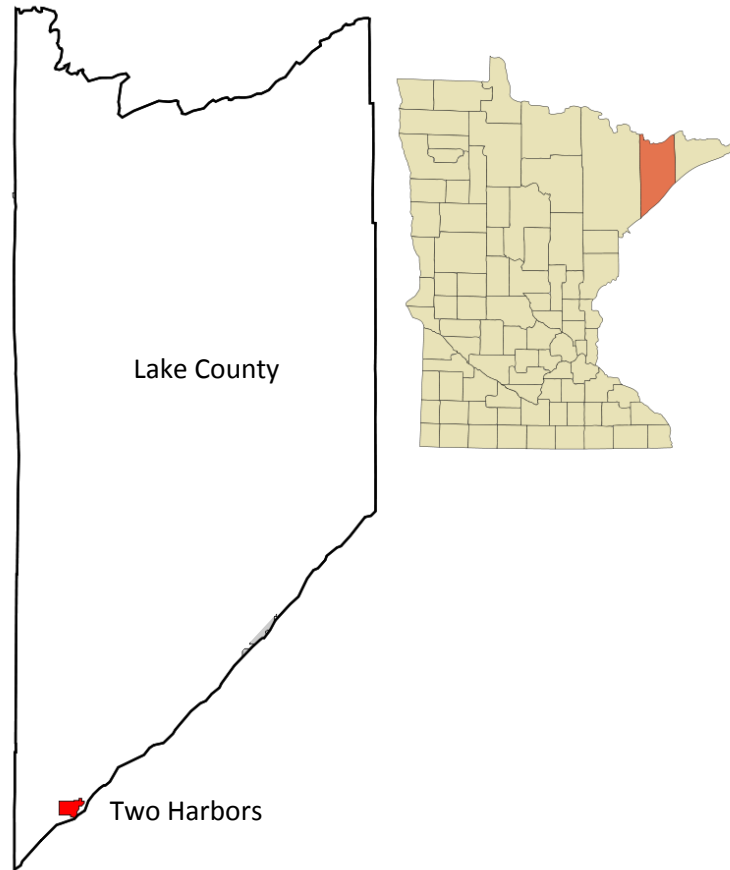
Deliverables

- 1) The BBER will report on various economic and social indicators for Two Harbors and Lake County (see Appendix A for list of selected indicators).
- 2) BBER will draft a written report that present the findings and analysis. This will be provided as digital files in Microsoft Word and Adobe Acrobat PDF formats.

Study Area

The geographic scope for this report is focused on the city of Two Harbors and Lake County.

Figure 1. Location of the City of Two Harbors within Lake County, Minnesota



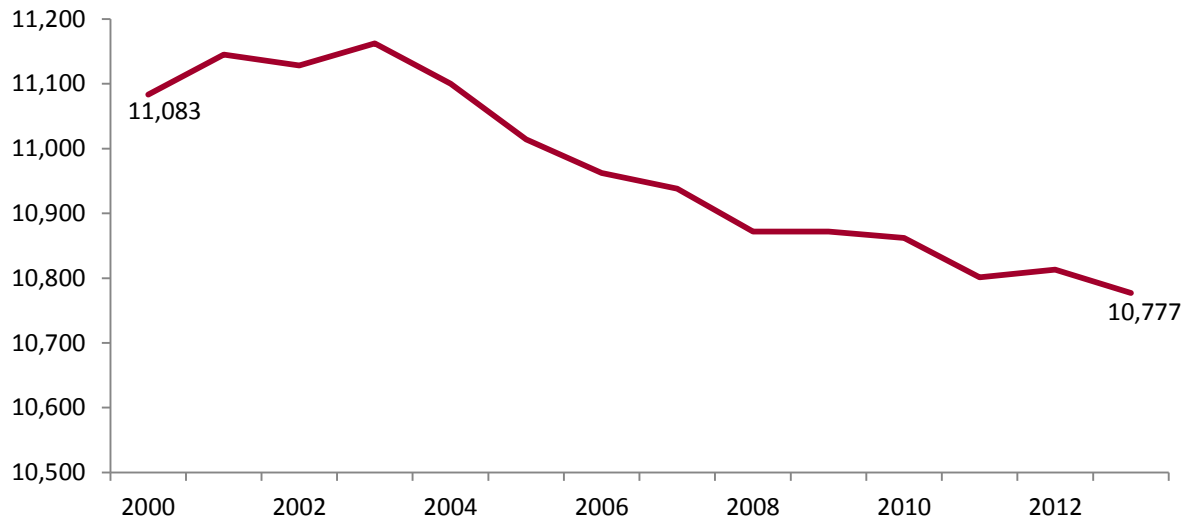
SOURCE: Wikipedia

I. Findings

Population

The United States Census Bureau tabulates population estimates for different U.S. geographic locations, such as state, county, and metropolitan areas. Persons who are considered to be a usual resident of that specific location are counted in the population data. A usual resident is a person who considers themselves to reside at a specific address for a majority of their time. The population change throughout a region has become a significant economic indicator. Some regions may have concerns with over population, which can affect food sources and pollution. Conversely, many rural areas are concerned with a loss of population, as residents move away from the area to pursue employment opportunities elsewhere.

Figure 2. Population of Lake County (2000 to 2013)



SOURCE: United States Census Bureau

Figure 2 shows the population change in Lake County from 2000 to 2013. Over the 13-year period, the population in the county has declined by 2.8% or approximately 300 individuals. Table 1 provides more details on the population, including estimates for the city of Two Harbors and some of the surrounding communities. Interestingly, Two Harbors is one of the only communities in Lake County and the surrounding area that has seen an increase in population over the 13-year period, rising from 3,619 residents in 2000 to 3,666 in 2013. However, the 2013 population is down slightly from its peak in 2010. Other communities in a 100-mile region (Eveleth, Babbitt, Duluth, and Silver Bay) saw declines in population over the 13-year period, with Silver Bay seeing the largest decrease at -10%.

Table 1. Population of Two Harbors and Surrounding Area

Geography	2000	2010	2013	% Change (2000 to 2013)
Lake County	11,083	10,862	10,777	-2.8%
Two Harbors	3,619	3,740	3,666	1.3%
Duluth	86,238	86,216	86,128	-0.1%
Eveleth	3,858	3,714	3,697	-4.2%
Babbitt	1,669	1,475	1,534	-8.1%
Silver Bay	2,062	1,885	1,855	-10.0%
Minnesota	4,933,700	5,310,600	5,422,100	9.9%
United States	282,162,400	309,349,700	316,497,500	12.2%

SOURCE: United States Census Bureau

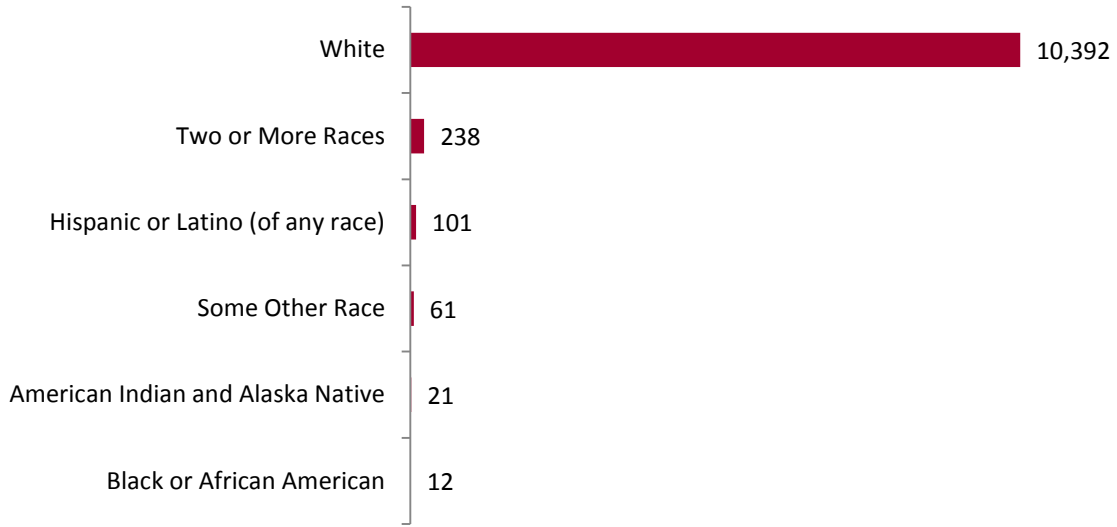
Demographics

The United States Census Bureau estimates the population of different U.S. geographic locations. Persons who are considered a “usual resident” of a given geography (county, metropolitan statistical area, state, etc.) are counted in census population data. These population estimates are broken into three different demographics of age, sex, race/ethnicity. Having a diverse population and labor force is a benefit to employers, as it allows them to obtain a wide variety of skill sets. This involves all types of diversity, including age groups, races and ethnicities, and gender. Acquiring a diverse workforce can enable the employer to utilize every aspect of skills throughout the population, which can promote success.

Figure 3 shows the racial demographics for Lake County in 2013. Clearly, the region was not very racially diverse, with 96% of the population in Lake County identifying as white. Comparatively, 82.6% of the 2013 population in Minnesota was white. This indicates that Lake County struggles with attracting residents of different racial and ethnic backgrounds. However, the Minnesota State Demographic Center predicts that the Arrowhead Region counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis¹ will grow more racially diverse over the coming years. This can be seen in Figure 4, which shows the projected percentage change in population by race and ethnicity between 2005 and 2035. According to the predictions, the Black population in the Arrowhead region is expected to increase by more than 200%, and the Hispanic and Latino population is expected to increase by 187%. These percentages represent small increases in total numbers but still suggest that the region will become more racially diverse in the coming years.

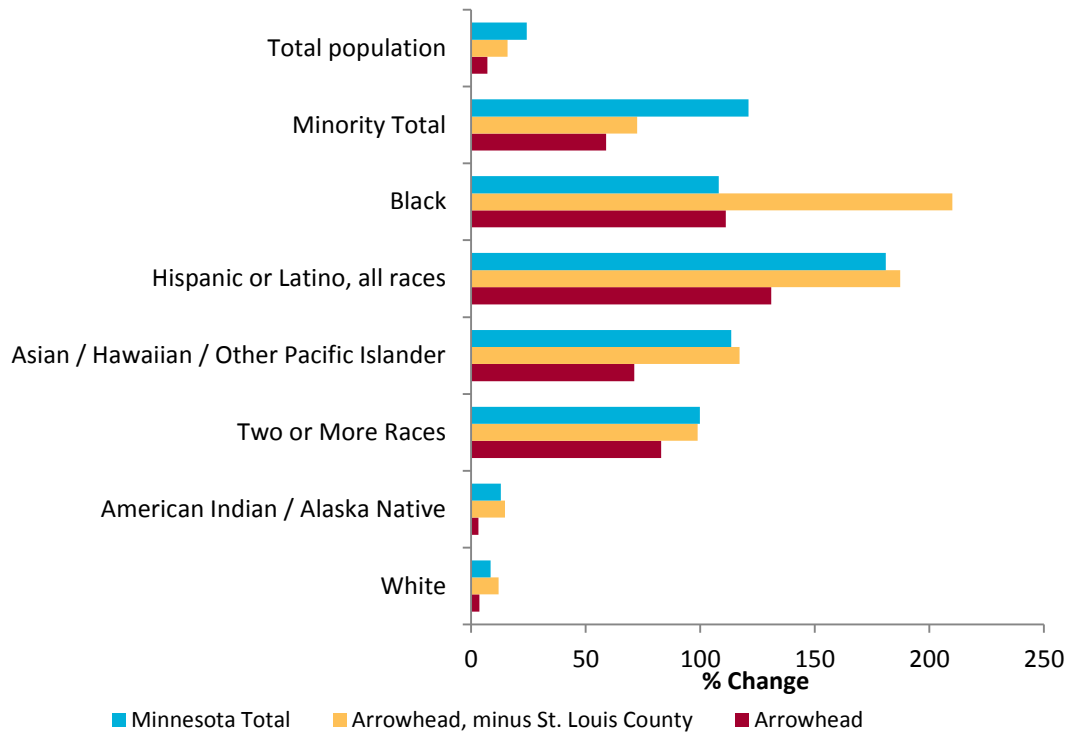
¹ Minnesota Association of Development Organizations

Figure 3. Population of Lake County by Race/Ethnicity, 2013



SOURCE: United States Census Bureau

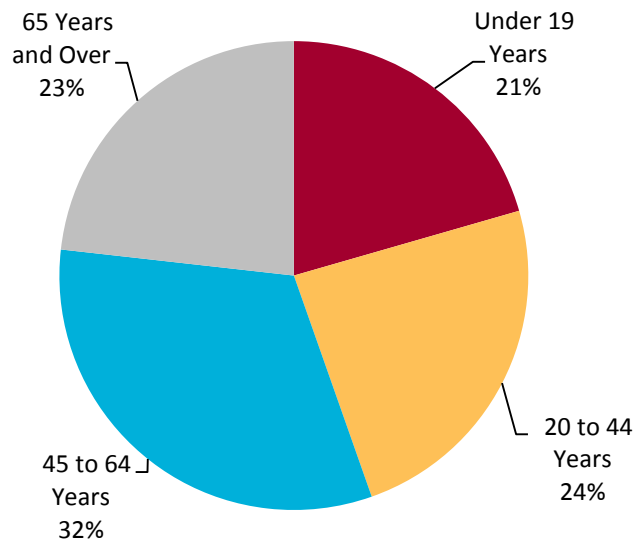
Figure 4. Projected Percentage Change in Population by Race and Ethnicity, 2005 to 2035



