



UNIVERSITY OF MINNESOTA | EXTENSION



Lonsdale Connecting Businesses and Community Program

Summary Report
October 2021



Lonsdale Connecting Businesses and Community Program

SUMMARY REPORT

October 2021

Authored by Gina Chiodi Gensing, UMD Bureau of Business and Economic Research, and Michael Darger, UMN Extension

Sponsors:

Lonsdale EDA, City of Lonsdale, and the University of Minnesota Extension

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

© 2021 Regents of the University of Minnesota. All rights reserved. University of Minnesota Extension is an equal opportunity educator and employer. In accordance with the Americans with Disabilities Act, this material is available in alternative formats upon request. Direct requests to the Extension Store at 800-876-8636. ♻️ Printed on recycled and recyclable paper with at least 10 percent post-consumer waste material.



Lonsdale CBC

LONSDALE CONNECTING BUSINESSES AND COMMUNITY PROGRAM

The Connecting Businesses and Community Program (CBC) is an essential element of local economic development efforts. The CBC 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 realize that helping existing businesses to 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 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 2002-2017 confirms that roughly 72% of new jobs in the state were created by existing business.¹ Lonsdale, in launching this CBC 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 CBC program is the information provided by the survey on the community's strengths and weaknesses. The strengths can be highlighted in community promotional materials, while the weaknesses give 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 third benefit of a CBC program is how the process enhances the team of local leaders. The team is much broader than other local economic development teams since it includes representatives from education and government in addition to business and economic development leaders. This diverse membership allows the local CBC 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 City of Lonsdale CBC Program has several objectives:

1. To demonstrate support for local businesses
2. To help solve immediate business concerns
3. To increase local businesses' ability to compete in the global economy
4. To establish and implement a strategic plan for economic development
5. To build community capacity to sustain growth and development
6. To update contact information of businesses
7. To learn about Labor force questions/concerns
8. To learn who are the respective businesses customers
9. To help with plans for expansion/relocation/succession
10. To be made aware of general community concerns
11. To hear overall thoughts of community relative to business

¹ *Minnesota Economic Trends Magazine*, March 2019



Program Sponsors

The Lonsdale CBC Program is sponsored by the following organizations:

Lonsdale EDA (Economic Development Authority)

City of Lonsdale

University of Minnesota Extension

CBC PROCESS AND KEY DATES

Community leaders who are invested in the program's implementation form the core for a CBC initiative. They identify five to eight people to form the Leadership Team, each of whom has a clearly defined role in the CBC 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 CBC process, helps the Leadership Team with business visits, and becomes involved in prioritizing and responding to issues identified in the business interviews.

Economic development leaders and community volunteers have worked together since the fall of 2018 to make the Connecting Businesses and Community Program happen in Lonsdale. The Lonsdale EDA funded the program.

Volunteer Training

Volunteer visitor training sessions, held in January 2020, oriented volunteer visitors to the CBC process. Volunteer visitors were trained on the use of the interview guide and how to interview business owners. Working as teams of two during the interview, one volunteer was primarily responsible for asking the questions while the second recorded the responses.

Interview Guide

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

Business Selection & Visits

The CBC leadership team established a goal of accomplishing 40 business visits. Lonsdale CBC conducted a randomized selection of businesses in the community. After compiling a list of all businesses, a random drawing was selected for these businesses to have volunteers conduct face-to-face interviews. In addition, an esurvey instrument was sent to all businesses in the community using the UMN's Qualtrics platform. This online survey included some but not all the questions from the interview guide used for in-person visits.

The Lonsdale CBC Leadership Team and Task Force collected 44 completed and usable surveys and esurveys. They represent an estimated total of 35+ businesses.

Online Research Review

As a result of the ongoing COVID-19 pandemic, the research review meeting was conducted online using various tools and technology. While the Warning Flag Review identifies individual business concerns, the Online Research Review meeting identifies overarching, universal themes in the survey results. Once these are identified through a SWOT analysis, the Online Research Review participants suggest ideas for projects the Task Force might undertake to address these themes. Participants included CBC Leadership Team members and economic development professionals, including representatives from the Minnesota Department of Employment and Economic Development (DEED) and University of Minnesota.

