



GOODHUE COUNTY MINNESOTA

TO EFFECTIVELY PROMOTE THE SAFETY, HEALTH, AND WELL-BEING OF OUR RESIDENTS

COMMITTEE OF THE WHOLE AGENDA
COUNTY BOARD ROOM
GOVERNMENT CENTER
RED WING, MN

MARCH 19, 2019
9:30 A.M.

(OR IMMEDIATELY FOLLOWING THE COUNTY BOARD MEETING)

1. Southeastern Minnesota League of Municipalities

Documents:

SEMLM - SE MN Regional Econ Study - Study Findings 10.12.18.with Goodhue County Info
(002).pdf



SOUTHEAST MINNESOTA REGIONAL ECONOMIC STUDY

HR&A
Analyze. Advise. Act.



PROJECT OVERVIEW

REGIONAL TRENDS

INITIATIVES

IMPLICATIONS

QUESTIONS

PROJECT OVERVIEW | A State grant appropriation through DEED provided funding for SEMLM and CEDA to understand economic impacts facing Southeast Minnesota (the Region). Findings from this study will enable communities to prepare for both future economic challenges and opportunities.

Working in partnership with 60+ municipalities



PROJECT OVERVIEW | This study seeks to evaluate the regional economic and demographic impacts of proposed plans and economic development initiatives, and to provide regional stakeholders with training on an economic tool that can be used to assess the impacts of future projects.

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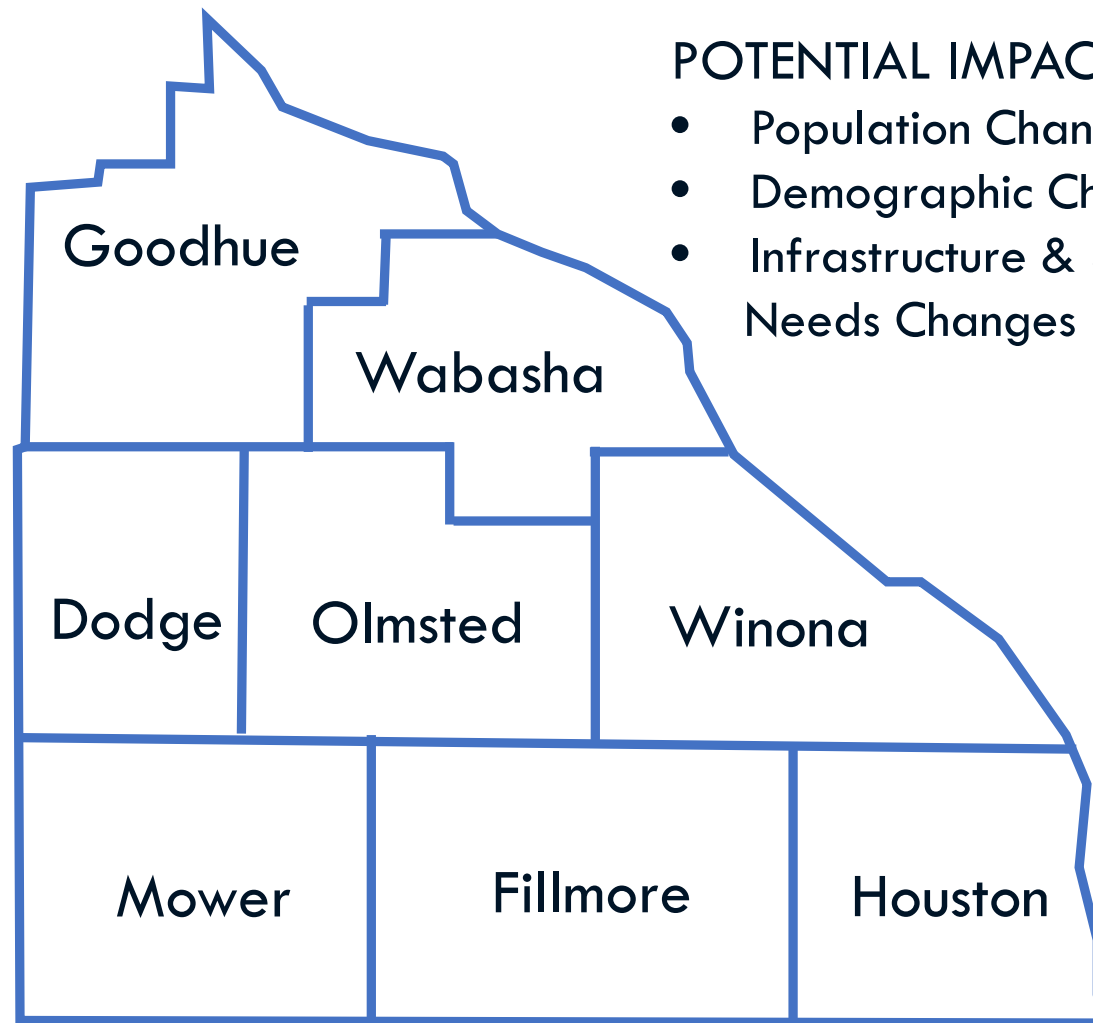
COUNTIES

78

MUNICIPALITIES,
65 OF WHICH
ARE SEMLM MEMBERS

368k

REGIONAL
POPULATION



POTENTIAL IMPACTS:

- Population Changes
- Demographic Changes
- Infrastructure & Service Needs Changes