SOURCE: Minnesota State Demographic Center

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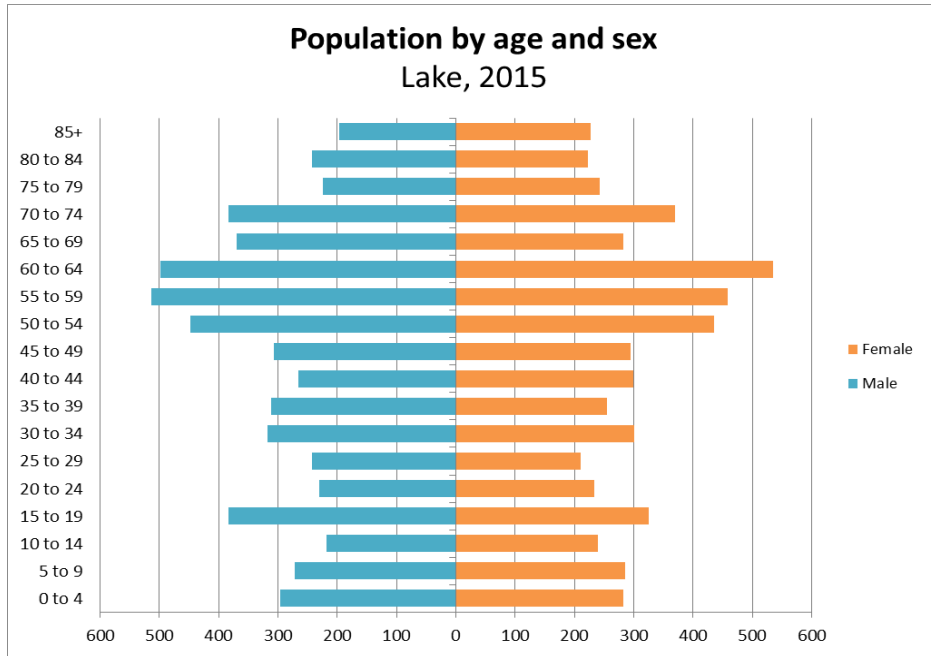
Figure 5. Age Demographics of Lake County, 2013



Source: United States Census Bureau

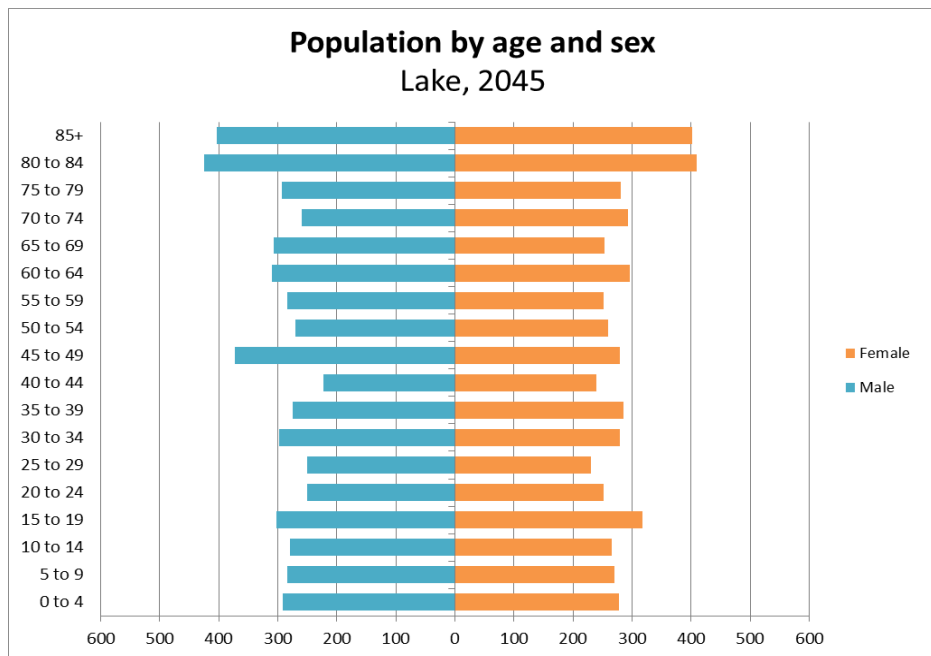
Figure 5 shows population breakouts by age. According to these statistics, the region's largest age group in 2013 was the 45-to-64-year-old population. As more of the baby-boomer generation (the last of that generation was born in 1964 making them 51 currently) moves into the 65-year-and-older category, this share of the population will grow significantly, not only in the region but also in the state of Minnesota and across the U.S. This is of great importance for the region, as 23.2% of the population is already over 65, compared with an average nationwide figure of 14.1%. Over half of the population in the region falls into the two eldest categories on the chart. Therefore, this population should be monitored in the coming years as it will affect other economic indicators.

Figure 6. Projected Population by Age and Sex, 2015



SOURCE: Minnesota State Demographic Center

Figure 7. Projected Population by Age and Sex, 2045



SOURCE: Minnesota State Demographic Center

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Figures 6 and 7 show the projected populations for Lake County by Age and Sex, for the years 2015 and 2045². Upon examining these figures, a few trends emerge. First, it is clear that the population in thirty years will be much older, on average. The large population of 50- to 64-year-olds seen in 2015 will all be over 80 by the year 2045. In addition, there will be fewer young people. Specifically, the population of 15- to 19-year-olds appears much smaller in 2045 than in 2015. Finally, although it is difficult to see from the chart, Lake County is home to more men than women, particularly in the 45- to 49-year-old population. While the difference is not large, it is unusual, as typically there are slightly more females in a population due to their tendency to live longer.

Unemployment Rate by Month

According to the Bureau of Labor and Statistics, a person is considered to be unemployed when they do not have a job, have actively looked for work in the past four weeks, and are currently available to work. People who are temporarily laid off and waiting to be called back to that job are also counted as unemployed. The unemployment rate is calculated by dividing the number of unemployed people by the total number of people in the labor force. The unemployment rate is highly watched by economists and also most of the United States' population, especially since the "Great Recession." Unemployment, which is reported monthly, has a strong impact on consumer spending; typically, when a person is laid off from his/her job, he/she does not spend money on anything other than necessities. Additionally, a significant amount of job loss can affect the economy greatly by reducing the amount of production. A rising unemployment rate indicates that the economy is becoming weaker, whereas a falling unemployment rate indicates the economy is growing stronger.

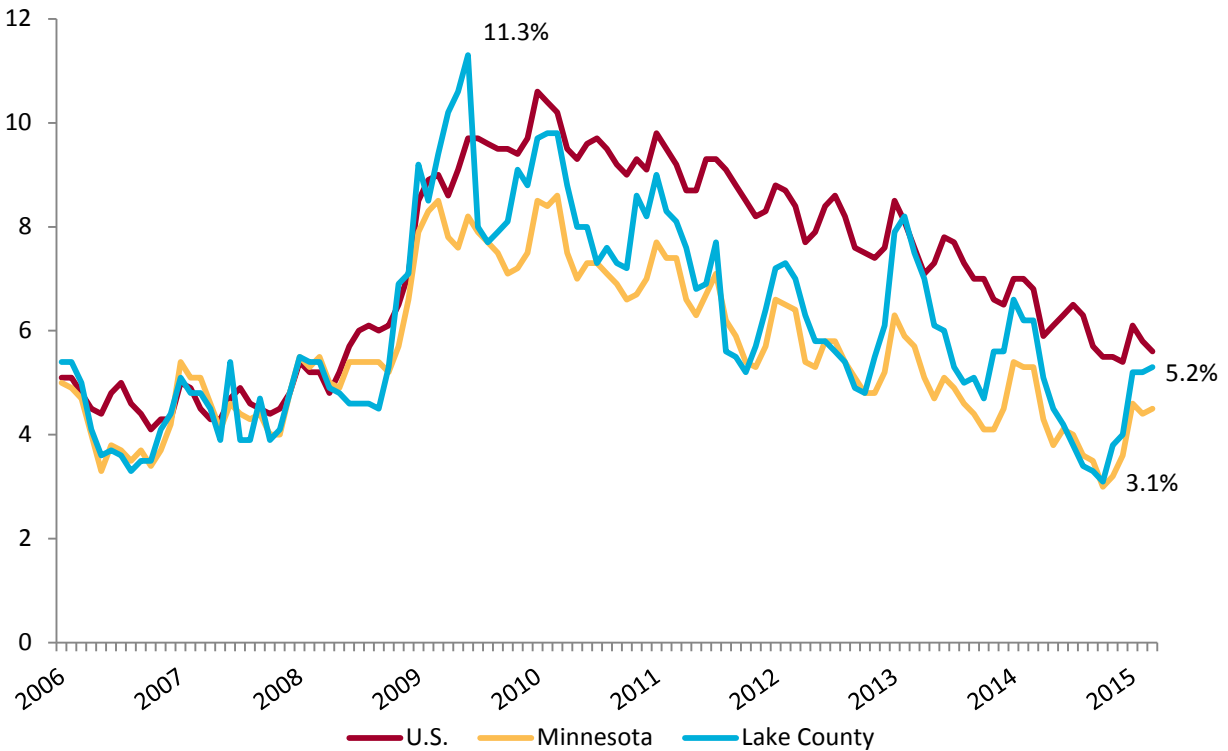
Figure 8 shows the unemployment rates for Lake County, the state of Minnesota, and the U.S. by month, from January 2007 to February 2015. In Lake County, the rate fluctuated between 4% and 6% until the economic crisis of 2008. Shortly thereafter, the rate began to increase until its peak level of 11.3%. Since that time, the rate has fluctuated seasonally, with an overall downward trend during this period.

Since its peak of 11.3% in June of 2009, the rate has since decreased to 5.2% in February of 2015, signaling a recovering economy. In October 2014, the rate was just 3.1%, the lowest rate in the six-year period. This decrease in the unemployment rate is a key sign that Lake County's economy has become stronger.

Similarly, the state unemployment rate for Minnesota has decreased steadily over the past few years. The trend mirrors that of Lake County, but the state unemployment rate has less seasonal fluctuation than the Lake County average. This is partially due to seasonally dependent industries, such as tourism and construction, which are large contributors to the Lake County economy.

² Projections were developed in 2014 by the Minnesota State Demographic Center

Figure 8. Unemployment Rate of Lake County (2007 to 2015)



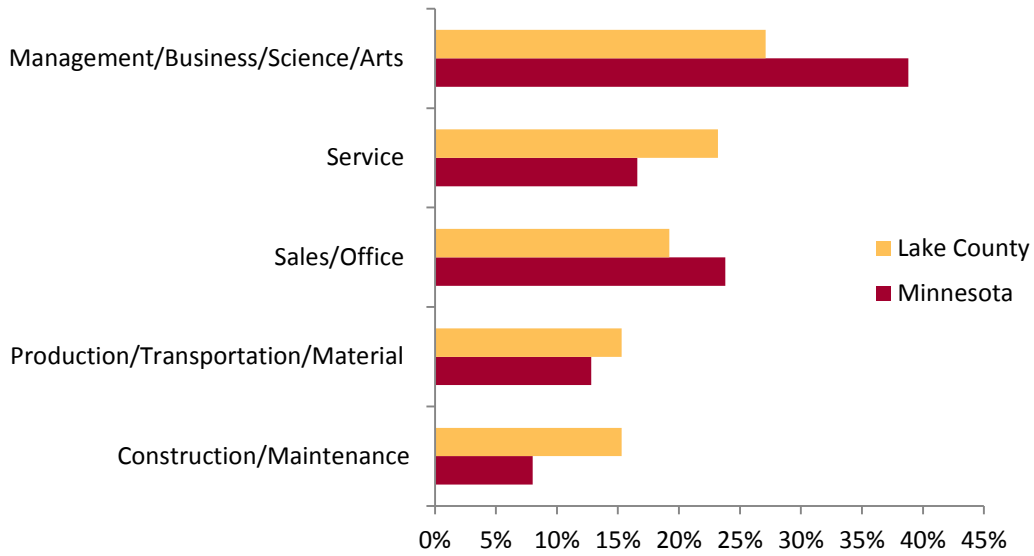
SOURCE: Minnesota Department of Employment and Economic Development

Occupation and Industry

The United States Census QuickFacts classifies occupations into the five categories of Management/Business/Science/Arts, Service, Sales/Office, Production/Transportation/Material, and Construction/Maintenance. These occupations are broken into industry sectors, which are classified into thirteen categories. The categories that are excelling or lagging provide an indication of the strengths and weaknesses of the county's economy.

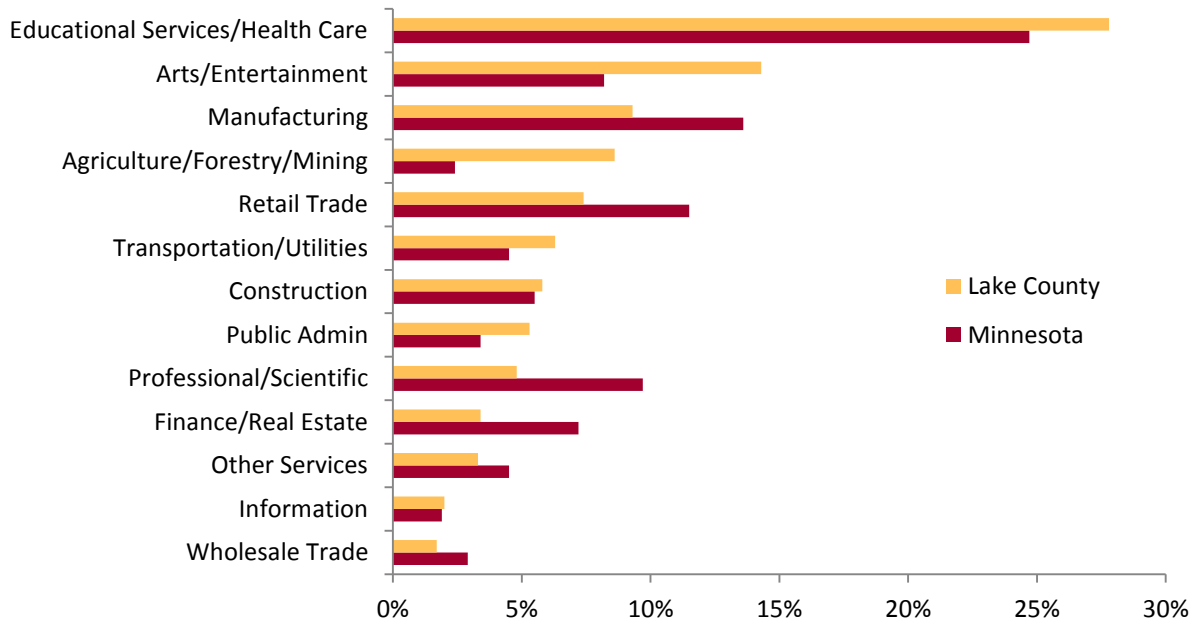
Figure 9 shows the percentage of employment by occupation for Lake County and the state of Minnesota. Management/Business/Science/Arts represent the largest share of jobs in both Lake County and the state of Minnesota. The Service, Production/Transportation/Material, and Construction/Maintenance occupations all employ relatively more workers in Lake County than the state of Minnesota.