Warning Flag (aka Red Flags) Review

Reviewing the surveys individually for follow-up opportunities is an important community opportunity in a CBC program. This is probably the single most important activity that a CBC initiative can do—responding appropriately and confidentially to businesses on issues such as business relocations, concerns with public service, needs for resources, etc. The Red Flag review meeting was held April 26, 2020.



The meeting revealed:

- Most businesses had issues related to workforce. It was decided not to “red flag” these issues, but instead address them through potential priority projects.
- Three expansion opportunities that were being followed up in person
- Two other warning flag (closing/retiring) that were both “do not follow up” interviews
- There are about 20 businesses looking for more information. They were followed up via mail and email.

In response to the expressed interest in energy savings programs, the Lonsdale EDA, in cooperation with the Lonsdale Business Chamber, sponsored a Lunch & Learn on June 10, 2021. Businesses heard from CenterPoint Energy, Minnesota Valley Electric Cooperative, Steele - Waseca Cooperative Electric and Xcel Energy regarding their energy efficiency programs and rebates.

Joel Erickson reports “I met with several businesses looking to expand during and since the BR&E interviews. One of those specifically, involved numerous meetings and we had Rice County and MN DEED (even Commissioner Grove) participate in one of those meetings. We’re hopeful that expansions will materialize.”

Research Report Development

Following the online Research Review meeting, the UMD Bureau of Business and Economic Research (BBER) and UMN Extension prepared the research report. The goal of the research report is to detail the overarching themes identified by the Research Review team and to suggest potential projects. Potential projects are ideas the Task Force might use to address the larger themes identified by the survey. The Research Report also summarizes the survey data, gives a history of the CBC project, provides context on the local economy and demographics, and contains the aggregated survey data. The Lonsdale Leadership Team sent the completed surveys to the University of Minnesota Extension for tabulation and analysis. Lauren Sorgaard

tabulated the surveys, integrated the useable responses from the esurvey and prepared a summary of the data for the Research Review meeting. The research report was then drafted based on input from the review panel and other ideas (see a Task Force member or go to City Hall to view the research report).

Task Force Retreat

Although the research report was completed in January, it was decided to wait for a safer time to have a traditional in-person retreat. At the retreat, held on July 14, 2021, the Lonsdale Task Force was presented with the overall results of the survey, overarching strategies for addressing the universal issues identified, and potential projects for addressing these issues. The Task Force decided on the three major projects to implement to maximize CBC success in Lonsdale (see below).

LONSDALE CBC PROGRAM PARTICIPANTS

Conducting a community-wide economic development engagement is a resource intensive and time-consuming task. It’s not done overnight, and it’s not done with one to two people. Instead, successful groups initiate the process and then work throughout the process to include as many members of the community as possible. In Connecting Businesses and Community projects, there are important teams of people that are involved in making the project successful: They are the program sponsors, the leadership team, the task force, and the volunteer visitors.

Lonsdale CBC Leadership Team Members

Overall Coordinator, Lance Benninghoff, Lonsdale EDA

Business Resources Coordinator (aka Warning Flags Coordinator) Lance Benninghoff, Lonsdale EDA

Milestone Meeting Coordinator Scott Pelava, Lonsdale EDA/Lonsdale City Council/Lonsdale AutoWorks

Visitation Coordinator Laura Prigge, Lonsdale EDA

Media Coordinator Elizabeth Daleiden, Lonsdale EDA

Joel Erickson, City of Lonsdale administrator

University of Minnesota Extension CBC Consultant

Eric King, UMN Extension Educator in Community Economics, served as the CBC consultant to Lonsdale. This included coaching and advising the Leadership Team, conducting volunteer visitor trainings, and assisting in several important ways along the way.

