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Cottage Grove Business Retention and Expansion Strategies Program

Summary Report
September 2017



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SUMMARY REPORT

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Authored by Gina Gensing and Alexander Hook, UMD's Labovitz School of Business and Economics' Bureau of Business and Economic Research.

Edited by Michael Darger, University of Minnesota Extension and Matt Wolf, City of Cottage Grove

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COTTAGE GROVE 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 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 2015 confirms that roughly 75% of new jobs in the state were created by existing business.¹ Cottage Grove, 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. 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 Cottage Grove 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 Cottage Grove BR&E Program is sponsored by the following organizations:

- City of Cottage Grove
- Minnesota Department of Employment and Economic Development
- University of Minnesota Extension

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.

Cottage Grove's BR&E initiative officially launched in June of 2016 with the Leadership Team's first meeting.

Volunteer Training

Volunteer Visitor training sessions, held in January 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 questions, while the second recorded the responses.

Interview Guide

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

Business Selection & Visits

The Cottage Grove BR&E Leadership Team and Task Force visited 41 businesses during January, February, and March.

The BR&E Leadership Team reviewed and selected businesses based on knowledge of

the existing businesses. They began with a full list of a few hundred businesses in the City and then prioritized 71 businesses including the top ten employers, eleven businesses located in the business park, and a random selection of businesses from six other sectors (health care, utilities, accommodation and food, services, finance and real estate, and retail trade). All 71 businesses were mailed a copy of the interview guide with a cover letter inviting their participation and 41 businesses confirmed their participation.

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 relations, concerns with public services, needs for resources, etc. This was done by overall coordinators and business resources coordinators throughout the process and formally in April of 2017 with the Leadership Team.

Campus Research Review

Completed business surveys were tabulated and analyzed by the University of Minnesota. The data summary was provided to participants of the Cottage Grove BR&E Campus Research Review meeting held April 13, 2017, in St. Paul. Participants identified predominate, 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 strategies and a robust compilation of suggested projects for each strategy.

Task Force Retreat

A Task Force retreat workshop was held, in Cottage Grove on July 12, 2017, where the Task Force was presented with the Research Report. The presentation included a DEED overview of the Cottage Grove 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.

Understandably, the Cottage Grove 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, five priority projects were created.

COTTAGE GROVE BR&E PROGRAM PARTICIPANTS

Three groups of people have been instrumental to Cottage Grove 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.

Cottage Grove BR&E Leadership Team Members

Chris Eng – Washington County Economic Development Director

Nicole Toni – Cottage Grove Area Chamber of Commerce Marketing Coordinator

Kylle Jordan – Minnesota Dept. of Employment and Economic Development Representative

Charlene Stevens – City of Cottage Grove City Administrator

Christine Costello – City of Cottage Grove Economic Development Director

Matt Wolf – City of Cottage Grove Economic Development Assistant

Cottage Grove BR&E Task Force Members

Randy Bachman – Merchants Bank

Eric Thiewes – EDA

James Celkis – EDA

Bob Kolnik – Comp. Plan Steering Committee

Jennifer Levitt – City of Cottage Grove

Becky Ahlvin – City of Cottage Grove

Robin Roland – City of Cottage Grove

Myron Bailey – Mayor, City of Cottage Grove

John Quast – Ashland Credit Union

Brian Richardson – Comcast Business

Andrea Karels – Kok Funeral Home

Dr. Alex Sheppard – Oasis Chiropractic

Dr. Laura Draxler – Health Connections Chiropractic Center

Dan Myers – Thrivent Financial

Larry Lewis – Dakota County Technical College

Lisa Krause – Renewal by Andersen

Dan Powers – School District #833

Gretchen Chilkott – School District #833

Joel Arnold – 3M

Julie Nichols – Dept. of Employment and Economic Development

Businesses Visited

The following 41 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.

3M
61 Marine and Sports
Acorn Mini Storage
Advance Corporation
Aveka CCE Technologies
Bieter Eye Center
Bonngard's Family Meats
Canvas Health
Cottage Grove Eyecare Clinic
Cottage Grove Florist
Country Inn and Suites
Culver's of Cottage Grove
Gerlach's Outdoor Power Equipment
Health Partners Clinic
Highway 61 Barbers
Historical John P. Furber Farm
The Healing Place of Cottage Grove
Hope Glen Farm
Hound Around Resort
Innovative Chemical Corporation
Kok Funeral Home
Lisa's Fabulous Paws
LSPower
Merchants Bank
Metro Dentalcare
Modern Automotive Performance
Oasis Chiropractic
Perkins
Plastic Resource
Renewal by Andersen
Resortsandlodges.com
Rise Professional
Rivertown Cakes Bakery Boutique

Sportclips
The Linn Companies
The Wellness Way
Thrivent Financial
Tradehome Shoes
Werner Electric
White Pines Senior Living
Wireless World (Verizon)

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 Cottage Grove 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.