Figure 9. Percentage of Employment by Occupation in Lake County, State of Minnesota (2013)



SOURCE: United States Census Bureau

Figure 10. Percentage of Employment by Industry in Lake County, State of Minnesota (2013)



SOURCE: United States Census Bureau

Figure 10 shows the percentage of employment by industry for Lake County and the state of Minnesota. According to the figure, Educational Services/Health Care is a leading employer for both the county and

state. Conversely, the Wholesale Trade and Information industries employ a small percentage of jobs in both the county and state. The Arts/Entertainment and Agriculture/Forestry/Mining industries in Lake County are relatively stronger than the state of Minnesota's.

Establishments by Industry

The United States Census Bureau defines an establishment as a single physical location where business is conducted or where services or industrial operations are performed. An establishment is not necessarily identical with a company or an enterprise, which may consist of one establishment or more. When two or more activities are conducted at a single location under a single ownership, all activities are generally grouped together as a single establishment and classified on the basis of its major activity. A new establishment usually means new jobs for the region, thus increasing the amount of indirect jobs throughout the area and strengthening the economy. However, it cannot be assumed that all establishments will succeed; therefore, there may be a loss of jobs as well. Naturally, the larger the establishment that goes out of business, the greater the number of people who become unemployed.

Table 2. Number of Establishments by Employment-Size Class, 2013

Industry	Total Firms	Number of Employees				
		1 to 4	5 to 9	10 to 19	20 to 49	50 +
Total for All Sectors	185	93	37	28	15	12
Accommodation and Food Service	37	13	7	8	7	2
Retail Trade	27	16	6	2	1	2
Health Care and Social Assistance	25	8	6	7	2	2
Other Services	22	14	4	4	—	—
Construction	18	13	4	1	—	—
Manufacturing	15	4	3	1	3	4
Profession, Scientific, and Technical Service	9	7	1	1	—	—
Administrative/Support and Waste Management	9	6	2	1	—	—
Finance and Insurance	6	2	1	2	1	—
Information	5	4	—	—	—	1
Real Estate/Rental and Leasing	4	2	1	—	—	1
Arts, Entertainment, and Recreation	4	1	2	1	0	0
Agriculture, Forestry, Fishing and Hunting	2	2	—	—	—	—
Utilities	1	—	—	—	1	—
Wholesale Trade	1	1	—	—	—	—

SOURCE: County Business Patterns

Table 2 shows the number of establishments by Employment size-class for Two Harbors (55616 zip code). The Accommodation and Food Service industry has the largest number of establishments at 37,

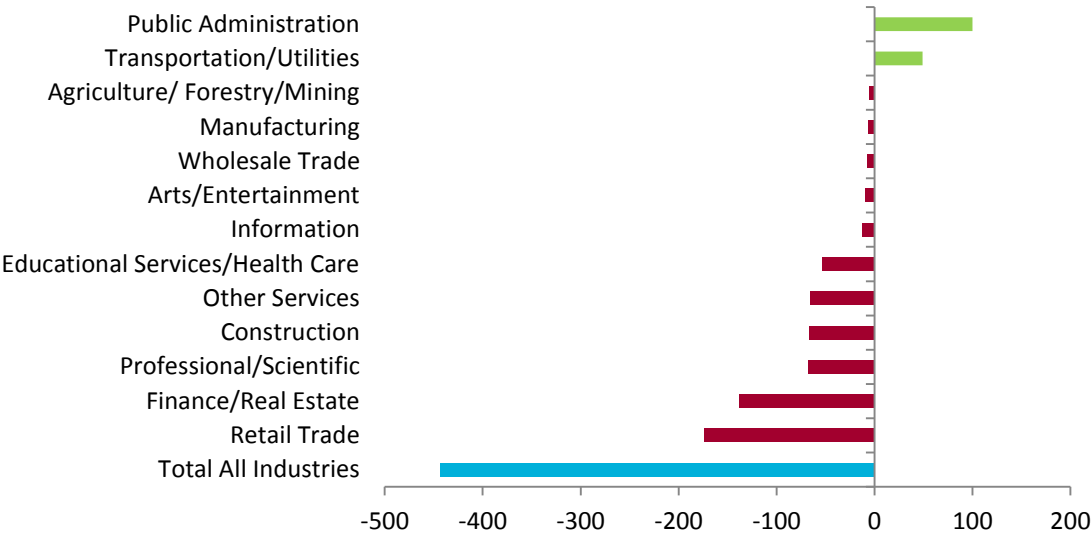
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followed by Retail Trade, Health Care and Social Assistance, and Other Services. Moreover, in these three industries combined, there are 10 establishments that employ between 20 and 49 individuals and six establishments that employ more than 50 individuals in the Two Harbors region.

Three-Year Employment Growth Rate

According to the United States Bureau of Labor and Statistics, employment data is recorded monthly, which includes the number of workers who were employed during, or received pay for, the period of pay that includes the 12th day of the month. Almost all employees are reported in the state where their job is located. Examining the change in employment over a longer time period can give significant insight into how the economy is changing and can highlight which industries have thrived or suffered³. Knowing which industries are adding employees and which industries are declining in employment can assist people in knowing which jobs to pursue in their region.

Figure 11. Change in Employment by Industry, Lake County (2010 to 2013)



SOURCE: United States Census Bureau

Figure 11 shows the change in employment from 2010 to 2013 in Lake County. Only two industries have seen increases in employment over the three-year period. The Public Administration sector has increased by 100 employees in just three years, and the Transportation/Utility industry has the second largest increase in the region, with an increase of 49 employees. The remaining industries have all seen declines in employment over this time period, with Retail Trade having the largest decrease. Looking at the Total for All Sectors (highlighted in blue) there is an overall decrease of 444 employees during the three-year period (-8.2%). This number is the difference between all of the sectors combined. It is important to note that the population for the county has declined slightly during this time period, so the

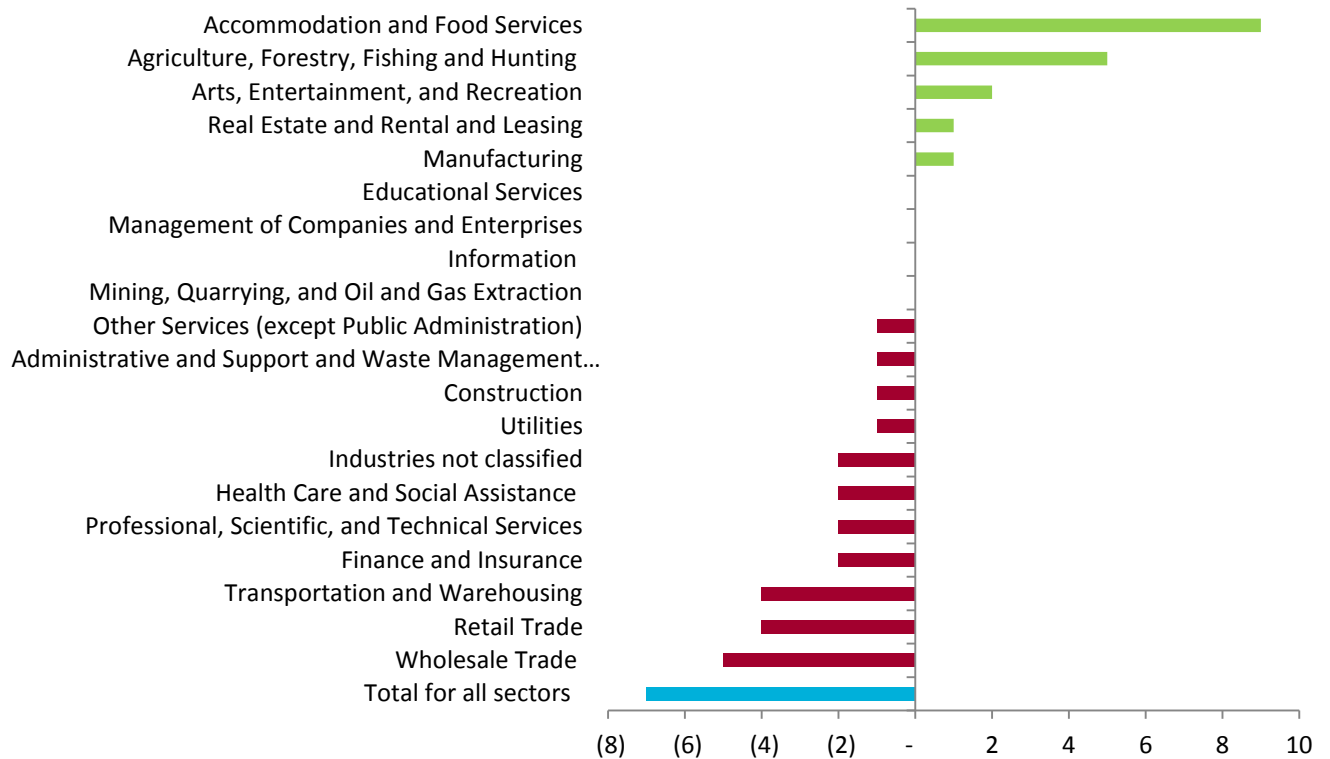
³ Employment data was inconsistently available prior to 2010, so a three-year comparison was all that was available for Lake County

decline in employment may be partially attributed to that change.

Establishment Change By Industry

The addition of new establishments to a region represents new employment, expansions, and economic growth. The following indicator measures the overall change in the number of establishments for Lake County by industry from 2010 to 2013.

Figure 12. Change in Number of Establishments by Industry, Lake County (2004 to 2012)



SOURCE: Minnesota Department of Employment and Economic Development

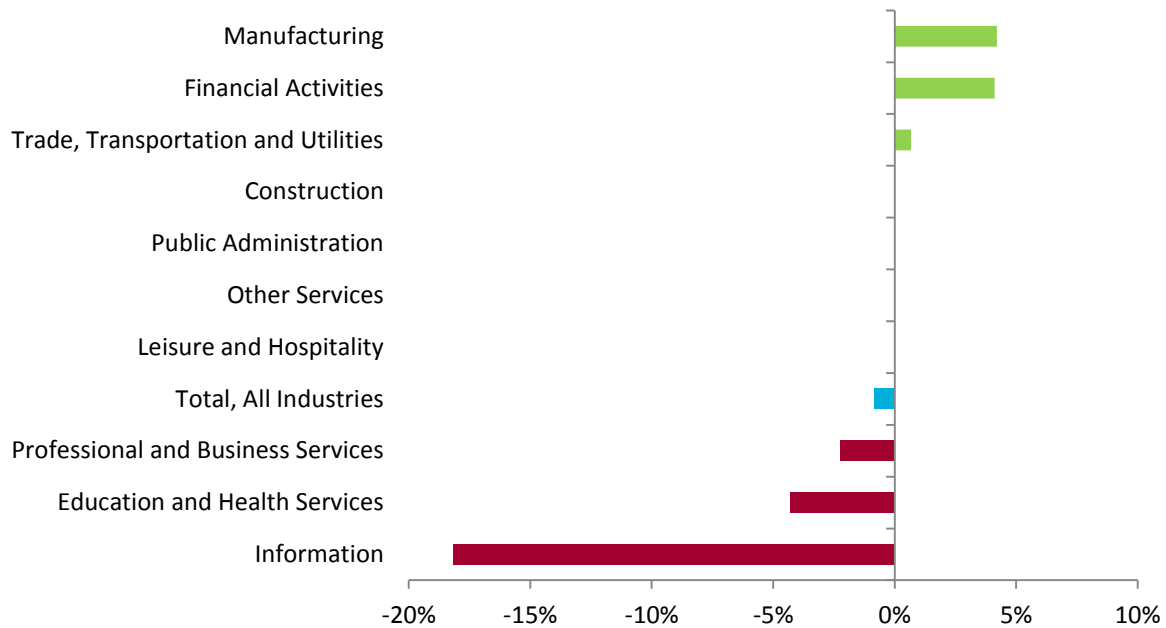
Figure 12 shows the change in Lake County establishments by industry from 2004 through 2012. The largest increase in establishments was in the Accommodation and Food Services sector, with an addition of nine establishments over the eight-year period. The Agriculture, Forestry, Fishing and Hunting sector has also seen a growth of five establishments, which was a large increase considering that in 2004, there was only one establishment. Wholesale Trade, Retail Trade, and Transportation and Warehousing have seen the largest declines in the number of establishments. The Total for All Sectors category in Figure 12 is highlighted in blue and indicates an overall net decline of seven establishments throughout the county. Because employment relies so heavily on establishment growth, it is important to keep in mind that the sectors that have increased in employment growth usually have increased in establishment growth as well.