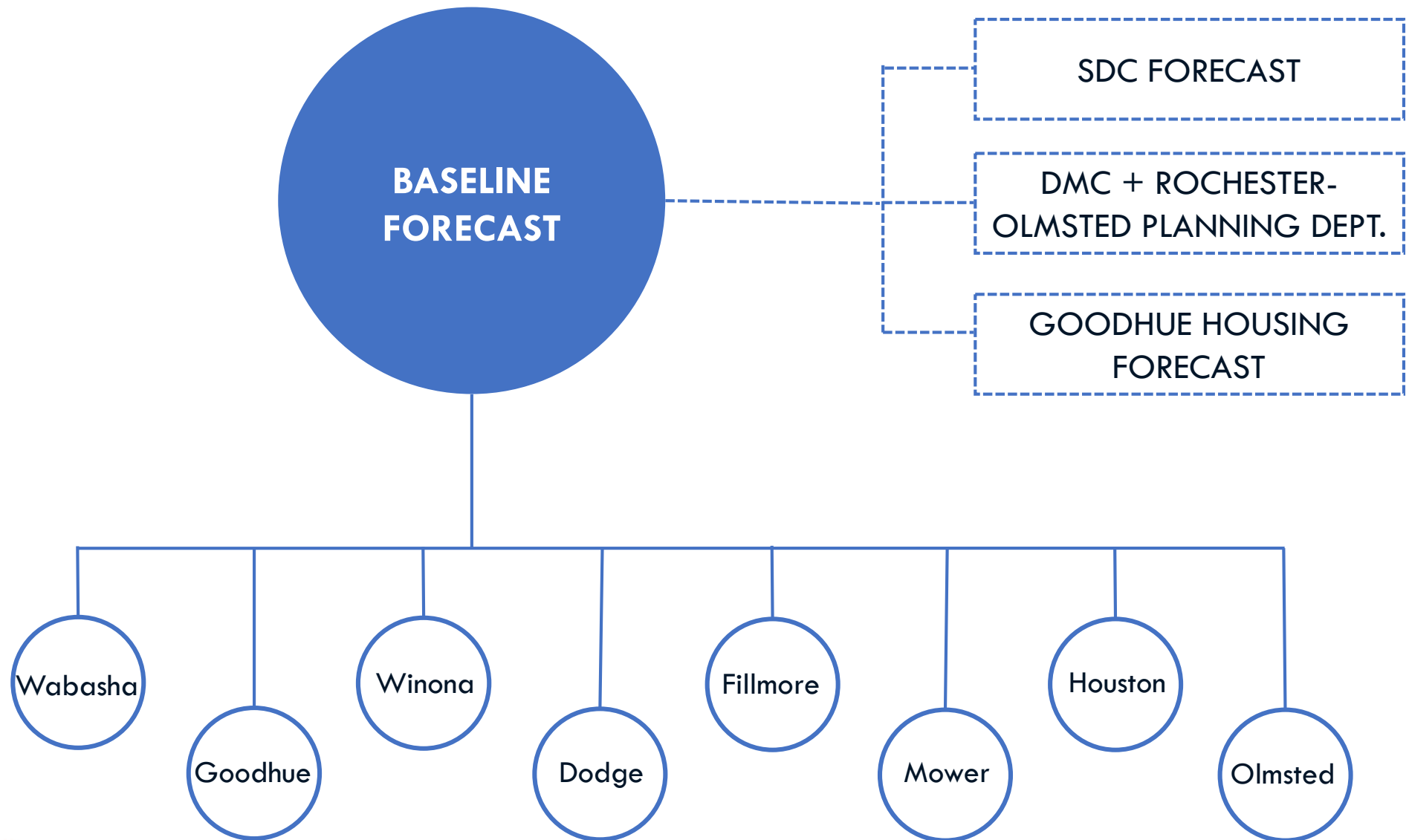


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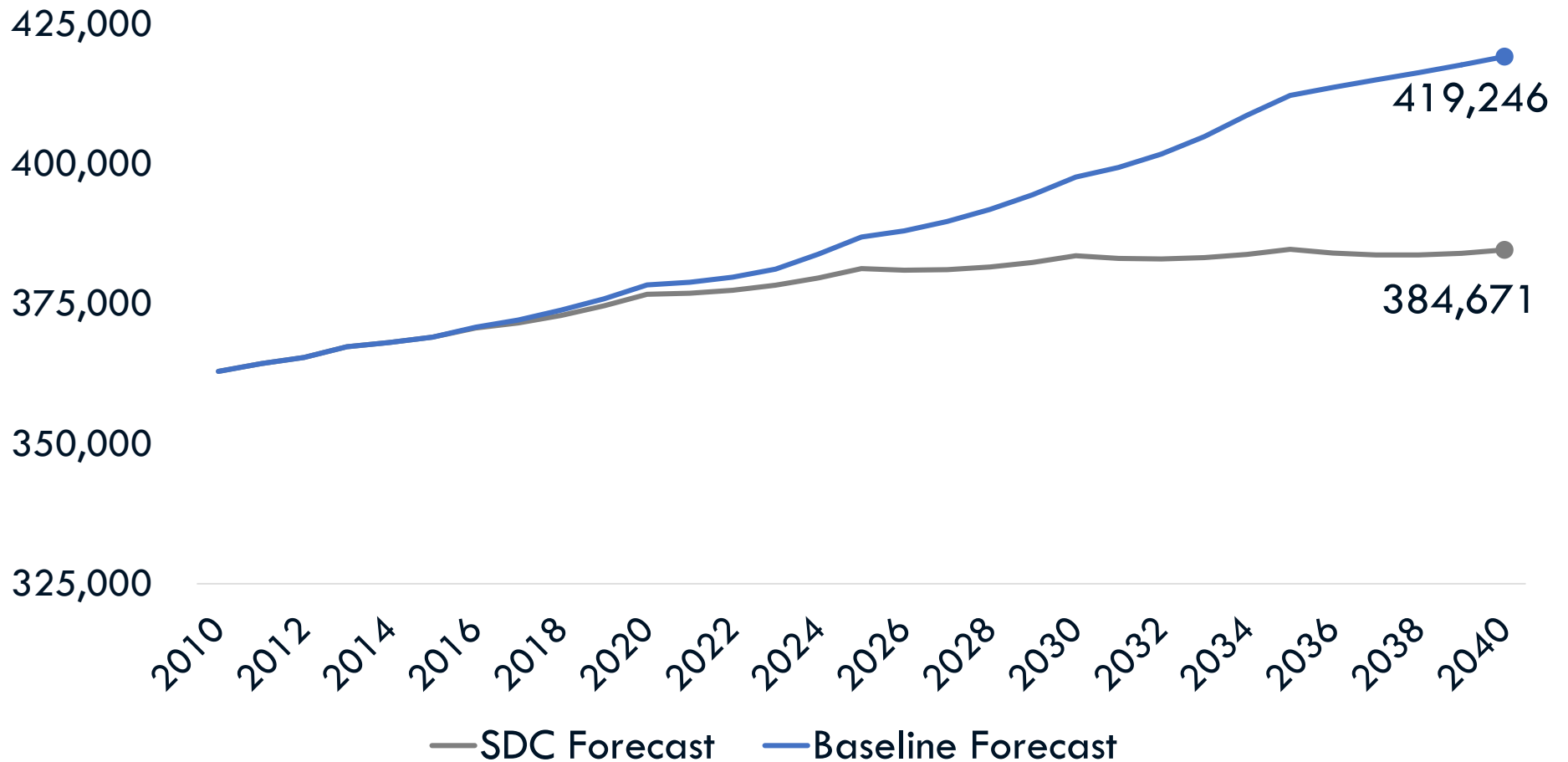
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REGIONAL TRENDS | This Study used the State Demographic Center’s conservative population projections, and extrapolated employment projections, to calibrate a Baseline Forecast that incorporates projected growth associated with existing and planned initiatives.



