



The EDACENTER

at the University of Minnesota Crookston

The EDA Chronicle-October 2014

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Events of Interest:

November 4

- Starting a Business in Minnesota workshop to be held at the Northeast Minnesota Small Business Development Center in Duluth from 2-4PM. To register, please go to <http://mnsbdc.ecenterdirect.com/ConferenceDetail.action;jsessionid=7BA57785888874DACEB764F929C3A835?ID=9436>

November 13

- Webinar: Export Essentials: Online Resources for Export Market Research hosted by the Food Export Association of the Midwest USA from 2-3PM. To register, please go [here](#). You will be asked to login or create an account when you go to the link.

November 21

- EDAM Webinar: Enhancing Business Attraction in Minnesota. From Noon-1:15PM. The webinar is free for members and \$25 for non-members. Online registration is available until Nov. 21. For more information and to register, please go to http://www.edam.org/events/event_details.asp?id=511243.

December 1

- Entrepreneurial Essentials workshop to be held at the Mankato Workforce Center from 1-3PM in Mankato. To register, please go to <http://mnsbdc.ecenterdirect.com/ConferenceDetail.action;jsessionid=7BA57785888874DACEB764F929C3A835?ID=9427>.

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Letter From New EDA Center Director, Joyce Hoelting

Dear Economic Development Colleagues,

On October 1st, I accepted the task of leading the University of Minnesota Crookston's EDA Center. It is my good fortune to take the helm at the Center at a time at a highly productive time. The study of the longitudinal effect of Walmart Supercenters, described in this newsletter, is just one example of how research from the EDA Center can add solid analysis to the observations that community leaders and economic development professionals make every day.

I bring to this position over 15 years of experience managing a nonprofit organization, and another 13 years at the University of Minnesota Extension as the assistant director of the Center for Community Vitality. I am happy to become a close partner of the University of Minnesota Crookston as I take on this role.

With these experiences, I often feel caught between two important ways of knowing. The observations and everyday experiences of working in communities often are juxtaposed to the research and research-informed education offered by the University of Minnesota.

At the EDA Center our goal is, very simply, to add some research to the important work done by the economic development field in Minnesota. I feel I have two important tasks in front of me. 1) I want the EDA Center to make

effective matches between the questions that economic developers ask and the research capacity at the University -- with limited resources and important relationships in tow; and, 2) I would like to make sure that research available from the university makes its way into the important work and questions of economic developers across rural Minnesota.

Research is only one way of knowing. But when it comes together with the understanding of local leaders who know their communities, it can make a difference.

You can help by forwarding these newsletters, which feature information from EDA Center research, to those who can use it. And send us your questions and concerns so that we can try to make the match between research and community concerns. You can complete the online request for assistance here: http://www.edacenter.org/technicalAssistance_request.php or complete the interactive PDF form and send it to us via mail or email. The form can be found at http://www.edacenter.org/downloads/EDA_RFA_Form.pdf.

I look forward to our work together.

Joyce Hoelting

Ikronics Corporation Expanding with the Help of DEED's Job Creation Fund: 20 New Jobs will Be Added

Ikronics Corporation, a Duluth-based imaging technology company, announced they will invest \$4.3 million to expand and add 20 new jobs. The expansion will include a new 20,000 square foot addition to be built in the Atlas Industrial Park. Ikronics provides manufacturing services for the aerospace and electronics industries.

The Minnesota Department of Employment and Economic Development (DEED) will be assisting by providing \$508,500 from the Minnesota Job Creation Fund. According to DEED, Ikronics Corp. will receive the funding after the company has completed its hiring and investment goals.