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One-Year Employment Growth Rate

Quarterly employment numbers are reported by the Minnesota Department of Employment and Economic Development. These statistics include the number of workers who were employed during, or received pay, for that month. Quarterly numbers are reported every three months (for example January, February, March are Q1). Knowing which industries are adding employees and which industries have been declining in employment is particularly helpful in identifying a region's strengths and opportunities. The quarterly employment growth rate (e.g. Q4 2013 to Q1 2014) can highlight recent events, such as commodity price changes and plant closures.

Figure 13. Percentage Change in Employment by Industry, Lake County (2013 Q3 to 2014 Q3)



SOURCE: Minnesota Department of Employment and Economic Development

Figure 13 shows the percentage change in employment by industry for one year (Q3 2013 to Q3 2014) in Lake County. Overall, Lake County suffered a very small decrease in employment growth across all industries. This number is nearly zero, indicating that despite a small decrease in employment (-0.8%) the impact on the overall economy was negligible. Many sectors experienced positive employment growth during the one-year period, with Manufacturing being the largest with a 4.2% increase. Other growth areas included Financial Activities and Trade/Transportation and Utilities, while Information and Education and Health Service sectors saw small negative growth.

Table 2. Employment by Quarter, Lake County (Q3 2013 - Q3 2014)

Industry	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	% Change
Manufacturing	119	106	--	114	124	4%
Financial Activities	73	71	72	71	76	4%
Trade, Transportation and Utilities	296	303	301	313	298	1%
Construction	--	--	--	--	--	--
Leisure and Hospitality	422	326	301	364	422	0%
Public Administration	314	255	252	271	314	0%
Other Services	102	106	106	105	102	0%
Total, All Industries	1,909	1,795	1,749	1,858	1,893	-1%
Professional and Business Services	45	45	39	46	44	-2%
Education and Health Services	488	536	531	532	467	-4%
Information	11	9	9	9	9	-18%

SOURCE: Minnesota Department of Employment and Economic Development

Table 2 shows employment by quarter for Lake County, from Q3 of 2013 to the Q3 of 2014. This table provides more detail on the information from Figure 13 and shows the seasonal nature of employment in this region. For example, according to Figure 13, the Leisure and Hospitality industry had no net change in employment between Q3 of 2013 and Q3 of 2014. However, Table 2 shows that between those two points, employment declined steadily until reaching its low point in the Q1 of 2014 and then rebounded to its original level. This highlights the fact that one-year employment numbers are helpful in identifying broad employment trends, while quarterly numbers can provide insight into short-term or seasonal shifts in a specific industry.

Education Level

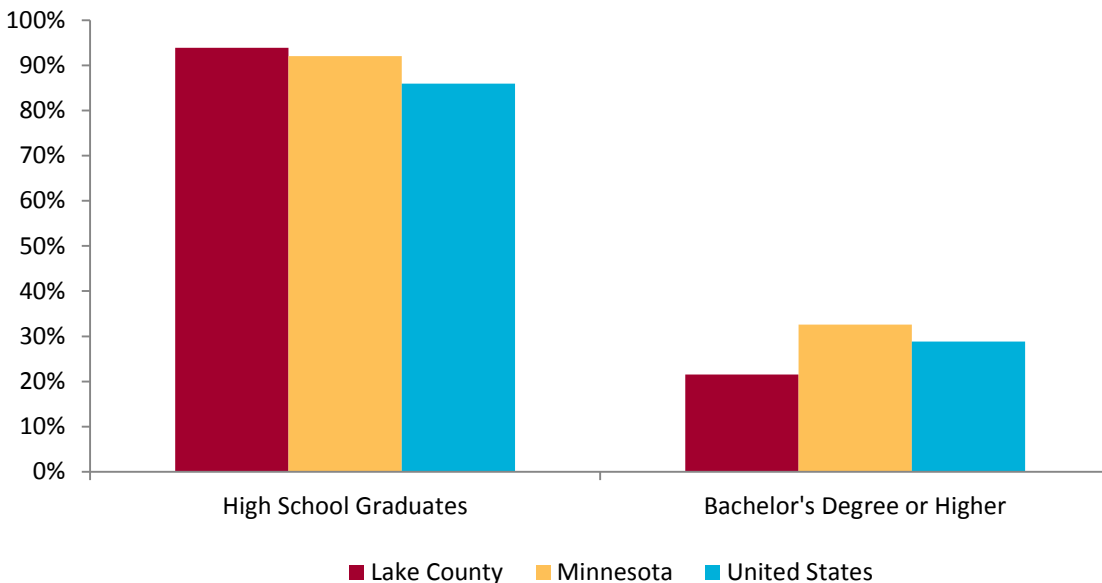
The United States Census QuickFacts identifies any individual who has obtained a high school diploma or its equivalent as a high school graduate. Percentages are calculated by dividing the amount of high school graduates by the total number of persons who are 25 years of age or older. Similarly, a person is counted as having a bachelor's degree or higher if he/she has obtained the minimum of a bachelor's degree from an accredited institution. Data includes people age 25 or older. Percentages are calculated by dividing the amount of people who have obtained a bachelor's degree or higher by the total number of people who are 25 years of age or older.

In coming years, the importance of acquiring some form of postsecondary education will become increasingly more critical for acquiring a job, and especially for staying above the poverty line. The U.S. Bureau of Labor and Statistics (BLS) estimated that, in 2012, 33% of occupations required some type of postsecondary education. That number is predicted to increase in coming years. By 2022, 35% of occupations will require postsecondary training. Occupations that typically require a master's degree for entry are projected to grow the fastest during the next decade, followed by associate's degree and doctoral or professional degree occupations⁴. What's more, in 2012, the median annual wage for a person with some form of postsecondary education was more than double that of an individual without

⁴ BLS Division of Occupational Employment Projections www.bls.gov/emp

any postsecondary training (\$57,770 compared with \$27,670). These numbers are a critical portrayal of how important post-secondary education is and the importance of increasing the number of degrees obtained by students throughout the country.

Figure 14. Percentage of Population in Lake County with High School Diploma, Bachelor’s Degree (2013)



SOURCE: United States Census Bureau

Figure 14 shows the percentage of the population with a high school diploma or higher, and the percentage with a bachelor’s degree or higher in Lake County, the state of Minnesota, and the United States. On average, 93.3% of Lake County residents have a high school diploma or higher⁵. This average is slightly higher than the averages for the state of Minnesota (92.1%) and the U.S. (86.0%). The average percentage of Lake County’s population with a bachelor’s degree or higher is 21.5%. Both the state of Minnesota (32.6%) and the United States (28.8%) have higher percentages of the population with a bachelor’s degree. These statistics indicate that Lake County has excellent high school graduation rates but struggles to attract and retain a more highly educated population.

Homeownership Rate and Median Home Value

The United States Census calculates the homeownership rate by dividing the number of owner occupied units by the number of housing units occupied by people. Similarly, median value of owner-occupied housing units is an important economic indicator because, for most people, the value of one’s home is the largest financial asset. Homeownership has been a fundamental component of the United States “American Dream” for decades. Homeownership can increase financial stability by increasing an

⁵ The statistics in this indicator are five-year estimates from the American Community Survey (ACS), 2009-2013. The ACS is a mandatory, ongoing statistical survey that samples a small percentage of the population every year.

individual's net worth, which is important in establishing financial assets. Another benefit to homeownership is in tax savings, which is determined by the value of one's home.

Table 3 shows the homeownership rate and the median home values for Lake County, the state of Minnesota, and the United States. In 2013, the homeownership rate throughout Lake County was considerably better at 82.6% than both the United States (64.9%) and Minnesota (72.5%). The median value of owner-occupied housing in Lake County is lower at \$153,200 than the median for both the state of Minnesota and the United States at \$187,900 and \$176,700, respectively. It is important to note that the county is doing well compared to some states, including Michigan (\$121,700), Iowa (\$124,300), North Dakota (\$132,400), Indiana (\$122,800), and Ohio (\$130,800).

Table 3. Homeownership Rate (2013) and Median Home Value (2013)

Industry	Median Home Value	Homeownership Rate
Lake County	\$153,200	82.6%
Minnesota	\$187,900	72.5%
United States	\$176,700	64.9%

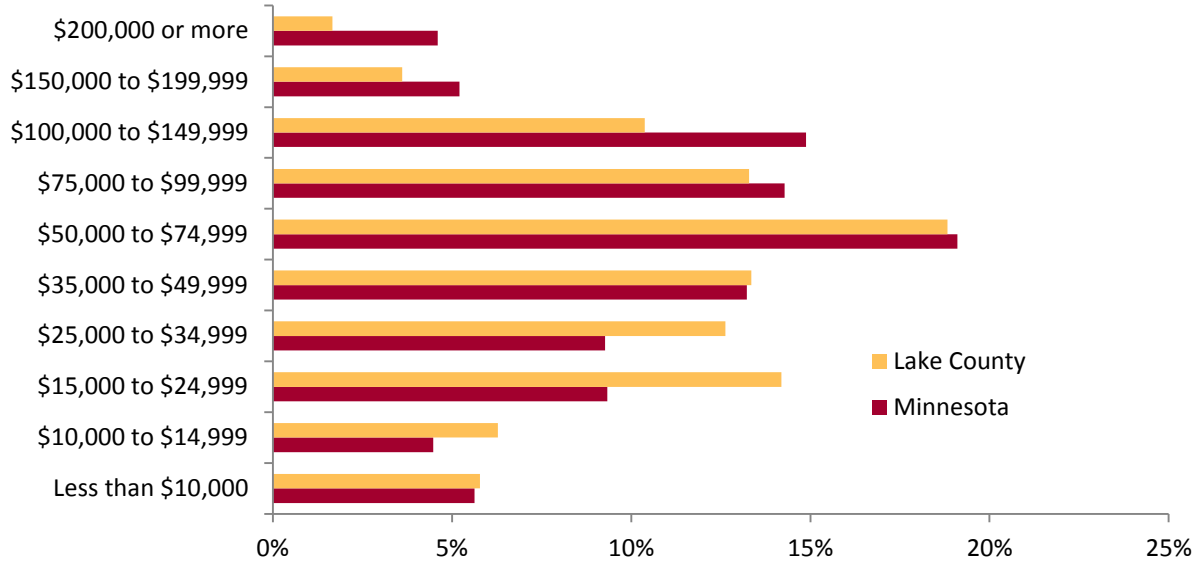
SOURCE: United States Census Bureau

Household Income

The United States Census QuickFacts defines household income as the income of the householder plus the incomes of all other individuals 15 years of age or older that occupy that household. This can include persons who are related to the household and those who are not. Income is calculated by including not only the individuals' wages and salaries but also other forms of alternative income. Median household income is a common representation of the wealth of a population or region. It can help highlight which regions are struggling (even if they are above poverty) and which regions are thriving. Median household income is often compared with other indicators, such as gross domestic product, to show whether household purchasing power has increased or decreased.

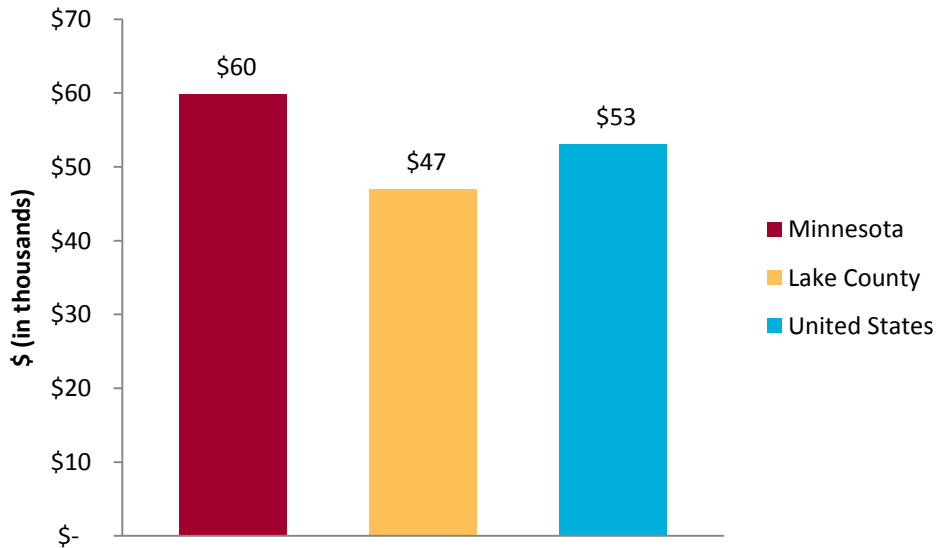
Figure 15 shows the percentage of households by income levels. A similar share of households in both Minnesota (19.1%) and Lake County (18.8%) earn between \$50,000 and \$74,999. Similarly, 13.3% of Lake County households and 13.2% of Minnesota households earn between \$35,000 and \$49,999. However, a much larger share of Lake County households (38.9%) earn less than \$35,000 as compared to the state of Minnesota (28.7%), and a much smaller share of Lake County households (28.9%) earn more than \$75,000, as compared to the state of Minnesota (39.0%). This coincides with the poverty level indicator (page 20), as Lake County has a higher poverty rate than the state.