Cottage Grove BR&E Leadership Team

Chris Eng
Nicole Toni
Kylle Jordan
Christine Costello
Matt Wolf
Cassie Swoboda

Minnesota Department of Employment and Economic Development

Timothy O'Neill, Regional Labor Market Analyst, Metro area

Economic and Community Development Professionals

Kathi Schaff, Minnesota Chamber of Commerce
Corrin Wendell, Metropolitan Council

University of Minnesota

Michael Darger, U.M. Extension BR&E Program Director

Laura Kalambokidis, U.M. Department of Applied Economics & Minnesota State Economist

Lee Munnich, U.M. Humphrey School

Monica Haynes, UMD, Bureau of Business and Economic Research

Gina Chiodi Gensing - UMD Bureau of Business and Economic Research

Alexander Hook - UMD Bureau of Business and Economic Research

Jennifer Hawkins, U.M. Extension Educator

Additional Assistance to the Cottage Grove BR&E was provided by:

John Bennett - University of Minnesota Extension Educator

Adeel Ahmed - former University of Minnesota Extension Educator

Lauren Sorgaard - University of Minnesota Extension: Cloquet Regional Office

Jodie Kaden - University of Minnesota Extension Center for Community Vitality

Ilyas Wehelie - University of Minnesota Extension Center for Community Vitality

COTTAGE GROVE'S ECONOMIC AND DEMOGRAPHIC PROFILE

A profile of Cottage Grove economy and demographics was prepared for the Research Report and presented at the Task Force retreat on July 12, 2017. The profile, created by Tim O'Neill 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.

COTTAGE GROVE'S INTERVIEW RESULTS

In total, 41 businesses were interviewed for the Cottage Grove BR&E. Of these businesses interviewed, 70% are owned locally.

The three largest sectors represented in the survey were the Health Care and Social Service sector (22%), the Retail Trade Sector (20%) and the Accommodation & Food Services sector (17%). Table 1 below shows the Cottage Grove industry mixes for the BR&E respondents compared to industry statistics from MN DEED.

Table 1. BR&E and MN DEED Industry Mix Top Eight Categories

Industry	Percentage of Establishments	
	BR&E	MN DEED
Health Care & Social Service	22%	13%
Retail Trade	20%	12%
Accommodation & Food	17%	8%
Manufacturing	15%	3%
Other Services	12%	15%
Finance & Insurance	5%	4%
Real Estate & Rental	5%	4%
Professional/Scientific/Services	2%	8%

Employment has increased in Cottage Grove by 7% in the last three years, from 2,183 to 2,352 jobs. The largest increase, of 101 jobs, was in the full time category. From 2010 to 2015, the unemployment rate decreased in Cottage Grove, however, it increased to 3.5% in 2016. The unemployment in Cottage Grove is still higher than the Washington County average (3.4%) but is lower than the state average of (3.9%).

Table 2. Community Factors with High Importance and High Satisfaction, Average Scores

Community Factor	Importance	Satisfaction
Police Department	3.49	3.76
Fire Department	3.46	3.76
Highway Accessibility	3.40	3.64
Energy Reliability	3.34	3.57
Sewer & Water	3.26	3.54
Housing Supply	3.26	3.45
Environmental Regulations	3.16	3.44
Wage Rates	3.08	3.44
Health Care Facilities	3.11	3.39

Scale for Importance: 1 = Not Important, 4 = Very Important

Scale for Satisfaction: 1 = Very Dissatisfied, 4 = Very Satisfied

As shown in Table 2, there are many factors that the city of Cottage Grove can celebrate. Those are the community factors that are not only highly important but also very satisfactory for the businesses interviewed in the community. These factors include fire and police departments, wages, and healthcare facilities.

Identified Strategies

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 issues raised in the Cottage Grove BR&E process. Below are the four identified strategies.

1. Improving Community Feel and Atmosphere
2. Workforce Recruitment and Business Retention
3. Training and Education for Workers and Business Owners
4. Infrastructure and Public Policy

Under each strategy, the Research Report listed potential projects that the Cottage Grove BR&E Task Force could select to help accomplish the strategy. During their July 12, 2017, retreat, the Task Force developed five priority projects to address business concerns. The Task Force built on project ideas as written in the Research Report to create projects that were suitable for Cottage Grove. These priority projects are described below.

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 Matt Wolf at the City of Cottage Grove.

Priority Project #1: Increase Chamber Presence

Businesses indicated that there was a need to improve the retail atmosphere of Cottage Grove, market the community, and create events that improve the overall atmosphere. As a result, the workshop participants felt that working with the Chamber of Commerce could increase its presence in the community. The intended result is more focused events and improved marketing of the community.

Action Items: Meet with Chamber leadership, create lunch and learn events and a continued partnership

Related Research Results for Project #1

Table 3 shows that an opportunity exists for local businesses to improve the cities’ retail sector. Almost half of the businesses indicated that the atmosphere in the local shopping areas is average. The good news is that 24% rated it above average.

Table 3. Overall Atmosphere in Local Shopping Areas

Poor (1)	Below Average (2)	Average (3)	Above Average (4)	Excellent (5)
2%	15%	49%	24%	0%

Priority Project #2: Workforce Training Programs

The interviewed businesses reported difficulties in finding skilled manufacturing and healthcare professionals. These two categories represent the largest employers in the City of Cottage Grove. By working with the local businesses, the school district, technical colleges, and the City of Cottage Grove, a program for students to learn trades and skills that get them hired in these fields could be established. An example of a successful program was given at the Economic Development Association of Minnesota summer conference regarding a program at Hutchinson High School.