REGIONAL TRENDS | The Baseline Forecast projects that the Region will see growth of 50,200 residents between 2015 and 2040, up to 419,200 total residents.

Regional Population Projection, 2010-2040



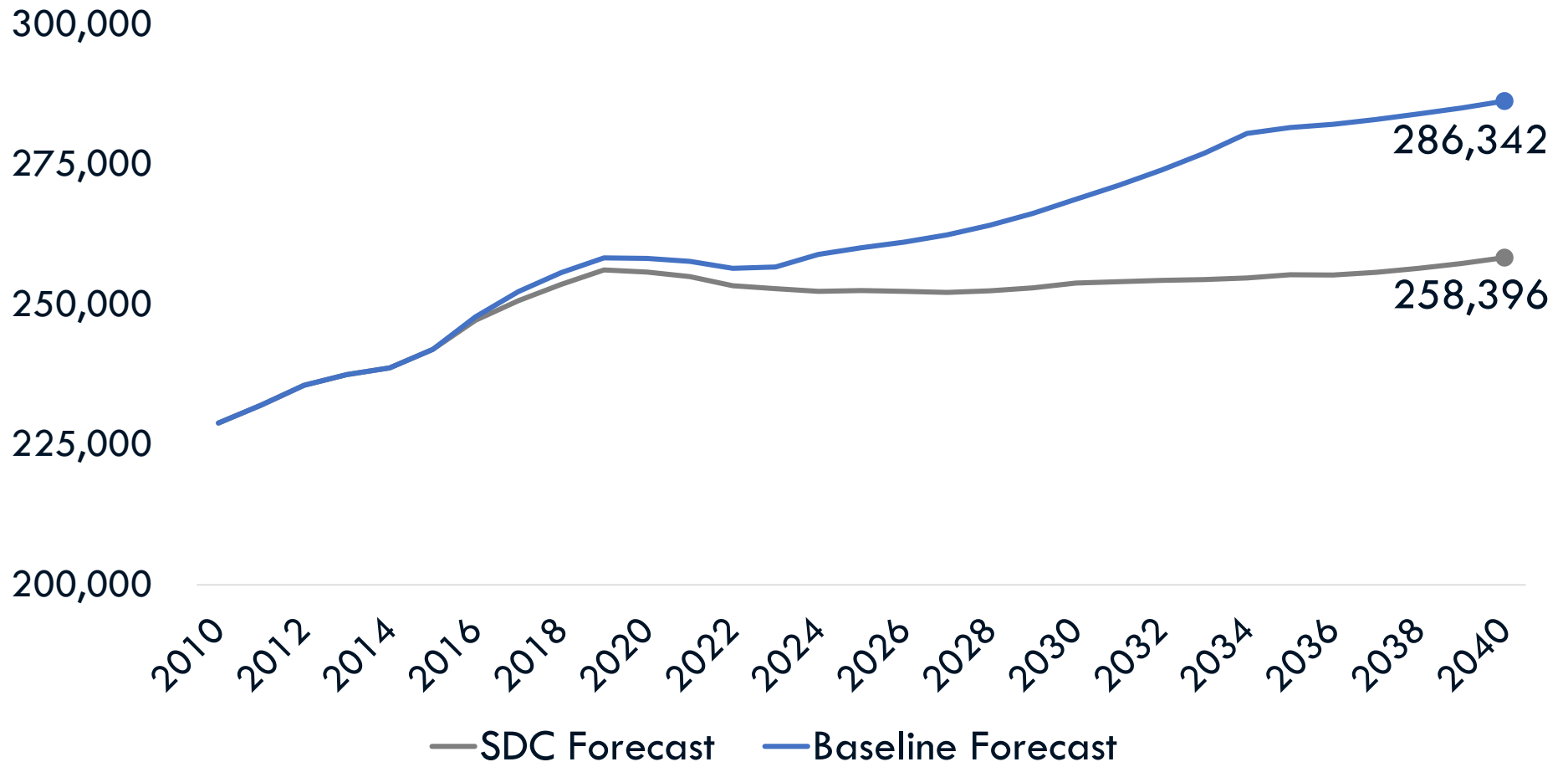
Source: Census, ACS



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REGIONAL TRENDS | The Baseline Forecast projects that the Region will see growth of 44,400 employees between 2015 and 2040, up to 286,300 total employees, including 7,660 spin-off jobs throughout the Region as a result of the DMC.