Figure 15. Percentage of Households by Income Level, Lake County and Minnesota (2013)



SOURCE: United States Census Bureau

Figure 16. Median Household Income in Lake County, Minnesota, and the United States (2013)



SOURCE: United States Census Bureau

The median household income in Lake County, Minnesota, and the United States (Figure 16) shows that Lake County has a lower median household income than both the state and the nation. Minnesota has a significantly higher median income at \$59,836, while Lake County sits at \$46,939—almost \$13,000

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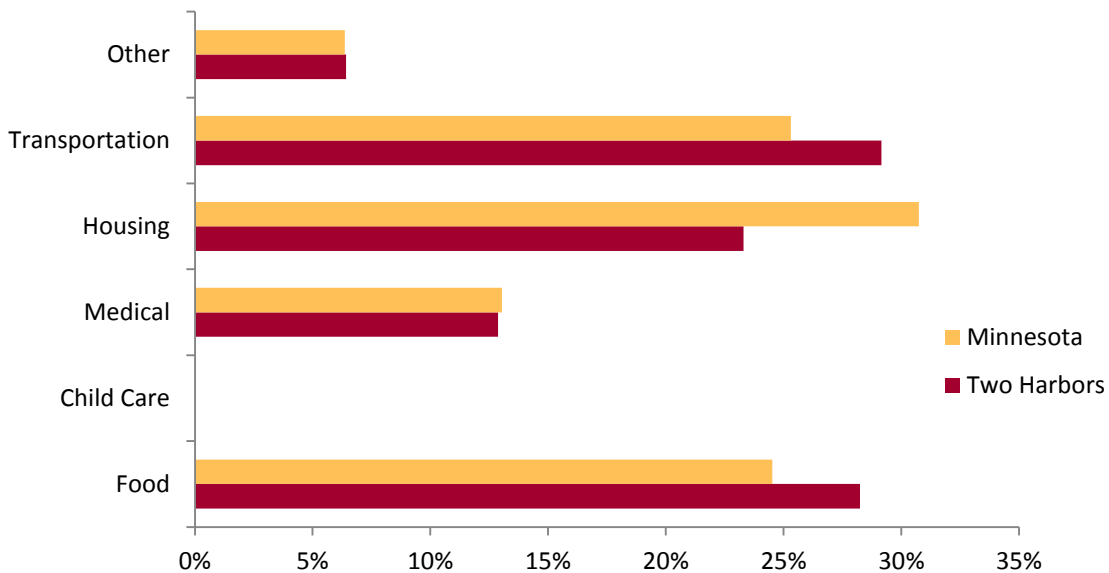
lower. The Figures of 15 and 16 coincide as Lake County has a higher percentage of people in the lower income categories.

Cost of Living

The Massachusetts Institute of Technology (MIT) calculates the living wage using expense data for food, childcare, health care (medical), housing, transportation, and other basic necessities from selected locations. The established living wage gives an approximate income needed to meet the basic needs for a family of four.

Figure 17 shows the cost of living for a family of four (two adults and two children) in Two Harbors and the state of Minnesota. Income is broken out into different categories and calculated as percentages⁶. In Two Harbors, the average family in this scenario pays more for transportation at 29.2% than that of the state of Minnesota, at 25.3%. A family of four in the state of Minnesota spends 30.8% of its income on housing, while a family of four in Two Harbors spends only 23.3% on housing. Although Minnesota families spend more on housing, Two Harbors families spend more on food. The average family of four in Two Harbors spent 28.2% of their income on food, while a family of four in Minnesota spends only 24.5%.

Figure 17. Cost of Living in Two Harbors, State of Minnesota (2013)



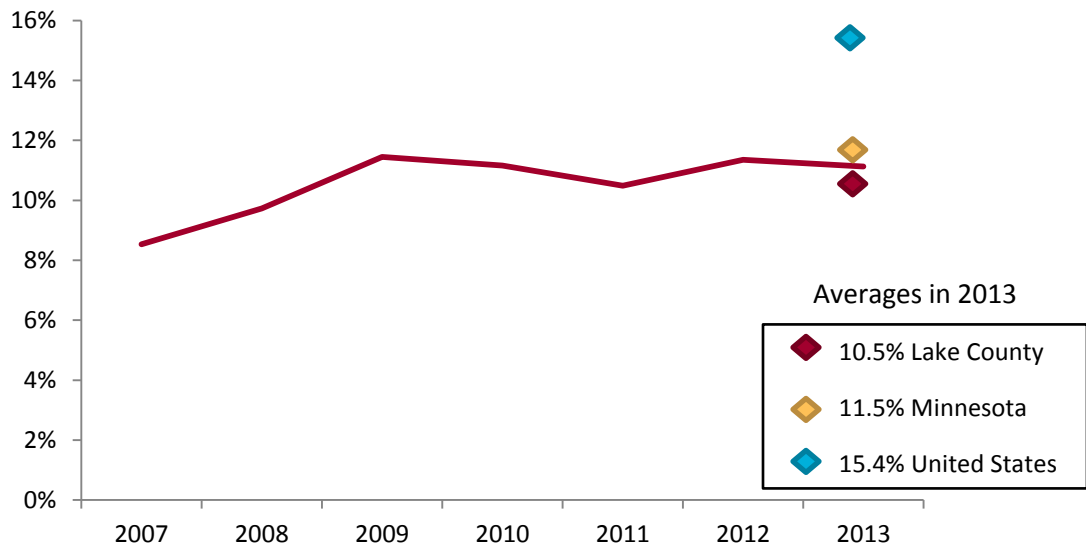
SOURCE: Massachusetts Institute of Technology

⁶ It is important to note that in this scenario (two adults, two children as shown in Figure 18), childcare is considered \$0 or 0% because when there are two adults, it is assumed one adult stays home to take care of the children.

Poverty Level

According to the United States Census QuickFacts, poverty thresholds fluctuate by the size of each family (including individuals not in families). Poverty status is recognized by analyzing annual income and comparing that number to a set of dollar values, meaning that if the family's income (before taxes) is lower than the poverty threshold value set for that family size, then every individual in the family is considered to be in poverty. The poverty level is important in order to determine the well-being of a region. High levels of poverty negatively impact the quality of life for a county's residents and create a hindrance to the region's economy because high poverty levels correspond with high unemployment levels and low education levels. If the amount of people living in poverty decreases, the economy typically improves because the government can focus on promoting the economy's development rather than spending money on poverty-reduction strategies.

Figure 18. Percentage of Population in Lake County in Poverty (2007 to 2013)



SOURCE: United States Census Bureau

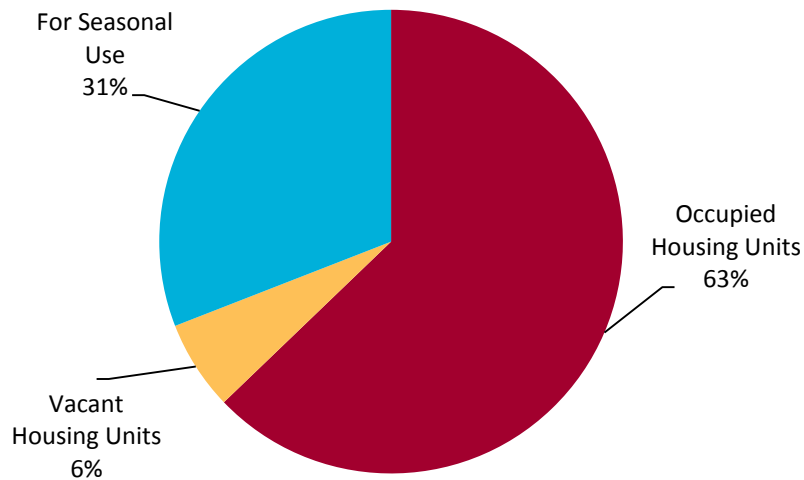
Figure 18 shows the percentage of people living below the poverty line (poverty rate) in Lake County over a six-year period (solid red line). According to the figure, the poverty rate in Lake County was at its lowest level (8.5%) in 2007. By 2009 the rate had increased to 11.4%, likely due to the struggling economy. While it has decreased slightly since that time, it was still estimated at 11.1% in 2013, significantly higher than the pre-recession level. The average poverty rates for Lake County, the state of Minnesota, and the United States for the year 2013 is indicated by the triangles. The average poverty rate in Lake County (10.5%) is lower than the average rate in Minnesota (11.5%) and the United States (15.4%).

Housing Occupancy

According to the United States Census QuickFacts, housing units are considered occupied if at least one person is considered a usual resident and lives at the home for a majority of their time. The home is considered vacant when the unit is unoccupied or if the unit is considered a seasonal unit. A seasonal unit is intended by the owner to only be occupied during certain seasons throughout the year, and occupants are not considered permanent residents.

Figure 19 shows the housing occupancy in Lake County by percentages. The total occupied housing is 63% with vacant housing at 6%. A large portion of the housing in Lake County is for seasonal or recreational use. At 31%, this number is much larger than the average for the state of Minnesota as a whole but can be attributed to the large tourism industry in Lake County.

Figure 19. Housing Occupancy in Lake County

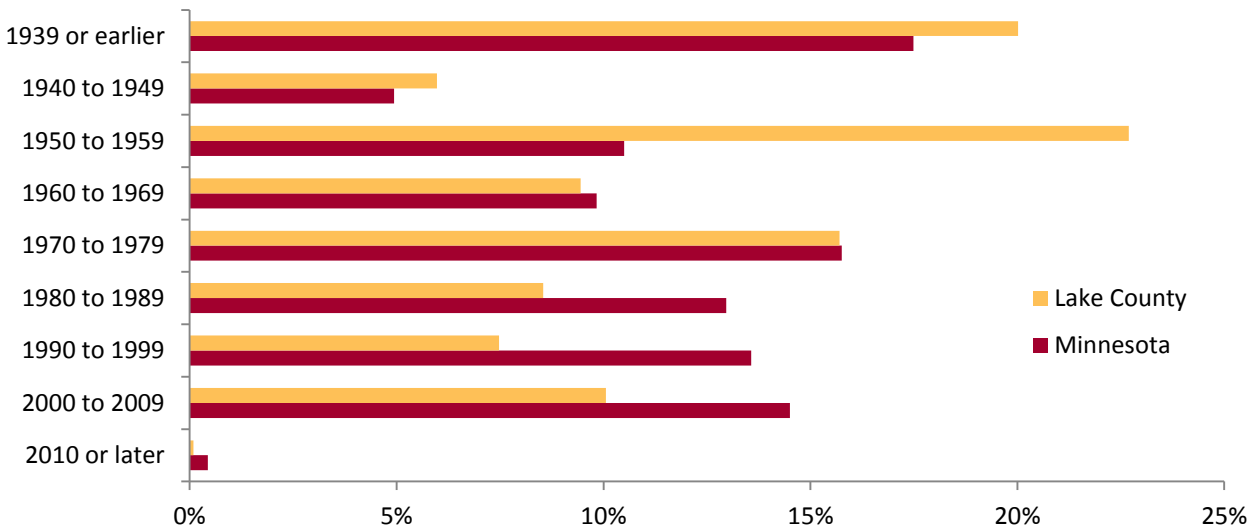


SOURCE: United States Census Bureau

Housing History

According to the United States Census QuickFacts, historical housing data includes building permits for new housing starts as documented throughout the years. Housing history plays a big role in median home value because newer homes tend to be more valuable.

Figure 20. Housing History in Lake County and Minnesota (2013)



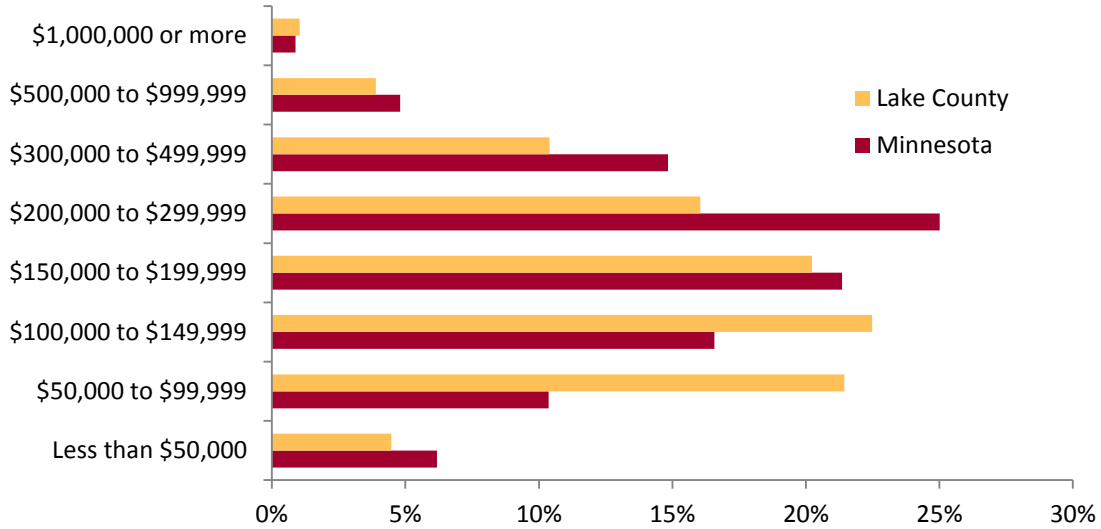
SOURCE: United States Census Bureau

Figure 20 shows the housing history in Lake County and the state of Minnesota broken out in 10-year periods. Over half of the homes in Minnesota were built after 1970 (57.2%), while only 41.5% of the homes in Lake County were built after 1970. The gap is particularly striking among houses built after 1980. Clearly, Lake County has an older housing stock than is typical for the state.

Housing Prices and Median Home Value

2010 U.S. Census respondents were asked to estimate the selling price of their housing unit and lot, if they were to be for sale. The data includes owner-occupied, single-family homes on less than 10 acres of land. Median value of owner-occupied housing units is an important economic indicator because, for most people, the value of one’s home is their largest financial asset. Having an accurate estimate of that value can provide a region with important information related to personal wealth, property values, and tax revenues.