Lonsdale CBC Task Force Members

Mike Chapman, Frandsen Bank & Trust

Nancy Watts, Lonsdale Resident

Garrett Goettsch, Minnesota Millwork & Fixtures

Lisa Strawhacker, Quilting by the Hearth

Andrew Rasmussen, Lonsdale EDA / Smoke

Audre Johnson, Audre's Attic

Pat Wallin, Lonsdale Country Market

Bonnie Simon, Lonsdale Telephone & Video Ventures

Thea Kelly, Lonsdale Area Chamber of Commerce

Ben Baker, Lonsdale City Planner

Kevin Flicek, Lonsdale Area Chamber of Commerce

Cheryl Fitterer, Lonsdale Resident

Harry Oertel, Lonsdale Resident

Kathy Feldbrugge, Rice County Economic Development

Joel Erickson, Lonsdale City Administrator

Matt Stockinger, Lonsdale Family Dental Clinic

Cindy Furrer, Lonsdale City Council/EDA

Randall Rivers, Lonsdale EDA / Minnesota Millworks & Fixtures

Scott Pelava, Lonsdale City Council/EDA/Lonsdale AutoWorks

John Head, Tri-City United High School

Mike Dougherty, MnDoT

Natalie Siderius, Minnesota DEED

Brenda DeGross, Minnesota Millworks & Fixtures

Ryan Phelps, Lonsdale Resident

Mike Chapman, Frandsen Bank & Trust

Russ & Deb Sirek, Lonsdale Hardware & rental

Businesses Visited

The following businesses graciously agreed to be interviewed as part of the CBC visitation process. While survey responses are confidential, it is important to acknowledge the contribution of participating business owners or managers. While there were 44 completed and usable surveys and esurveys that represent an estimated total of 35+ businesses, we are only able to list the names of the 23 businesses that were visited for in-person interviews. Businesses that completed the anonymous esurvey can take pride that they also contributed to the important information gathering that enabled this report.

Lonsdale American Legion

Center Stage Dance

Dollar General

Frandsen Bank & Trust

Generations Home & Building Center

Lonsdale Area Chamber of Commerce

Lonsdale Chiropractic

Lonsdale Country Market

Lonsdale Hardware & Rental

Lonsdale Packaging

Lonsdale Telephone & Video Ventures

Mackenthun's Fine Foods

Midwest Cryogenics

MinDak Commercial Construction

Minnesota Millworks & Fixtures

Quilting by the Hearth
Smisek's Plumbing & Heating
Something for All

Technical Methods
Telamco

Tri-City United (Lonsdale Elementary)

Vermillion River, LLC

Villages of Lonsdale

Online Research Review Team

The Online 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 Lonsdale 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 Online Research Review follows.

Online Research Review Attendees

Lonsdale CBC Leadership Team or Task Force (see section above for their affiliations and leadership roles.)

- Lance Benninghoff
- Elizabeth Daleiden
- Joel Erickson
- Scott Pelava
- Laura Prigge

Minnesota Department of Employment and Economic Development

- Luke Greiner, Minnesota DEED Regional Analysis and Outreach
- Natalie Siderius, Minnesota DEED Southeast Regional Business Development Manager

Economic and Community Development Professionals

- Kathi Schaff, Grow Minnesota!

Partnership, Minnesota Chamber of Commerce

University of Minnesota

- Michael Darger, UMN Extension Center for Community Vitality
- Eric King, UMN Extension Center for Community Vitality
- John Bennett, UMN Extension Center for Community Vitality
- Jennifer Hawkins, UMN Extension Center for Community Vitality
- Brigid Tuck, UMN Extension Center for Community Vitality
- Monica Haynes, UMD Bureau of Business and Economic Research
- Gina Chiodi Gensing, UMD Bureau of Business and Economic Research
- Nathan Brand, UMD Bureau of Business and Economic Research
- Haakan Thorsgard, UMD Bureau of Business and Economic Research
- Lauren Sorgaard, UMN Extension Cloquet Regional Office

LONSDALE'S INTERVIEW RESULTS

Out of the 23 businesses surveyed, about 65% of businesses were locally owned. Roughly one-third of surveyed businesses (36%) reported having another location outside of Lonsdale. Of the surveyed businesses, nearly one-third consider their facility to be "other." Other common facility types include retail sales offices (23%), manufacturing (18%), headquarters (18%), and branches (18%).

Over 60% of employees have a very short commute, traveling less than 15 minutes to work. In fact, businesses estimate that 92% of workers travel less than 30 minutes to their jobs in Lonsdale. This suggests that Lonsdale businesses are drawing from a highly localized labor force where most employees live in or immediately surrounding the city of Lonsdale.

Lonsdale businesses were asked to estimate the number of workers employed at their location, both currently and three years prior. According to survey results, Lonsdale businesses tend to be small, with fewer than 15 full-time employees on average, and appear to employ more full-time workers than part-time or seasonal. In total, Lonsdale businesses employed an average of fewer than 30 workers (sum of full-time, part-time, and seasonal). This average is significantly lower than the average for the UMN CBC benchmarks data from 1994-2019.² Among previous CBC communities, the average number of workers was 45. Over the last three years, Lonsdale businesses have seen an increase in the number of full-time, part-time, and seasonal employees.