The Minnesota Job Creation Fund is a program designed to supplement investments for new projects within the state of Minnesota. Since its creation, the Minnesota Job Creation Fund has invested over \$13 million in 25 Minnesota

companies resulting in more than 1,450 new jobs and expansion investments of \$243.6 million. To be eligible to receive support from the Minnesota Job Creation Fund, companies must be designated as a Job Creation Fund business to be eligible for designation as a Job Creation Fund business, a business must at least:

- Be engaged in an eligible business activity
- Obtain local government support for their project via council resolution
- Invest at least \$500,000 in real property improvements within one year of becoming a designated Job Creation Fund business
- Create at least 10 new full-time permanent jobs within two years of becoming a Job Creation Fund business while maintaining existing employment numbers

- Pay at least \$12.45 in wages and benefits in 2014, adjusted annually based on 110 percent of federal poverty guidelines. The level will be \$12.61 starting Jan. 1, 2015.
- Have other location options outside of Minnesota
- Cause no undue harm to Minnesota business competitors
- Certify that the project would not occur without Job Creation Fund assistance

Projects started before achieving Job Creation Fund status are not eligible.

For more information about how your business could use the Minnesota Job Creation Fund, please go to <http://mn.gov/deed/business/financing-business/deed-programs/job-creation-fund.jsp> or contact Emily Johnson at 651-259-7450 (toll free at 800-657-3858).

MMB Office Releases October Economic Update

The October Economic Update shows general fund receipts totaled \$4.297 billion for the first quarter of FY 2015, which is \$46 million less than projections in the February Forecast (a 1.1% decrease). The only higher than projected revenues came from corporate franchise taxes: \$401 million, which was \$56 million more than projected. Individual income tax receipts totaled \$2.297 billion, which is \$26 million less than projected. General sales tax receipts totaled \$1.157 billion, which was \$6 million less than projected.

Other revenues totaled \$442 million, which was \$70 million less than projected. On a positive note, FY 2014 ended with \$186 million more in general fund revenues than expected. The Minnesota Management and Budget Office expects slower economic growth than previously estimated in February. IHS Economics (IHS) projected a 2.7 percent real GDP growth in 2014 and 3.3 percent in 2015 in the February Forecast. IHS now expects 2.3 percent real GDP growth in 2014 (which is better than the last update). IHS expects

growth in 2015 to be 2.7 percent, which is down from their original projection in February (3.3%). IHS also expects growth to be down slightly in 2016 to 2.9 percent (compared to 3.4 percent in February). The expectation is growth in 2017 will be at 3.1 percent (as it was projected in February).

For the complete October Economic Update, please go to http://mn.gov/mmb/images/Revenue%2526Economic_Update_Oct2014.pdf.

DEED Report: 2013-2014 Local Area Unemployment Statistics and Jobs Report

After seasonal adjustments, unemployment in September dropped to 5.9 percent in the U.S. and dropped to 4.1 percent in Minnesota. Minnesota unemployment claims in September increased 1,884 to 13,757 when compared to August. Over the year unemployment claims decreased 6.9 percent when compared to September 2013.

Minnesota employers added 7,200 jobs in September. Seven sectors posted job gains: Professional/Business Services (4,100), Leisure/Hospitality (3,900), Other Services

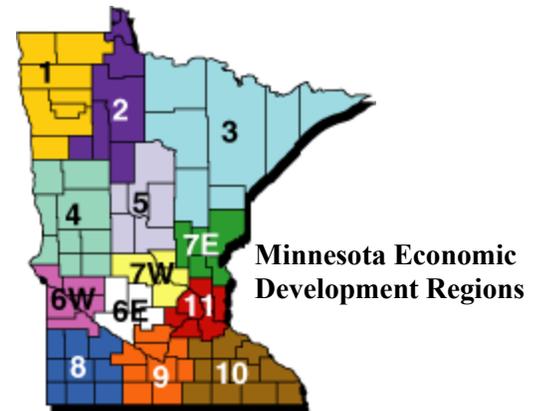
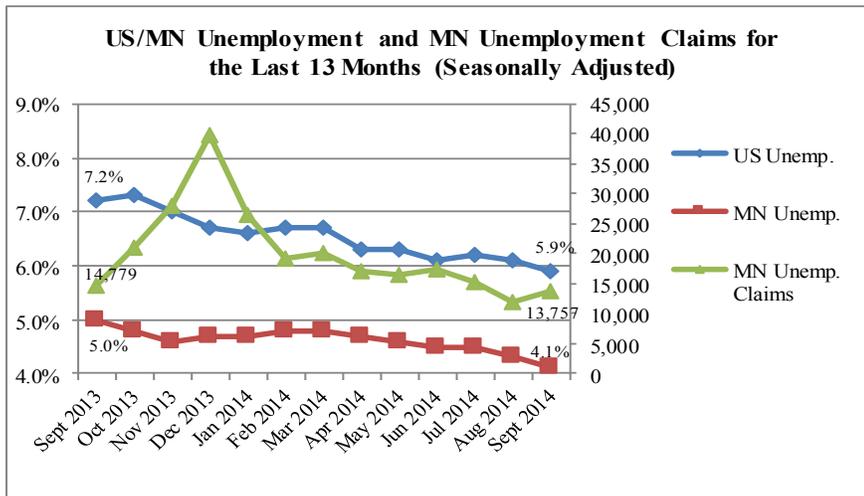
(1,300), Educational/Health Services (1,100), Manufacturing (1,100), Trade/Transportation/Utilities (300), and, Construction (200). The information sector remained steady. Government (-4,200), Financial Activities (-400), and Mining/Logging (-200) posted job losses in September.