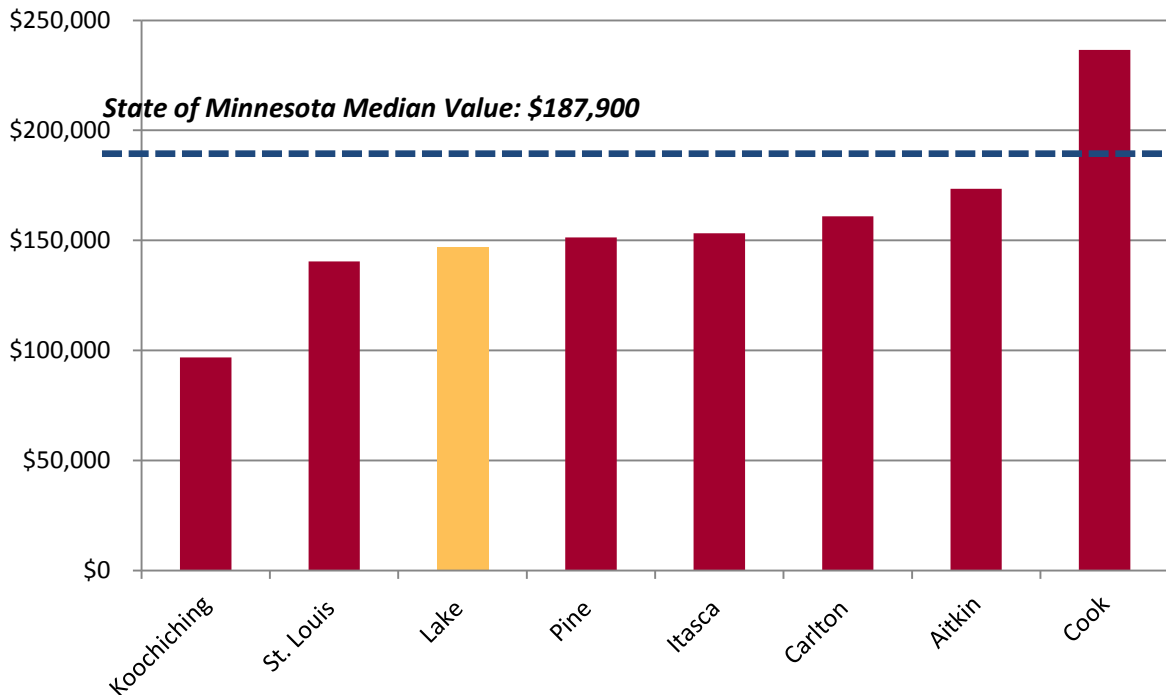
Figure 21. Housing Prices in Lake County and Minnesota (2013)



SOURCE: United States Census Bureau

Figure 21 shows housing prices in Lake County and Minnesota by percentage. The figure shows that 68.6% of Lake County homes are valued at less than \$200,000, while only 55% of the homes in the state of Minnesota are valued at less than \$200,000. Housing values are difficult to compare across geographies, as there are so many factors that go into home valuation, including the age of the home, its location, condition, and market conditions. For this reason, it can be helpful to compare home values in Lake County with values in neighboring counties. Figure 22 has the median home values for eight Northeast Minnesota counties. Of those eight counties, Lake ranks fifth in terms of median home value. Cook County has the highest values by a substantial margin, with a median value of \$236,500. This is likely due to the smaller number of houses in the county and large number of lakeshore properties. Lake County has slightly higher home values than St. Louis County (\$140,500). Most of the counties in the northeast region have lower median home values than the state of Minnesota.

Figure 22. Median Value of Owner-Occupied Housing Units, by County



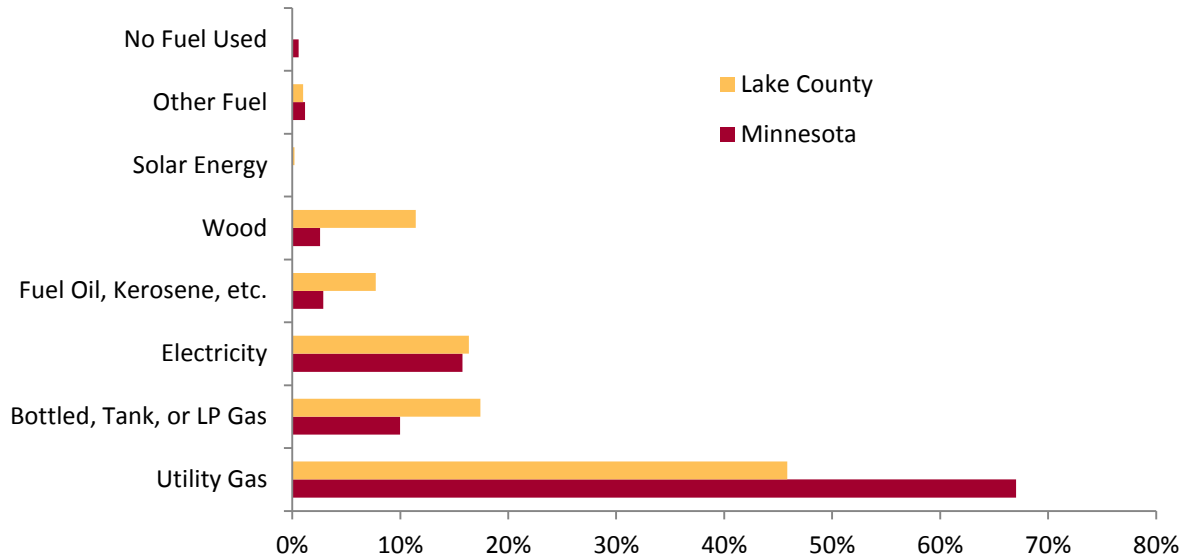
SOURCE: United States Census Bureau

Housing Utilities

According to the United States Census QuickFacts, the calculation for housing utilities takes into consideration energy supply, demand, and prices. There are many different energy generation sources used in housing utilities data. These include petroleum gas, natural gas, coal, electricity, hydroelectric, nuclear, solar, wind, wood, and geothermal.

Figure 23 shows the different utility usages in homes by percentage in Lake County and the state of Minnesota. Utility gas (such as natural gas provided by a utility company) is by far the most prevalent housing utility in both the county and state, with Minnesota using a significantly higher amount at 67%. One reason utility gas has a higher percentage of usage than other utilities, could be because natural gas is one of the most useful forms of energy at a low cost. Many homeowners have switched from other energy forms to utility gas for this reason. Lake County has a significantly higher percentage of homes in the Fuel Oil, Kerosene, etc. and Wood categories than Minnesota as shown in Figure 24. It also has just over 17% of homes using Bottled, Tank or LP gas as compared to 10% for the state.

Figure 23. Percentage of Homes Using Different Utilities in Lake County and Minnesota (2013)



SOURCE: United States Census Bureau

Air & Water Quality

According to the United States County Health Rankings, the water quality refers to the chemical, physical, biological, and radiological characteristics of water. The Water Violations measure indicates the percent of the population that was exposed to water that exceeded the violation limit in the past year. The violation limit is defined as the number of individuals served by a water system that reported at least one health-based violation. Similarly, according to the United States Air Quality Index the Air Particulate Matter measurements show daily fine particulate matter. The measurements are taken in micrograms per cubic meter. Ground-level ozone and airborne particles are the two pollutants that pose the greatest threat to human health.

Table 4. Air & Water Quality in Two Harbors, Minnesota and the United States (2013)

	Air Particulate Matter (micrograms/ cubic meter)	Water Violations Population (%)
Two Harbors	8.5	3.0%
Minnesota	10.5	3.2%
United States	11.0	9.4%

SOURCE: GeoStat

Table 4 shows the air particulate matter and the percentage of water violations by population in Two Harbors, Minnesota, and the United States. While Two Harbors and Minnesota both have had a similar percentage of water violations over the past year (3.0% for Two Harbors and 3.2% for the state of

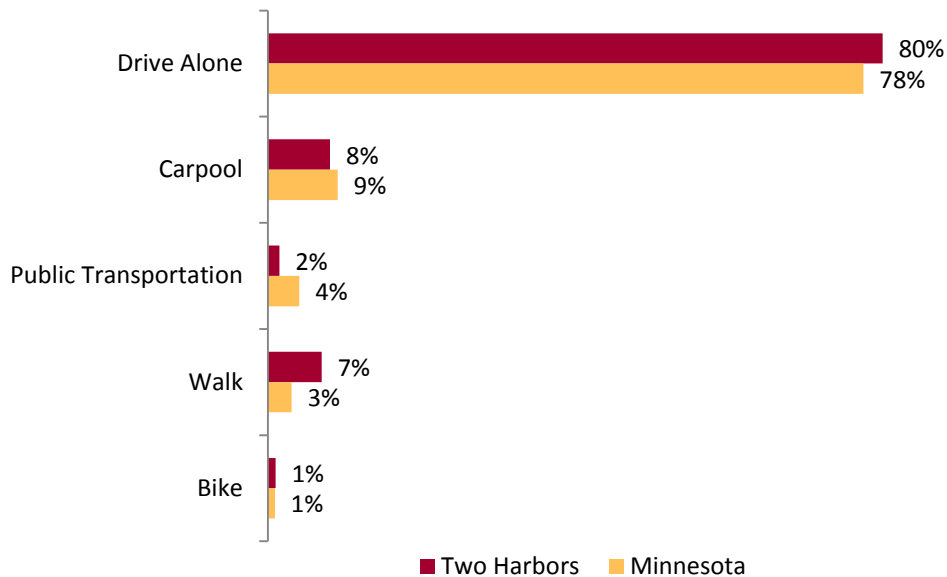
Minnesota), the United States has almost three times as many water violations.

Looking at the air particulate matter in the city of Two Harbors compared to the state of Minnesota and the United States, Two Harbors has clearer air than both the state and nation. Although Two Harbors only has 2.5 micrograms per cubic meter less than the United States and 2.0 micrograms per cubic meter less than the state of Minnesota, it is still significantly less, as an amount over 151 micrograms per cubic meter, poses great harm to human health.

Transportation Modes

According to the United States Census, transportation modes only include the methods people use to get to and from work. The data includes all workers age 16 and older. Figure 25 shows transportation methods for employment in Two Harbors and Minnesota. According to the figure, more people drive to work alone in Two Harbors than the average for the state of Minnesota. However, more Two Harbors residents walk to work than what is average for the state. More people in Minnesota use public transportation than in Two Harbors. One reason for this could be the limited access that Two Harbors has to public transportation. Public transportation is used more often in more metropolitan areas because of the large population. The lack of public transportation is indicative of the use of other methods of transportation, such as driving alone, carpooling, biking, or walking.

Figure 24. Transportation Methods for Employment in Two Harbors and Minnesota (2013)



SOURCE: GeoStat

Health Facts

The United States Census defines average life expectancy as the statistical measure of how long a person may live based on different characteristics of their location. Life expectancy takes into

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consideration the percentage of people who have certain health concerns as well as the percentage of the total population that considers itself “heavy” drinkers (alcohol), smokers (tobacco), or recent users of illicit drugs.

Table 5. Health-Related Statistics for Two Harbors (2013)

	Life Expectancy (in Years)	Obesity Rate (%)	High Blood Pressure (%)
Two Harbors	77.8	7.4%	29.2%
Minnesota	78.9	7.2%	28.1%
United States	76.3	9.1%	30.3%

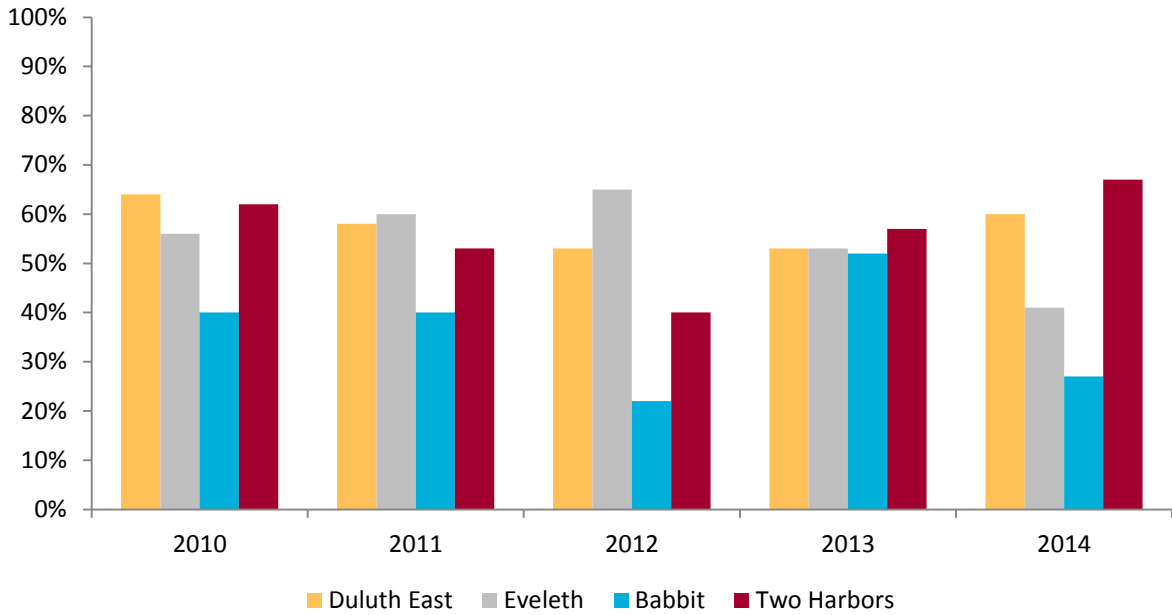
Source: GeoStat

Table 5 shows the average life expectancy, obesity rates, and high blood pressure rates for Two Harbors, the state of Minnesota, and the United States as of 2013. The life expectancy in Two Harbors is estimated at 78 years. This is slightly less than the estimate for the state of Minnesota (78.9 years) but higher than that of the United States (76.3 years). One possible conclusion for the higher life expectancy for the population of Two Harbors and Minnesota could be that there are a lower percentage of people with obesity and high blood pressure. These health concerns play a big role in the average life expectancy. As they affect millions of people every year, they are tracked more closely than some other concerns and have been trending upwards over the years.