Note that at the time of this report, the COVID-19 pandemic is still an issue in Minnesota and beyond. Some business sectors are feeling the effects of the approximately 18-month long pandemic. However, insight into employment or other impacts that have happened to Lonsdale businesses because of the pandemic have not been detailed at this time.

One survey question asked businesses to indicate whether they expect the number of employees in various occupations to increase, decrease, or stay the same. According to surveyed businesses, the most significant increases appear to be in the two categories of unskilled service workers and unskilled manufacturing. Lonsdale businesses are expecting to add an aggregated 21 and 10 workers in these categories, respectively, over the next three years.

Many of the occupations that Lonsdale businesses expect to add in the next three years are also those that they have the most trouble recruiting. Of those businesses surveyed, 27% report difficulties recruiting unskilled service workers, followed by professional and managerial workers (14%), repair and skilled

manufacturing workers (9%), unskilled manufacturing (9%), and engineers, scientists, and technicians.

A large majority of Lonsdale businesses (86%) train their employees in house, as shown in Figure 1 below. While this value may seem large, it is similar to the average for previous CBC communities (75%). Other training methods among Lonsdale businesses include offsite trainings, self-taught (manuals, videos), and private vendors. Compared to previous CBC communities, Lonsdale businesses are more likely to contract with private vendors (22% of businesses in previous CBC communities contracted with private vendors either online or onsite) but less likely to send employees to training off-site (42%) or use apprenticeships (10%).

According to the survey results, more than half of all Lonsdale businesses report needing training for their workers or managers. The largest need for training was seen in managerial skills with 41% of the businesses having staff

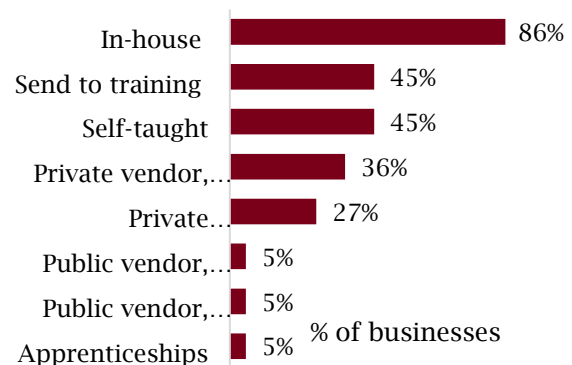


Figure 1. How do you currently train your employees?

needing these skills. The largest needs in the “other skills” category include healthcare, licensing, construction, and education. In total, over 200 workers need additional training in Lonsdale.

referring to the averages for previous communities that have participated in the UMN program, the authors refer to the communities as “previous CBC communities.”

² Note that the program used to be called the BR&E Strategies Program, but the UMN Extension has rebranded it as the Connecting Businesses and Community (CBC) Program in 2019. Therefore, when

When asked about future plans, half of Lonsdale businesses reported considering expanding at the current location. Of the other options, the most common plans were either taking no actions (32%), merging with another business (18%), or expanding at another location (18%). These results are very positive compared to benchmarks from previous CBC communities. For example, only 14% of Lonsdale businesses were considering a negative change (i.e. selling, moving, downsizing, or closing). This is quite a bit lower than the average for previous CBC communities where about 26% of businesses on average were considering a negative change. And the percentage of Lonsdale businesses that are considering expanding at their current location is significantly higher than the average for previous CBC communities (21%).

Overall, participants in the Lonsdale CBC have a positive view of their community as a place to live and a place to do business. As a place to live, 55% of respondents say Lonsdale is either excellent or above average (see Figure 2 below). As a place to do businesses, about 50% of