Regional Employment Projection, 2010-2040



Source: Census, ACS



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REGIONAL TRENDS | While communities throughout the Region are faced with distinct challenges and opportunities, three primary policy areas can be addressed at the regional-scale for maximum impact.



REGIONAL TRENDS | Communities throughout the Region have identified the need for increased and diversified housing, though local market conditions and regulatory barriers impede supply.



- Between 2009 and 2016, the Region needed 5,500 housing units to meet the population's needs, exceeding **new construction by 1,900 units**
- The **DMC Development Plan** estimates that between 2,300 and 3,100 new housing units will be needed in the Development District
- **Plainview** identified the need for more than **350 units** by 2025, and **Red Wing** reports demand for **460 senior housing units** by 2020 based on current trends
- Responding to limited development, **Austin** implemented a **5-year property tax abatement** for new home construction, and **Lanesboro** is looking to allow **infill development** to address housing needs

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INITIATIVES | In addition to the baseline population and employment forecasts, this Study analyzed the impacts of key regional trends and potential regional initiatives, identified through stakeholder consultation, that will impact the Region's future growth.

**BASELINE POPULATION &
EMPLOYMENT FORECASTS**

+

Growing Need for Housing

Labor Supply

Demand for Regional Transportation

International Migration

Growth of Tourism & Recreation

Healthcare Insurance Costs

Agriculture & Manufacturing

HOUSING | Municipalities and counties expressed the need for affordable housing and diversified housing typologies as two significant issues facing their communities. These challenges will be compounded by the growth of the DMC.

EXISTING CONDITIONS

- **13.7k new residents** between 2009 and 2016, and **only 3.6k new housing units** in the same period, creating large unmet demand.
- **A lack of diverse housing options**, especially for seniors and young professionals, exacerbates the already restricted housing market.

FUTURE GROWTH

- With the implementation of the DMC, anticipated to create between 37k and 47k direct and indirect jobs in the region, the **current pace of housing supply will need to increase 2X** to meet the growing workforce's housing needs.
- Without greater diversification of housing options, **housing costs will rise and the labor pool may become restricted**, as employees are unable to find affordable housing proximate to workplaces.

Notes: Average Household Size is 2.5; DMC projects the creation of 26,800-32,200 direct and 10,000-15,000 indirect jobs.

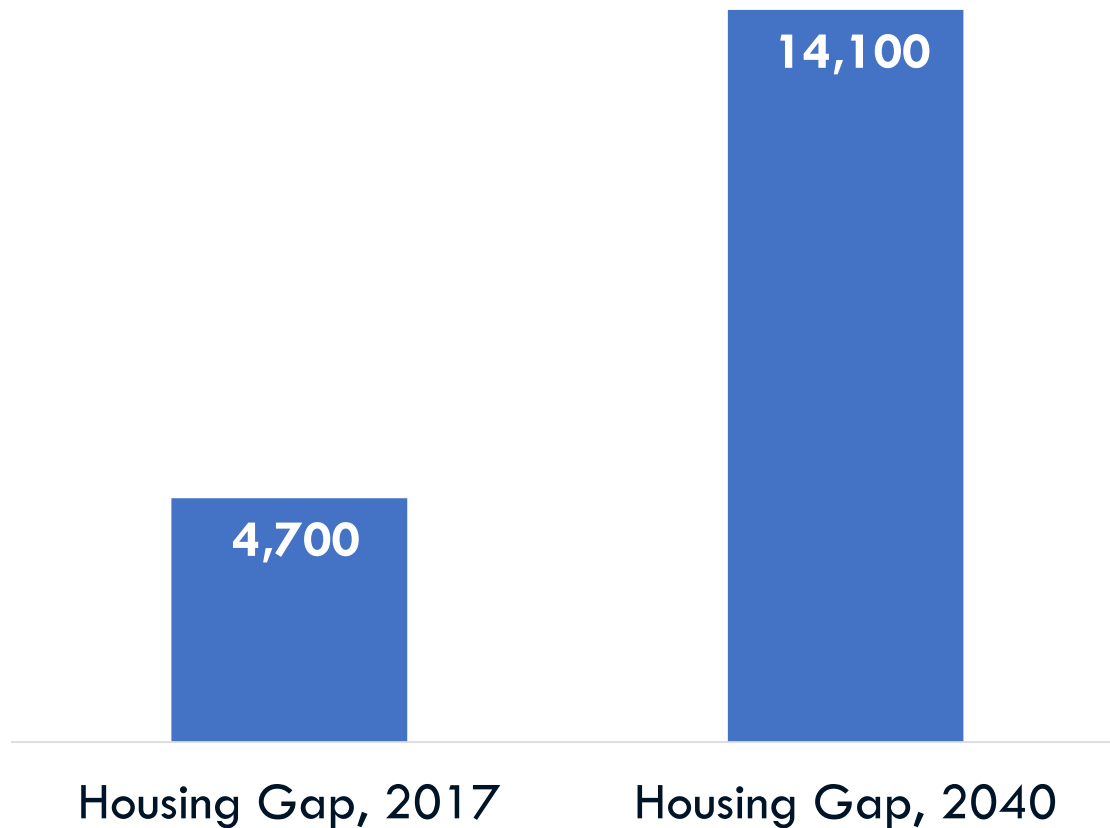
Source: ACS 5-Year, 2012-2016; DMC Integrate Studies; Emsi Economic Model; DMC Development Plan



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HOUSING | Historically, the Region has seen a 0.33% annual increase in housing supply, compared to the Region's population growth of 0.36%. This gap will increase as the Region's population grows, with significant demographic and economic impacts.