School Ratings

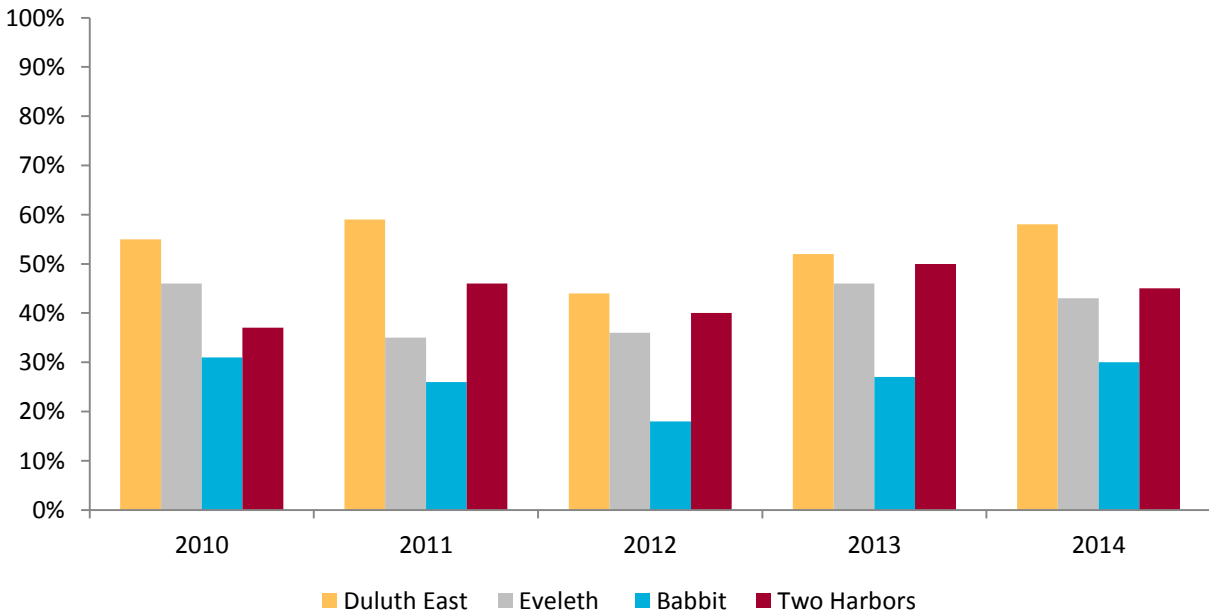
Figures 25 through 35 show the percentage of students proficient in Science, Math, Writing, and Reading for the years 2010 to 2014. Students are tested on these skills at various times during their academic training, so results are shown for each grade and subject as available. Two Harbors students are compared with students from neighboring communities, when available, including Duluth East, Babbit, and Eveleth.

Figure 25. Percentage of All High School Students Proficient in Science in 2010 to 2014



SOURCE: Great Schools

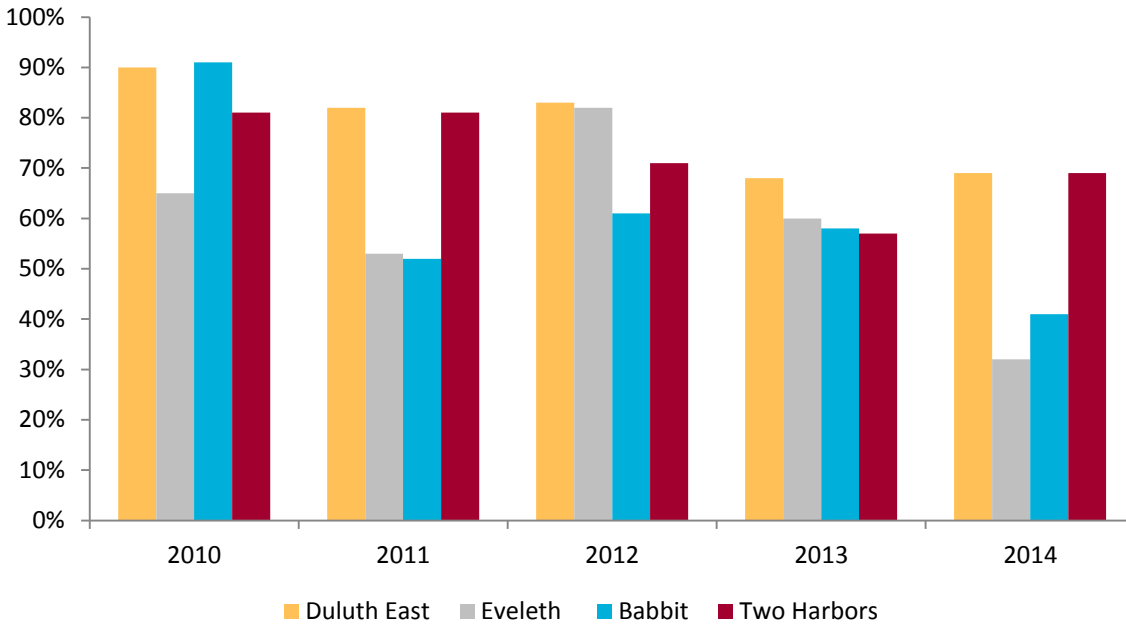
Figure 26. Percentage of 11th Grade Students in High School Proficient in Math in 2010 to 2014



SOURCE: Great Schools

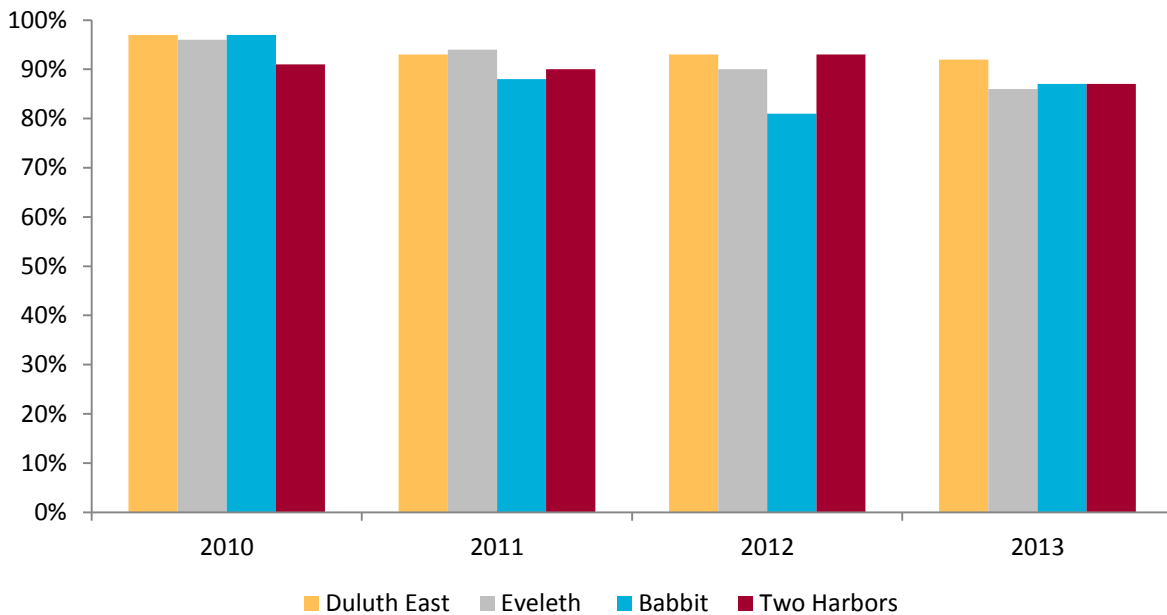
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Figure 27. Percentage of 10th Grade Students in High School Proficient in Writing in 2010 to 2014



SOURCE: Great Schools

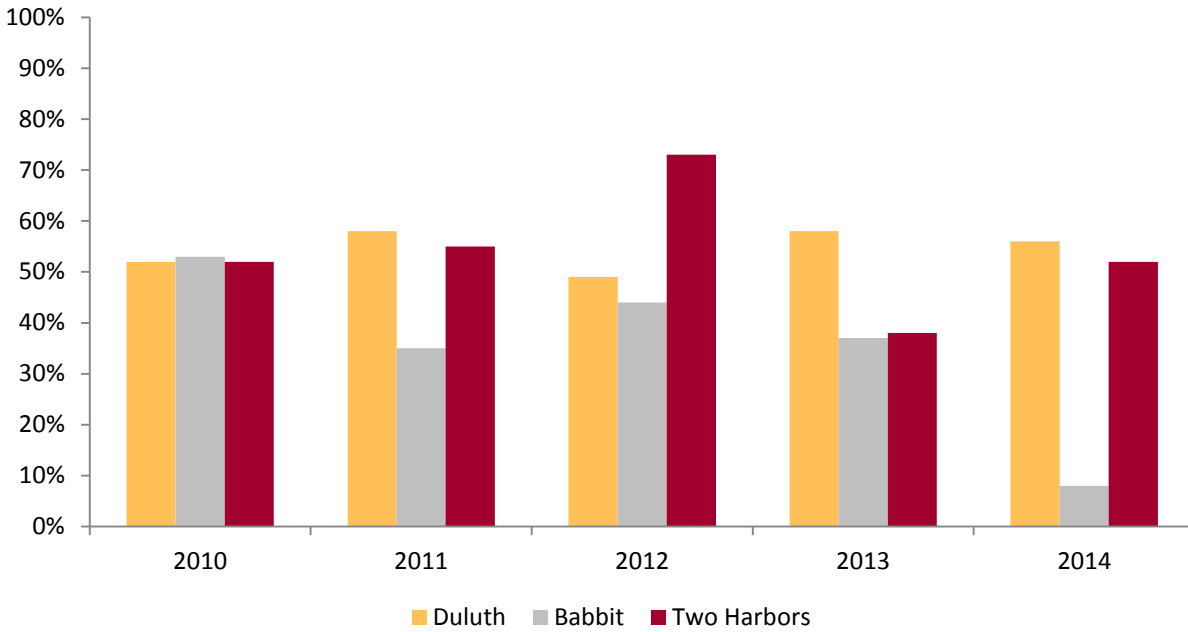
Figure 28. Percentage of 9th Grade Students in High School Proficient in Writing in 2010 to 2014



SOURCE: Great Schools

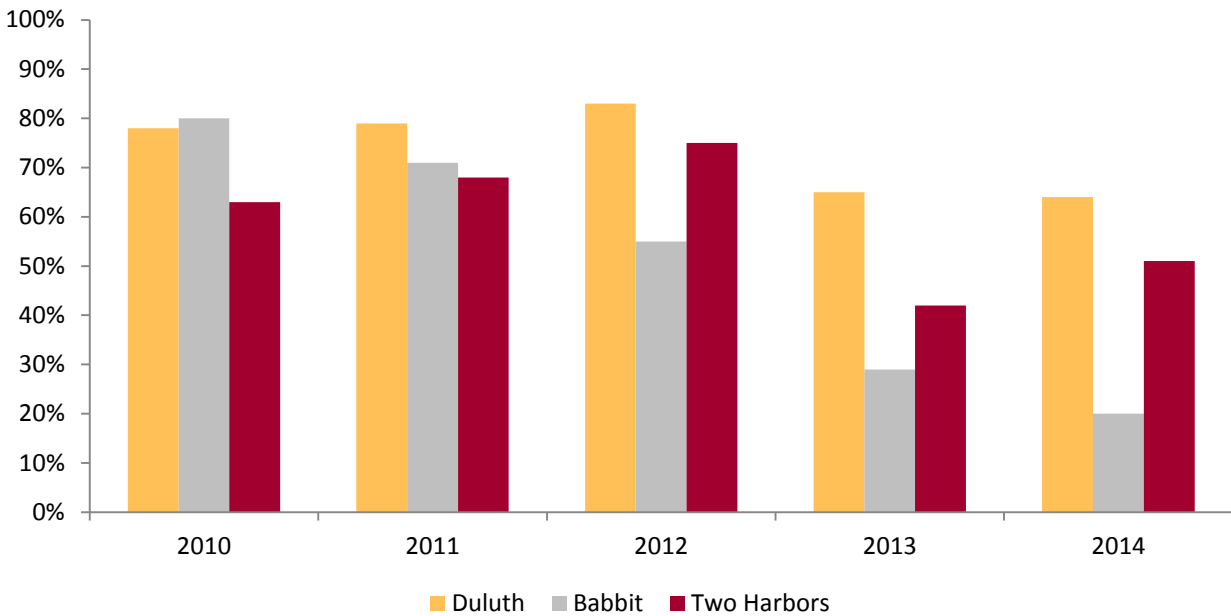
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Figure 29. Percentage of 8th Grade Students in Middle School Proficient in Math in 2010 to 2014