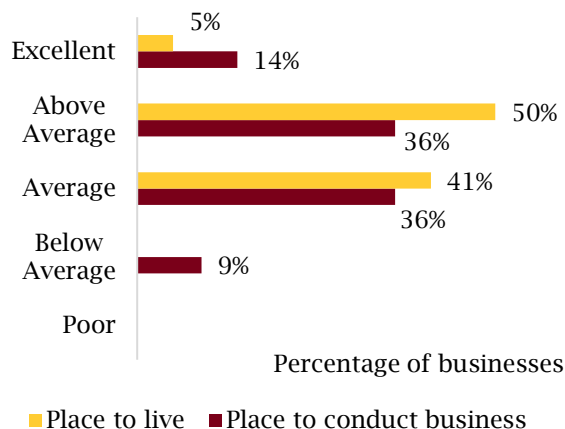


Figure 2. Rate Lonsdale as a place to live and conduct business

respondents say that Lonsdale is above average or excellent. The mean rating for Lonsdale is 3.62 out of 5.0 as a place to live and 3.57 as a place to do business as shown in Figure 2. These values, however, are lower than the mean ratings for previous CBC communities of 4.1 and 3.8, respectively.

Identified Strategies

Four primary strategies emerged from an analysis of the interview results and discussions by the Online Research Review Panel. Each of the strategies is a theme, supported by data from the business interviews. As such, each strategy provides a way of framing the CBC situation in Lonsdale but they are not mutually exclusive from each other.

Strategy 1: Business Support

Strategy 2: Workforce Strategies

Strategy 3: Community Identity

Strategy 4: Lonsdale Business Park

Selected Priority Projects

Under each strategy, the Research Report listed potential projects that the Lonsdale CBC Task Force could consider to help fulfill the strategy. During its July 14, 2021 retreat, the Task Force developed three priority projects for near term action. The Task Force built on project ideas in the Research Report to create projects that were suitable for Lonsdale. These priority projects are listed here and described below.

1. **Business Succession/Business Plan Assistance Group**
2. **Increase the Variety of Businesses in Town**
3. **Small Business Alliance Group**

The respective project teams created each project's description. Descriptions include general reasoning for each project and the plans developed by the project committee. Furthermore, the interview results that highlight the need for the project are included where appropriate. If you are interested in assisting in any of the projects' implementation, please contact one of the committee members listed.

Priority Project #1: Business Succession/Business Plan Assistance Group

This project responds to the issue of future changes in business ownership and leadership in Lonsdale. (See pp. 22-23 of the research report for more details).

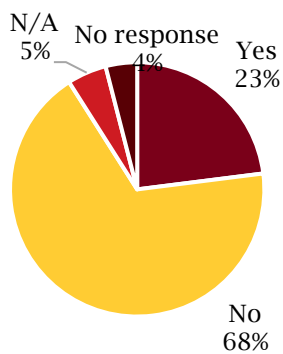


Figure 3. Do you have a written transition plan for ownership, leadership, or both?

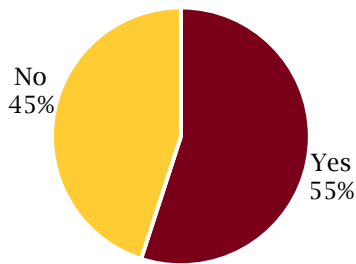


Figure 4. Do you have a written business plan?

According to the survey of Lonsdale businesses, only 55% have a written business plan and even fewer (23%) have a transition plan for ownership (see Figures 3 and 4). Despite this, more than half of surveyed businesses expect changes to their business plan in the next three years (see Figure 5 below). In addition, 64% of Lonsdale businesses are locally owned, which puts an additional burden on the community to ensure the business remains operational.

Report from the project team: Our group plans

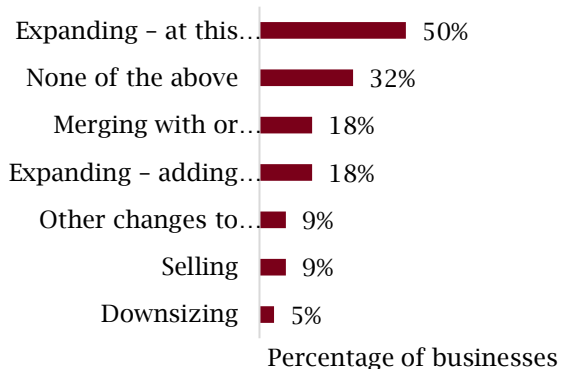


Figure 5. Are you currently considering any of the following future plans?

to hold a seminar involving local experts to talk about succession planning. Frandsen Bank & Trust is willing to sponsor the event, and the seminar will focus on the life cycle of a business—from start up to succession.