Housing Gap, 2017-2040



TOTAL IMPACTS BY 2040, WITHOUT REQUIRED HOUSING PRODUCTION:

(25,200)

Residents

(\$4.14B)

Economic Output

(\$1.14B)

Earnings

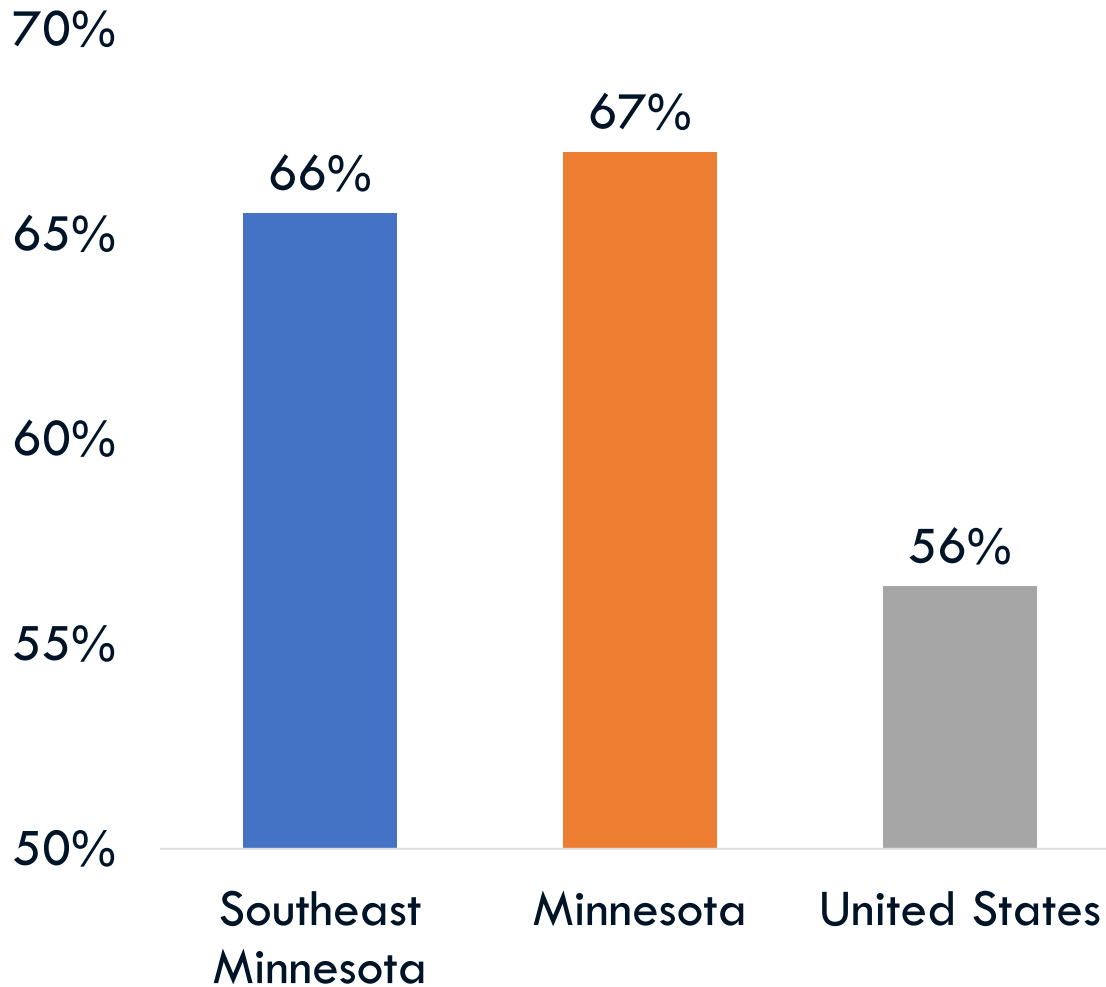
Source: ACS, REMI



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LABOR SUPPLY | By providing more affordable and accessible child care throughout the Region, employment options for the Region's workforce will increase, with particular benefit to women in the Region.

Women's Labor Force Participation, 2015



TOTAL IMPACTS BY 2040, WITH LOWER CHILDCARE COSTS:

+5,900
Jobs

+\$1.14B
Economic Output

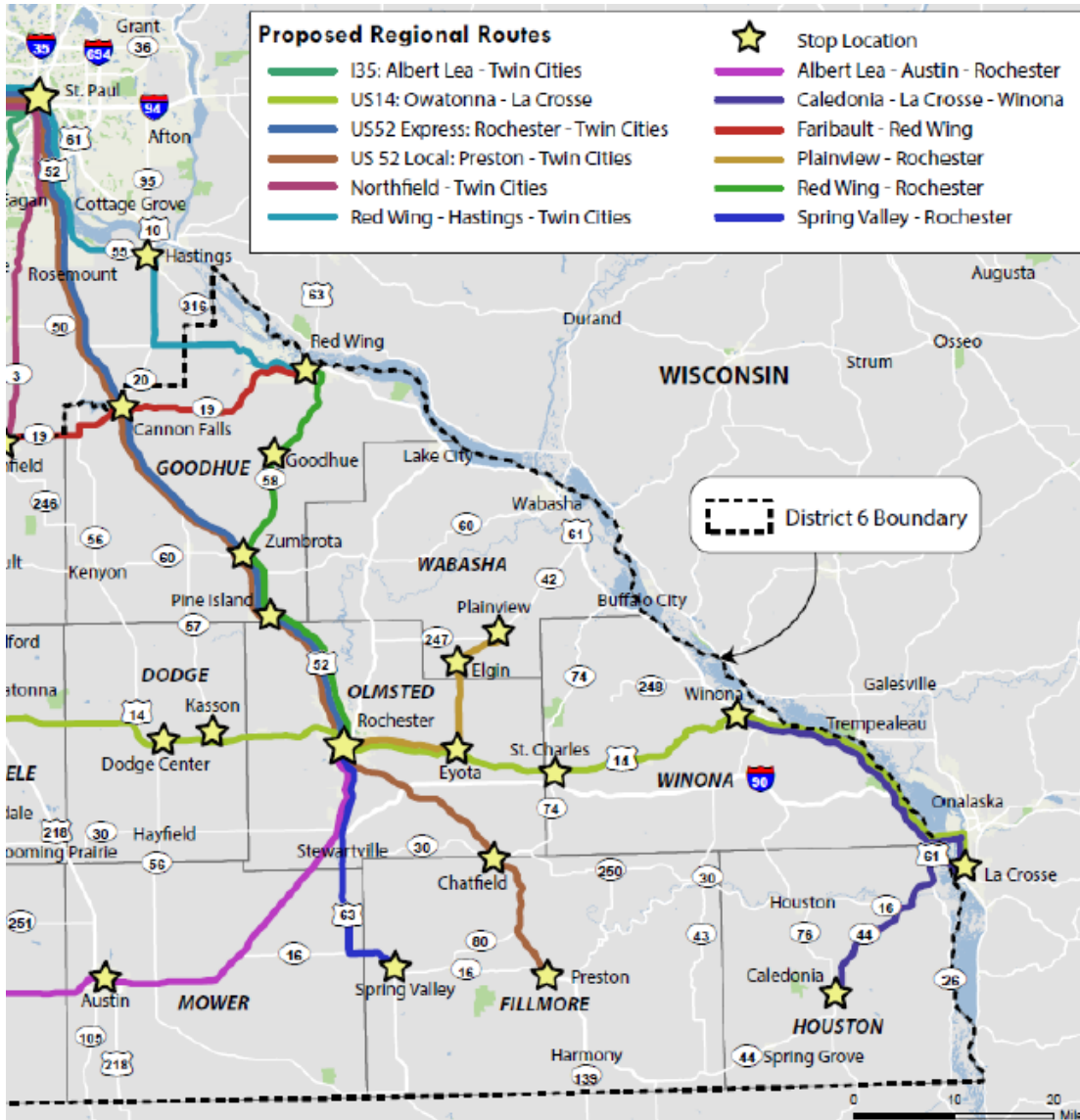
+\$282M
Earnings

Source: REMI, BLS



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TRANSPORTATION | Regional transportation and quality connectivity will allow the Region to address both housing and labor supply challenges, connecting workers to jobs and diverse housing opportunities.



**TOTAL IMPACTS BY 2040,
WITH IMPROVED LABOR
ACCESS:**

**+1,100
Residents**

**+\$460M
Economic Output**

**+\$43M
Earnings**

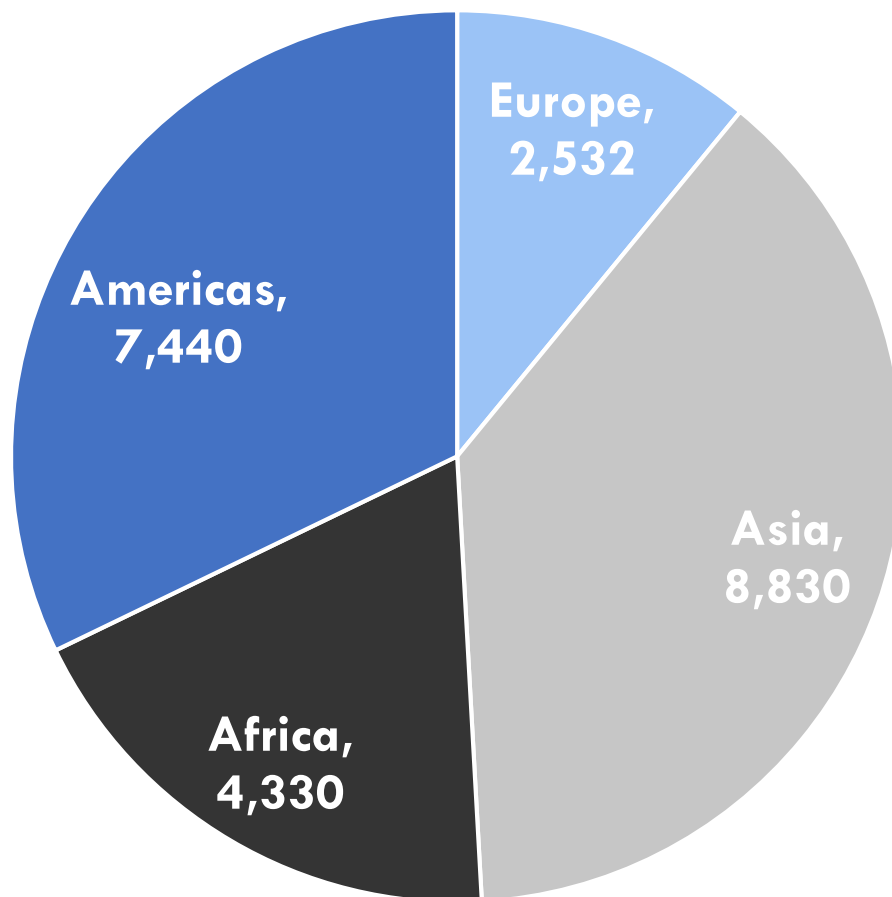
Source: Nelson\Nygaard



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IMMIGRATION | The Region's immigrant population grew from a 4.2% share of the population in 2000 to 6.4% in 2016. Providing services to support this population will grow the Region's labor supply and contribute to long-term economic growth.