Minnesota has experienced 1.6 percent growth from 1 year ago with 45,098 additional jobs over the past year. This growth is below the U.S. growth rate of 2 percent over the past 12 months. Minnesota Labor participation rate in September is 69.8 per-

cent (seasonally adjusted). Minnesota's labor participation rate exceeds the U.S. labor participation rate of 62.7 percent.

Unemployment for all of the EDRs decreased for the third month in a row in September. Two regions experienced the largest decrease in unemployment at 0.5 percent: Northwest and Upper Minnesota Valley.

Go to the DEED website; www.positivelyminnesota.com to view more employment and wage statistics.



2013-2014 Minnesota Unemployment by Economic Development Region (Not Seasonally Adjusted)

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Sept 2013	3.9%	5.8%	5.7%	3.6%	5.4%	4.4%	4.1%	5.3%	4.3%	3.6%	4.1%	4.2%	4.6%
Oct 2013	3.4%	5.4%	5.3%	3.2%	5.1%	4%	3.5%	4.8%	3.9%	3.8%	3.7%	3.8%	4.1%
Nov 2013	4%	6.3%	5.8%	3.6%	6.3%	4.3%	3.7%	5.4%	4.2%	3.2%	3.8%	3.7%	4%
Dec 2013	5%	7.4%	6.3%	4.6%	7.5%	5.3%	4.7%	6.9%	5.1%	3.9%	4.5%	4.3%	4.2%
Jan 2014	7%	9.1%	7.4%	5.8%	9%	6.6%	6.8%	8.7%	6.4%	5.2%	5.8%	5.4%	4.9%
Feb 2014	6.5%	8.8%	7.4%	5.6%	8.7%	6.5%	6.3%	8.7%	6.3%	5.1%	5.8%	5.4%	4.8%
Mar 2014	6.6%	8.7%	7.2%	5.4%	8.7%	6.3%	5.9%	8.6%	6.3%	4.8%	5.6%	5.2%	4.7%
Apr 2014	5.3%	7.5%	6.3%	4.3%	6.9%	5.1%	4.7%	7.1%	4.9%	3.8%	4.5%	4.3%	4%
May 2014	4%	6.2%	5.9%	3.4%	5.3%	4.3%	3.9%	5.6%	4.1%	3.3%	4%	4%	4%
Jun 2014	4.4%	6.4%	6%	3.6%	5.4%	4.6%	4.3%	5.6%	4.5%	4.1%	4.5%	4.4%	4.5%
Jul 2014	4.3%	6%	5.5%	3.5%	5.0%	4.2%	4.1%	5.2%	4.2%	3.8%	4.2%	4.1%	4.3%
Aug 2014	3.7%	5.2%	4.8%	3%	4.5%	3.7%	3.6%	4.6%	3.7%	3%	3.6%	3.5%	3.8%
Sept 2014	3.2%	4.8%	4.5%	2.9%	4.3%	3.4%	3.1%	4.4%	3.5%	2.9%	3.3%	3.3%	3.6%

The EDA Center's "Regional Round-up"

Each month The EDA Center will collect information from the different regions in Greater Minnesota in an effort to highlight notable projects and events across the state. If you have any projects or events you would like highlighted in future newsletters, please submit them to walke810@umn.edu prior to the 15th of every month.