After the seminar ends, we will send out pamphlets to all businesses, whether they came to the seminar or not. The pamphlet will go over what we went over in the seminar and remind business owners of the local resources they have. The project committee includes Dan Hardel, Liz Daleiden, Steve Cherney, and Mike Chapman

Priority Project #2: Increase the Variety of Businesses in Town

Our committee's mission is to increase the variety of businesses and restaurants in Lonsdale, especially regarding retail and services. The committee is developing a market area profile to identify retail and service gaps and recruit potential businesses. We're also identifying potential buildings suitable for services and retail and identifying available land. Our committee collaborated with the city and chamber to create a list of all Lonsdale business and categorized them by industry sector to analyze potential gaps, such as a pharmacy, more daycare centers, etc.

The committee also developed a survey to distribute through social media platforms to elicit input from Lonsdale residents, visitors, and those who work in Lonsdale. This will help us learn more about their perception of shopping in Lonsdale, their shopping habits, and businesses they would like to see developed in Lonsdale. The survey also asked questions about employment and commuting habits to ascertain any patterns that might benefit potential retail or service providers.

Once our committee's market area profile and

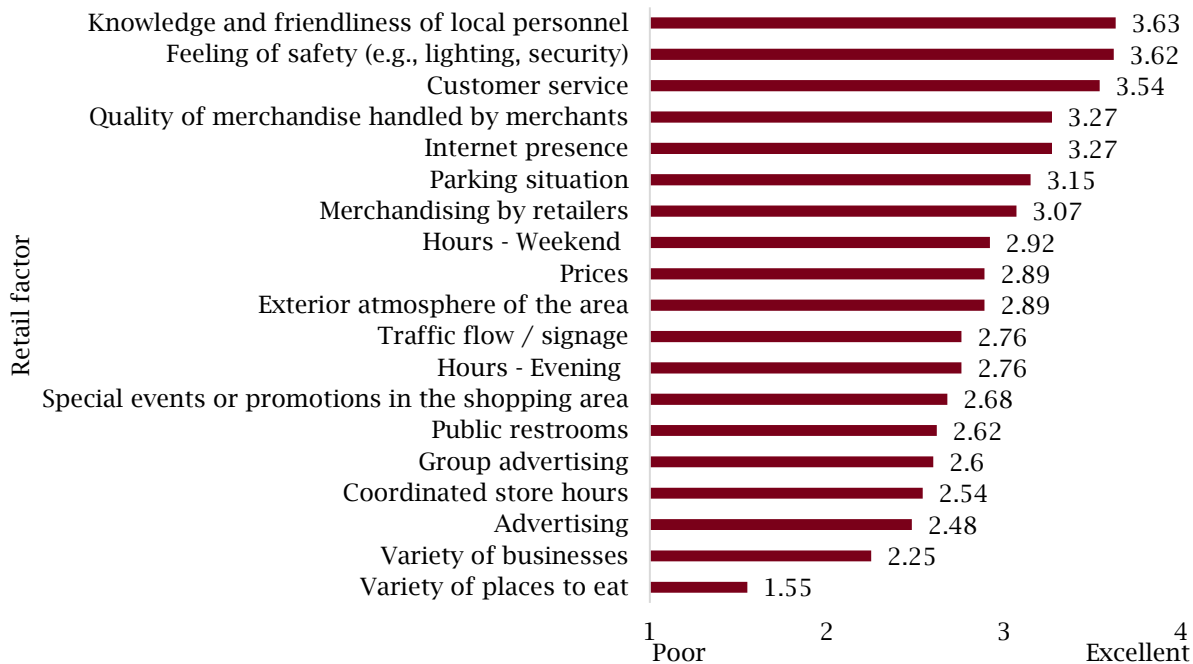


Figure 6. Satisfaction with retail factors in Lonsdale

analysis are completed, we plan to use the data to reach out and attract potential businesses and service providers that are desired by most residents, employees, and visitors. Data from the market area profile could also be used by retailers and service providers to identify potential market segments that have not been marketed to in Lonsdale, thus increasing sales and possible business expansions. Our committee is also considering using data from the market area profile to interest local investors in potential retail and service provider opportunities.

This item stems from data in questions 39a (as shown in Figure 6 above) and the CBC survey (see tab or chapter 4 of the full Research Report).