Foreign-Born Population by Continent of Birth



TOTAL IMPACTS BY 2040, WITH HIGHER CAPTURE OF IMMIGRANTS:

+2,000
Jobs

+\$380M
Economic Output

+\$25M
Earnings

Source: ACS



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TOURISM | A regional tourism strategy will market the Region to visitors, driving new visitor spending and creating jobs throughout the Region.

Existing Tourism Drivers:



**TOTAL IMPACTS BY 2040,
WITH REGIONAL TOURISM
STRATEGY:**

+1,200
Jobs

+\$123M
Economic Output

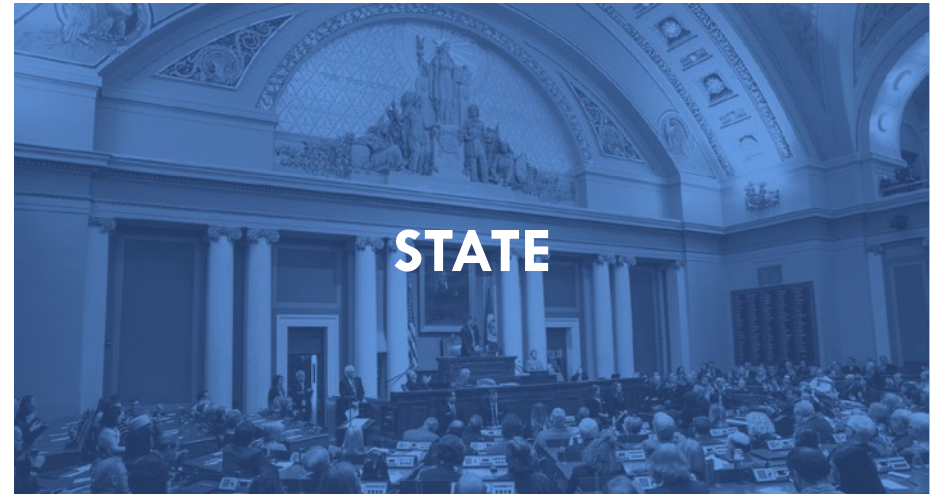
+\$11M
Earnings

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IMPLICATIONS | Local autonomy is a critical characteristic of counties and municipalities throughout the Region, but the Region's long-term economic success will rely on close coordination across jurisdictions to address pan-regional challenges.



Existing Conditions and County-Wide Trends

Goodhue County is the third-most populous in the Region and has the third-largest number of employees. The County’s historical population and employment growth has matched the Region’s as a whole. More than a quarter of the county’s population is younger than 18 years old, though nearly 40% of the county’s residents are seniors.

Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	34,800	38,700	40,700	44,100	46,200	46,400	0.64%
Employment	13,300	17,400	19,600	30,400	29,200	29,900	1.82%

Industry Trends

Absolute Industry	2001	2015	Change	Annualized Change
Manufacturing	4,850	4,680	(170)	- 0.25 %
Government	4,740	3,910	(830)	-1.37%
Health Care and Social Assistance	2,720	3,420	700	1.65%
Retail Trade	3,400	3,000	(400)	-0.89%
FIRE - Finance, Insurance, Real Estate	1,740	2,210	470	1.72%
Tourism	2,110	2,130	20	0.07%
Agriculture, Forestry, Fishing and Hunting	2,350	1,980	(370)	-1.22%
Construction	1,290	1,370	80	0.43%
Transportation and Warehousing	880	1,030	150	1.13%
Wholesale Trade	740	870	130	1.16%
Professional, Scientific, and Technical Services	900	840	(60)	-0.49%
Educational Services	170	280	110	3.63%
Other	4,050	4,190	140	0.24%

❏ “Other” includes Mining, Utilities, Management of Companies and Enterprises, Administrative and Waste



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Median Household Income

Source: ACS; Shown in 2016\$

Area	2009	2016	Change, 2009-2016
Goodhue	\$56,000	\$60,000	7%
Southeast Region	\$52,000	\$59,000	13%
Minneapolis-St. Paul MSA	\$65,000	\$71,000	9%
Minnesota	\$57,000	\$63,000	11%
United States	\$51,000	\$55,000	8%



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GOODHUE COUNTY –

Economic Trends and Initiatives

Recent economic development initiatives throughout Goodhue County have positioned the county well for continued growth.

The use of tax incentives and other funding mechanisms, including grants, have helped support the manufacturing, utilities, and tourism industries.

Communities throughout the county expressed

- the need for more diverse housing options
- the challenges employers face attracting skilled workers.

Recent economic development initiatives include:

- The **Lake City** Economic Development Authority and Chamber of Commerce are partnering with SMIF on a 3-year grant for the Rural Entrepreneurial Venture grant, which is projected to grow the city's economy with visible results in 7 to 10 years.
- **Lake City and Red Wing** are planning to develop an Olympic Ski Jump facility, which will attract thousands of visitors per year upon completion. (For more information, see Section 4.5.1 of the report.)
- **Cannon Falls** is seeking to increase diverse housing options, including affordable housing for families, townhomes for young adults, and more supportive housing options for its growing senior population.
- Also in **CF**, Artisan Plaza, a project that will offer retail, dining, and kitchen space for entrepreneurs. Gemini Inc. also began construction on a new facility which will house engineering and additional office space.