EDA CENTER REPORT: Room for More: A study of Minnesota retail and service businesses that open or expand after the opening of Walmart Supercenters

By: Bruce Schwartau

The University of Minnesota Extension Center for Community Vitality recently studied the retail market of thirteen Greater Minnesota cities where a Walmart Supercenter opened between 2000 and 2008. This report explores which types of retail and consumer services businesses have coexisted with the retail giant, as identified by openings and expansions and retail sales tax records. Interviews with local economic development professionals revealed the following:

- A wide variety of business types coexist with a supercenter. The 13 cities reported that more than 115 business types opened or expanded since the supercenter opened. (NAICS 4-digit level)
- Of the 779 total retail and consumer services businesses reported by the 13 cities to

have opened or expanded, more than 17% (135) were eating or drinking establishments, and of this percentage, more than half were limited-service eating places.

- Business types providing personal services such as hair and nail care, spa treatments, and pet care comprised the second largest group of new or expanded businesses after a Walmart Supercenter opened.
- Gift shops, office supply stores, second hand stores, antique shops, smoke shops, and pet supply stores made up the third largest category of new or expanded businesses after a Walmart Supercenter opened.

Using Minnesota Department of Revenue statistics to compare the cities in this study to other Greater Minnesota cities, differences emerged. They included the following:

- There was greater growth in the number of eating and drinking establishments and in the total taxable sales from eating and drinking establishments in supercenter cities than there were in other Greater Minnesota cities on average.
- Although the Minnesota retail economy experienced a downturn between 2004 and 2011, based on state data for taxable retail sales, most cities in the study had total retail business taxable sales declines that were less severe than the Greater Minnesota average.

Five cities even grew their taxable sales.

- Walmart Supercenters are classified in the NAICS retail business category "general merchandise." The study was able to examine six cities where the general merchandise sales could be segregated from the sales of other retail businesses. The study found total sales in other retail categories were more favorable in four of the six cities than the Greater Minnesota average.
- Food and beverage retail stores in the Walmart Superstore cities experienced a greater drop in sales compared to the Greater Minnesota average.

This study does not intend to address the broad question of whether a supercenter is "good for communities"; rather, it is designed to understand retail and service business successes in 13 Greater Minnesota cities after the arrival of a Walmart Supercenter (see Figure 1). The study also considers a snapshot in time of other businesses currently open in 2014 that either launched or expanded since a supercenter opened. It addresses the questions of what types of businesses have opened or expanded since the arrival of a Walmart Supercenter, as well as how the presence of Walmart affected the local retail and service business climate. The findings here offer guidance for communities and entrepreneurs interested in new retail businesses and business expansions.



Figure 1: Location of study cities and the year the Walmart Super center opened

This study found that many different business types coexist with supercenters, as tracked by records of business openings and expansions and retail sales taxes. Most of these businesses offer goods and services not found at Walmart. The most frequently

opened businesses were establishments for people to eat and drink, with limited-service eating places being the majority of these storefronts. Also, many new and expanded businesses offered services such as spas, beauty and nail salons, and pet care. Other retail businesses that opened specialized in second-hand clothing, antiques, gift shops, office supplies, pet supplies, smoke shops, and collectibles.

Minnesota Department of Revenue sales tax information indicated that sales in traditional grocery stores fell when a supercenter opened, but city interviews found that new food and beverage stores did open or expand after Supercenter openings. Internet searches on these business names found that several of them specialized in food designed for healthy lifestyles and did not offer full line groceries.

When Minnesota went through a retail downturn from 2004 to 2011, cities that had a supercenter before 2004 maintained a relatively steady retail market.

Information gathered indicated that studied cities gained strength as regional trade centers.

For the complete report, please go to http://www.edacenter.org/downloads/Walmart_Supercenters_Report.pdf



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The EDA Center at the University of Minnesota Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce.

We conduct applied research, provide direct technical assistance and deliver educational programs development agencies that support the economy of economically-distressed rural communities throughout Minnesota.

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