This project committee includes Lance Benninghoff, Cindy Furrer, Joe Daleiden, Pat Wallin, Russ Sirek, and Chris Meyer

Priority Project #3: Small Business Alliance Group

Lonsdale's business community is primarily made up of small, locally owned businesses, as shown in Figure 7. This is a potential strength in terms of addressing businesses' concerns. Lonsdale also had strong survey participation

from its retail sector. Over 20% of survey respondents identified as being in retail (see Figure 8 on the following page).

One potential concern was raised in question 39 in the Lonsdale business survey that asked businesses to rate a variety of factors about retail in the community. Of the factors, advertising, coordinated store hours, the exterior atmosphere of the area, and special events/promotions were among the areas that received the lowest rankings (see Figure 6).

This priority project originated in the Community Identity strategy in the Research Report. The project idea suggested from the

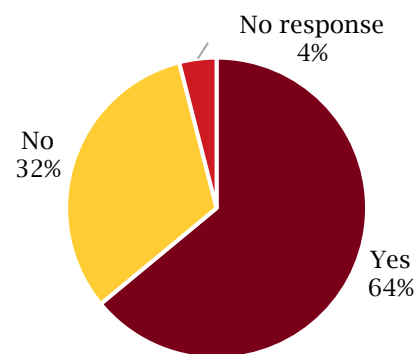


Figure 7. Is your business locally owned?

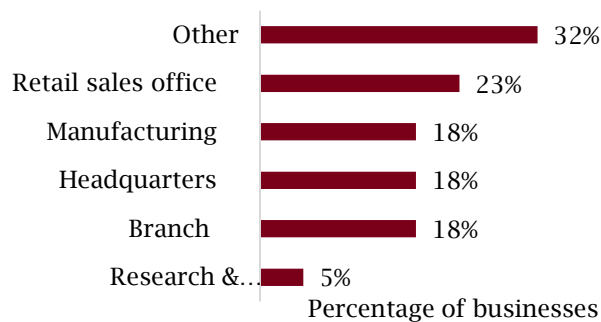


Figure 8. What type of facility is this?

report (see project idea 3.2 on p. 32) is to create a Business Alliance and revamp the Lonsdale app. The alliance will be made up of business owners and the Lonsdale Area Chamber of Commerce. It will explore opportunities to collaborate and cross-promote the downtown businesses, improve the exterior atmosphere of the downtown area, expand marketing and advertising beyond the city, and revamp the defunct Lonsdale App.

The Business Alliance group developed a short survey for businesses to complete, which was based on the Collaboration and Cross Promotion goals. The survey was sent to 77 businesses, with 16 (21%) responding. Based on the responses, there is an interest in businesses working together to collaborate/cross promote their businesses. Nearly 70% of respondents said they have collaborated with other local businesses. The respondents also provided a number of ideas for collaboration/cross promotion.

The goal of the Small Business Alliance Group is to unite business owners and provide opportunities to collaborate and work together to promote local patronage.

The next steps of the Small Business Alliance Group are:

1. Review the survey results
2. Coordinate a meeting of business owners to:
 - a. Provide an opportunity to meet

other business owners/representatives

- b. Establish groups of like businesses or area businesses (downtown, MarketPlace, etc.) to generate ideas for collaboration/cross promotion of each other
- c. Review current marketing plans: APG digital marketing (pre-roll videos and display ads) and LoopNet Gold Ad to market city-owned properties for sale on Commerce Drive Southeast
- d. Develop a survey specific to an App that provides City information, an opportunity for residents to report issues (potholes, blight, etc.) and to determine how businesses in Lonsdale envision the use of the App to promote local patronage
- e. If an App is desired, research the options and capabilities of an app for the city (e.g. SeeClickFix, TextMyGov, APEXMOBILE, My City Mobile App, GOGov)

The project committee includes Laura Prigge, Scott Pelava, Cheryl Fitterer, Tim Rud, Audre Johnson, Joel Erickson, and Lisa Strawhacker.

Credits

The Lonsdale CBC Task Force selected these priority projects. Gina Gensing and Monica Haynes of UMD and Michael Darger of UMN Extension compiled this report using the three priority project descriptions prepared by the project committees.

For more information about the Lonsdale CBC Program, contact Joel Erickson at 507-744-2327 or jerickson@lonsdalemn.com or contact one of the project team members listed above.