The **City of Red Wing** recognizes the opportunity for new multifamily residential development, as the amount of developable land for subdivisions is limited. The city's first market rental project in 25 years opened in 2017, adding 61 units.

Between 2012 and 2017, the Prairie Island nuclear power plant increased in market value from \$455 million to \$1.1 billion, or nearly 145%.

Red Wing's local manufacturers are struggling to find employees, and in response, the city is working with local high schools and colleges to better match local employer needs with education and training.

To advance **Red Wing's** tourism and resident attraction strategies, it has been investing in street infrastructure replacement projects, and parks and trails projects, and recently invested \$1.7 million to replace decorative lights in the downtown district.

The city also received state bonding and port assistance funds to plan a second boat dock on the Mississippi River for tour boats that visit Red Wing in the summer.

A \$1.2 million grant was recently awarded from the legacy funds for improvements to Barn Bluff, a regional park in Red Wing.

Wanamingo continues to use TIF districts as economic development initiatives, especially in the city industrial park.

Kenyon is in the final planning stages of development of a 29-acre business/light industrial area east of town. The city is also working with a local highway commercial business seeking to relocate to a site on Highway 60, which will open a large area for future commercial development on the east side of Kenyon.

Zumbrota's EDA continues to partner with the SE MN Multi-County Housing and Redevelopment Authority (SEMMCHRA) to administer a comprehensive multi-city Small Cities Development Program grant from DEED.

Z's “Make Downtown a Destination” works to improve the appearance and sense of place downtown. The Comp Plan proposes mixed-use zoning downtown, and the city continues to use banners, planters and other “soft” design elements that create a sense of pedestrian activity along Main Street.

The Baseline Forecast – Goodhue County

This Study establishes a Baseline Forecast for each county within the Region, which projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region.

The Baseline Forecast is important to understand the **projected net new impacts of proposed or underway economic initiatives.**

Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region.

The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the MN State Demographic Center.



Goodhue County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	46,400	47,500	48,700	50,100	51,600	53,000	0.53%
Employment	29,900	30,000	29,200	29,300	29,500	29,800	-0.01%

Goodhue County Baseline Age Cohort Forecast, 2015-2040							Annualized Change, 2015-2040
Age Cohort	2015	2020	2025	2030	2035	2040	
Ages 0-4	2,590	2,401	2,551	2,707	2,749	2,723	0.20%
Ages 5-19	8,852	8,079	7,552	7,182	7,395	7,842	-0.48%
Ages 20-24	2,409	2,470	2,041	2,080	1,741	1,563	-1.72%
Ages 25-34	5,098	5,487	6,291	6,040	5,811	5,628	0.40%
Ages 35-44	5,235	5,625	5,746	6,227	7,190	7,043	1.19%
Ages 45-64	13,462	12,750	11,866	11,335	11,480	12,571	-0.27%
Ages 65-74	4,715	5,918	6,857	7,220	6,460	5,571	0.67%
Ages 75+	4,074	4,722	5,814	7,280	8,785	10,018	3.66%

Source: REMI, HR&A Analysis



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Goodhue County Baseline Major Industry Forecast, 2015-2040

Industry							Annualized Growth,
	2015	2020	2025	2030	2035	2040	2015-2040
Manufacturing	4,680	4,070	3,350	3,100	2,950	2,880	-1.92%
Government	3,900	3,960	3,850	3,880	3,910	3,950	0.05%
Health Care and Social Assistance	3,420	3,810	3,980	4,180	4,350	4,530	1.13%
Retail Trade	3,000	3,080	3,060	3,140	3,220	3,320	0.41%
FIRE	2,200	2,150	2,080	2,000	1,970	1,920	-0.54%
Tourism	2,130	2,250	2,260	2,290	2,300	2,330	0.36%
Agriculture, Forestry, Fishing and Hunting	1,980	1,990	1,930	1,900	1,890	1,890	-0.19%
Construction	1,370	1,250	1,230	1,270	1,300	1,330	-0.12%
Transportation and Warehousing	1,030	1,050	1,080	1,130	1,170	1,210	0.65%
Professional, Scientific, and Technical Services	840	890	940	980	1,020	1,050	0.90%
Educational Services	280	300	300	300	320	320	0.54%
Other ^[1]	5,070	5,200	5,130	5,140	5,100	5,070	Total -0.01%
	29,900	30,000	29,300	29,200	29,500	29,800	

[1] "Other" includes Mining, Utilities, Management of Companies and Enterprises, Administrative and Waste Management Services, Federal Civilian and Military Employment, and Other Services, except Public Administration.



Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the inputs from initiatives (Section 5 of Study) into a single model simulation (“All Initiatives Model”). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend (reflecting only historical population change and projecting this into the future).

Important to the SDC Forecast is an implicit assumption about housing production; that previous housing production in the Region generally kept pace with population growth, and that this would persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model.

While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county’s economic growth will be solving for the housing gap and labor participation rates.

Goodhue County All Initiatives Impact, 2015-2040

	2015	2020	2025	2030	2035	2040	Annualized	
							2015	-2040
Population, SDC Forecast	46,400	47,400	48,500	49,600	50,700	51,800	0.44%	
Population, All Initiatives	46,400	47,500	48,800	50,200	51,700	53,000	0.53%	
Difference	-	100	300	600	1,000	1,200	0.09%	
Employment, SDC Forecast	29,900	30,000	29,100	29,200	29,200	29,500	-0.05%	
Employment, All Initiatives	29,900	30,100	29,400	29,600	29,900	30,600	0.09%	
Difference	-0-	100	300	400	700	1,100	0.15%	

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