Action Items: Meet with the school district and technical colleges and convene a committee.

Related Research Results for Project #2

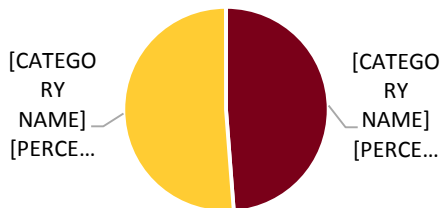


Figure 1. Do you need training for workers or managers?

Of the surveyed businesses, roughly half need training for their workers and managers, as shown in Figure 1. In total, there are roughly 2,100 workers who need additional training in

Cottage Grove. Also, this survey question was broken down into more specific categories, where businesses were asked what types of training are needed and approximately how many employees need this training. The two largest training needs were managerial skills and sales and marketing skills (20% of workers, each).

Priority Project #3: Code Enforcement Communication

Several businesses that participated indicated dissatisfaction towards code enforcement as it related to landscaping and signage. They felt personal visits to explain enforcement would be better than a letter in the mail. Several businesses also felt landscaping regulations were overly burdensome. It was determined that it would be beneficial to push for improved communication with businesses regarding these topics. Thus, an effort would be made to do in-person visits when necessary and to develop specific communication for businesses in the form of welcome packets, how-to videos, and lunch and learn events.

Action Items: Create welcome packets for businesses and develop how-to videos regarding code issues and breakfast or a lunch and learn event on code issues.

Priority Project #4: Broadband Access for Businesses

Businesses in Cottage Grove place a very high importance on broadband cost and reliability. Multiple businesses in the business park spoke of a lack of reliability and high costs. In order to better retain, attract, expand, and create businesses in our business park, an effort needs to be made to expand broadband services. As a result, a needs assessment will be done throughout Cottage Grove, and work with local telecommunications providers will help determine what levels of service they provide throughout Cottage Grove.

Action Items: Meet with area telecommunications companies and conduct a

community survey of telecommunications in Cottage Grove.

Related Research Results for Project #4

The surveyed businesses of Cottage Grove felt that the telecommunications cost and reliability were significantly more important than other factors. However, the level of satisfaction of these two community factors was below average for Cottage Grove’s Community Factors overall.

Table 4. Telecommunications and Broadband High Importance and High Satisfaction, Average Scores

Community Factor	Importance	Satisfaction
Telecommunications and Broadband Cost	3.56	3.11
Telecommunications and Broadband Reliability	3.68	3.28
<i>Average Community Factor</i>	<i>3.06</i>	<i>3.29</i>

Priority Project #5: Economic Development Advisory Committee

A concern arose from the interviews that the businesses that are looking to expand do not have a point of contact or the information needed to expand in Cottage Grove. To remedy that, the BR&E Program will look into creating a business advisory committee of business owners and human resources officials who can advise the City on workforce related issues in our community. Additionally, Cottage Grove economic development staff will increase efforts to contact businesses and provide information on incentives and programs offered for expanding businesses.

Action Items: Continue BR&E in 2018 and schedule a meeting with HR representatives from community businesses.

Related Research Results for Project #5

Of the responding businesses (Figure 3), the largest group (39%) is not planning on expanding, moving, or any other future changes, compared to the benchmark of 47% from previous BR&E communities. Of the businesses that are planning to make changes, the most common change will be to expand, with slightly more businesses choosing to expand elsewhere (32%) rather than at their current location (29%). The BR&E benchmarks are 15% for expanding elsewhere and 24% expanding at their current location, respectfully. This shows that the businesses of Cottage Grove are looking to expand more often than the BR&E average. Nearly 40% of interviewed Cottage Grove businesses are considering making a “negative” change (either moving, selling, closing, or downsizing). This is significantly higher than what is typical of previous BR&E communities, where only 24% of businesses on average reported considering one of these changes.

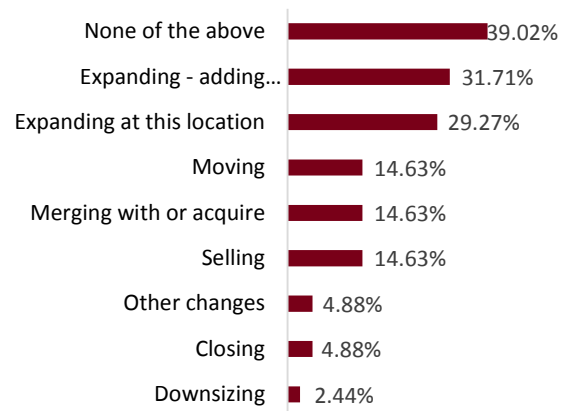


Figure 3. Are you currently considering any of the following future plans?

CREDITS

The Cottage Grove BR&E Task Force selected these priority projects. Gina Gensing and Alexander Hook 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 and Matt Wolf of City of Cottage Grove provided editing assistance.