SOURCE: Great Schools

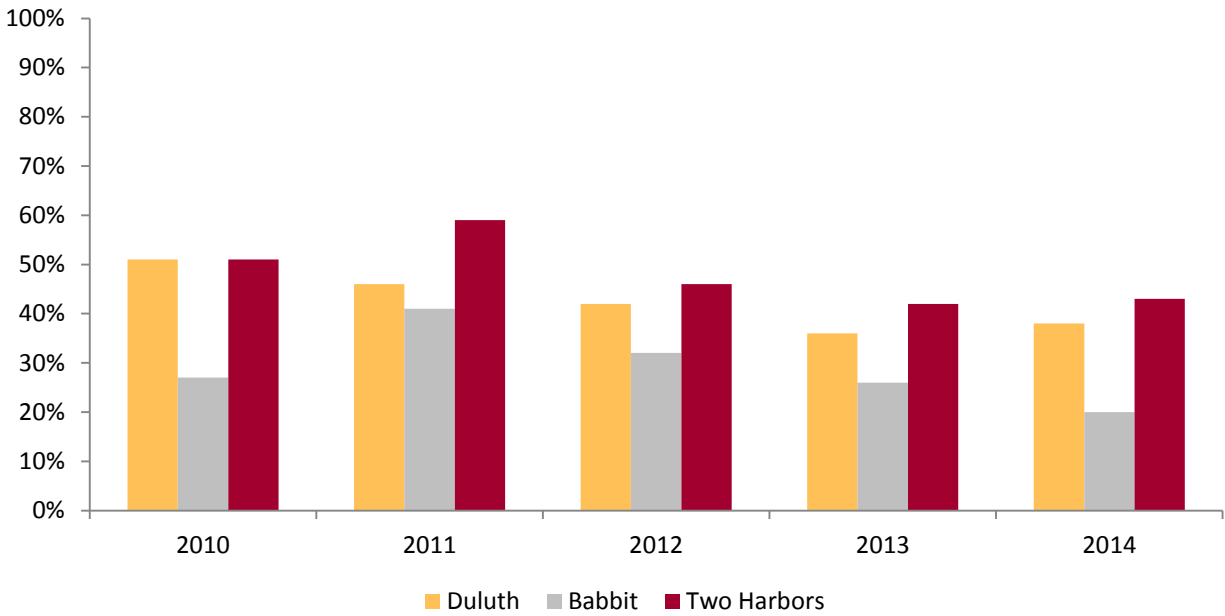
Figure 30. Percentage of 8th Grade Students in Middle School Proficient in Reading in 2010 to 2014



SOURCE: Great Schools

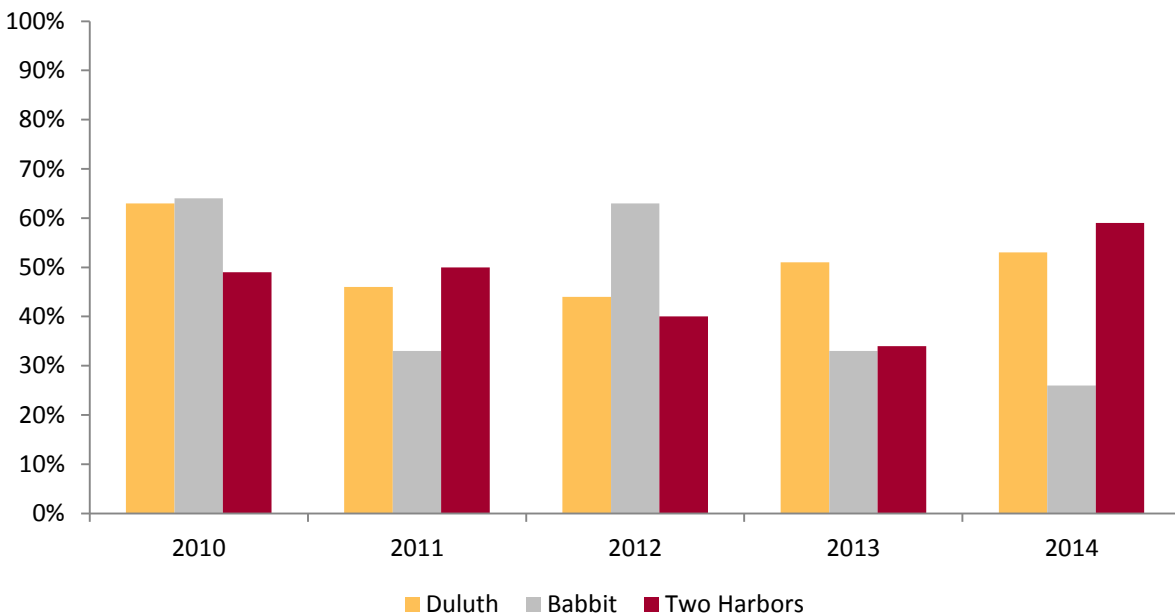
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Figure 31. Percentage of 8th Grade Students in Middle School Proficient in Science in 2010 to 2014



SOURCE: Great Schools

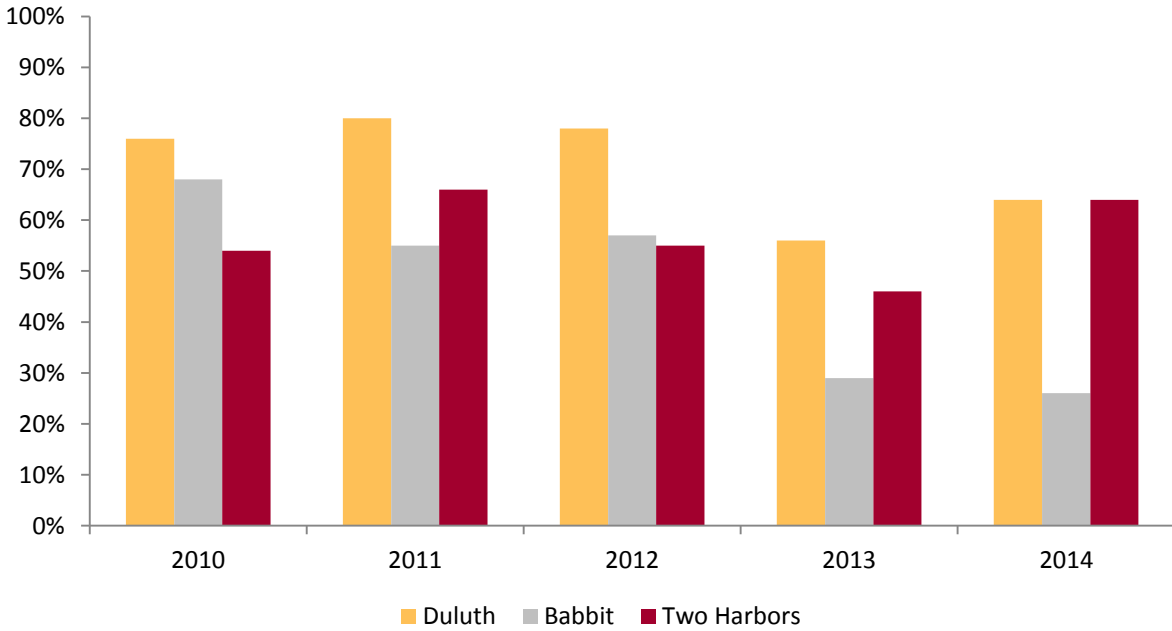
Figure 32. Percentage of 7th Grade Students in Middle School Proficient in Math in 2010 to 2014



SOURCE: Great Schools

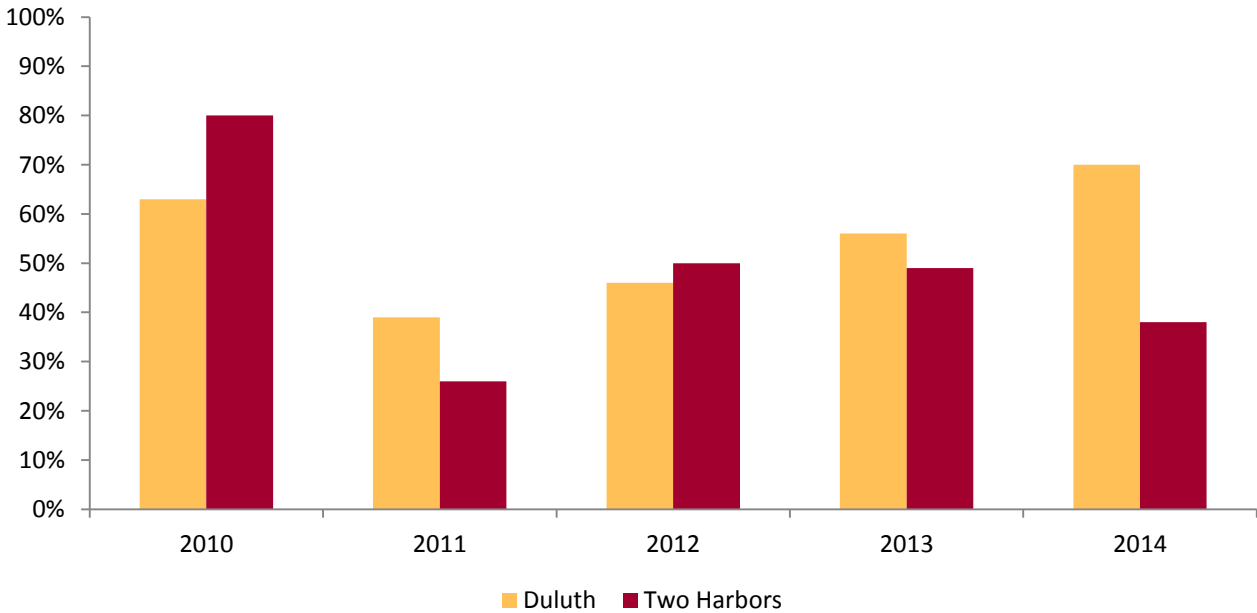
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Figure 33. Percentage of 7th Grade Students in Middle School Proficient in Reading in 2010 to 2014



SOURCE: Great Schools

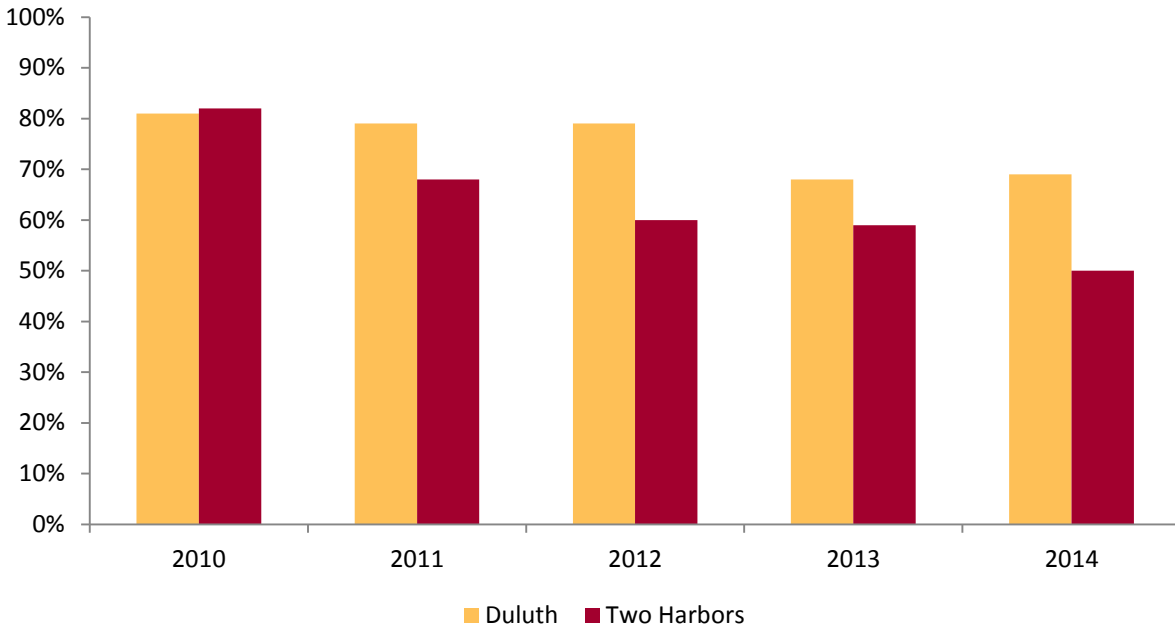
Figure 34. Percentage of 6th Grade Students in Middle School Proficient in Math in 2010 to 2014



SOURCE: Great Schools

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Figure 35. Percentage of 6th Grade Students in Middle School Proficient in Reading in 2010 to 2014



SOURCE: Great Schools

III. Conclusions

Overall, many of the indicators of quality of life found in Two Harbors remain consistent with other communities in the region and with the state as a whole. While the overall population for Lake County and many of its cities has been in decline over the past decade, Two Harbors has shown positive growth in its population. The current populace is relatively low in diversity and old in age compared to that of greater Minnesota. Projections suggest that diversity, as a percentage of the population, will increase significantly in the years to come and that the average age of the population will continue to increase into 2045 as baby boomer residents fully move into the eldest 65-and-older category.

The unemployment rate in Lake County continues to trend downward since 2007, but like many other indicators for the county and city, it maintains stronger seasonal variations than that of the state and country. This greater variation is likely due to the high percentage of people in Lake County employed in industries, which are heavily reliant on the weather and the time of year for operation. These industries include Education Services, Arts/Entertainment, Agriculture/Forestry/Mining, and Manufacturing. This is evidenced further by the apparent and relatively high percentage of unoccupied housing in the county, which can likely be attributed to changes in tourism and employment patterns as the seasons change.

While Lake County is on par with the state for household income levels between \$35,000 and \$75,000, it

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had a much lower percentage of households above that range and a much higher percentage of households below that range relative to the state. Importantly though, the average poverty rate for the county over the period from 2007 to 2013 was less than the state's and much less than the national averages. Also, homeownership by percentage of population is higher in Lake County than in the state and nationally, with a median house value consistent with those of other states in the Midwest and other counties in the region, though it is below Minnesota's and the United States' median house values.

Two Harbors and Lake County residents also enjoy higher average life expectancy than the nation as a whole. This is likely due in part to their lower incidence of obesity and high blood pressure compared to the averages for the rest of the country. Air and water quality tested higher in Two Harbors than average findings for the state and country as well. And finally, K-12 education posted high marks for Lake County and Two Harbors. Although the percentage of residents with a Bachelor's degree or higher was low, the percentage of high school graduates was very high, topping both the state and national averages.