

Economic Development Assessment

This chapter presents information on the Big Lake economy, its role in the region and factors that affect its economic competitiveness.

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Major Economic Development Issues

The following are the major economic development issues identified through the analysis of conditions. Issues are questions to be discussed, debated and resolved during the planning process in the context of other aspects of the comprehensive plan. The subsequent analysis of conditions provides the reader with information to better understand these issues and why they should be considered.

- 1. Economic Development, Transportation and Land Use:** Which areas should be developed, planned or preserved for business or industrial parks based on 9-ton or 10-ton access, rail development potential and reasonable access to sewer and water? What can the city do to avoid conflicting land use or transportation-related problems for business and industrial park tenants?
- 2. Business development:** What types of businesses does the city want to help grow? Attract? What actions and policies are needed to support business development?
- 3. Tax Base Development:** What, if anything, should the City do to strengthen its tax base and fiscal health? Should the city seek to strengthen its commercial/industrial tax base? What policies or strategies could the City use to enhance its tax base and fiscal health?
- 4. Workforce and talent attraction:** What strategies can the City use to create a community that attracts and retains talent attractive to area employers?
- 5. Redevelopment:** What role does redevelopment play in strengthening Big Lake? Which locations have priority for redevelopment during the next decade? What policies, tools or actions are needed to support redevelopment?
- 6. Transit oriented development:** What strategies will enable Big Lake to maximize the potential benefits of the Northstar Commuter Rail and Northstar CommuterLink service?

Major Economic Development Findings

Employment

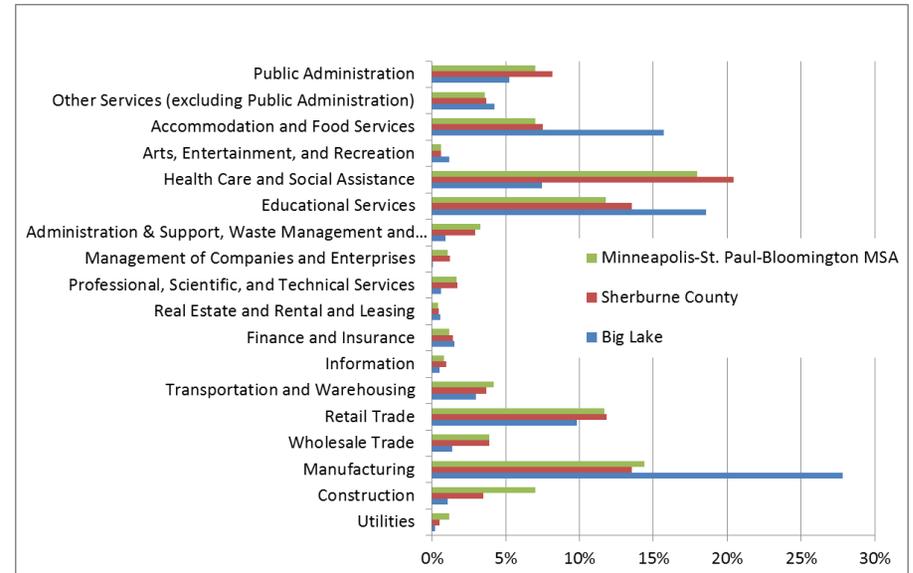
Big Lake has an exceptional concentration of employment in manufacturing (27.8 %), nearly double the concentration in Sherburne County (13.5 %) and the Minneapolis-St. Paul-Bloomington MSA (14.4 %). Accommodation and food services is another sector where Big Lake shows an employment concentration (15.7 %) that is double the county’s share (7.5 %) or the MSA’s share (7 %). Employment in educational services is high in Big Lake (18.6 %), compared to the county (13.6 %) and the MSA (11.8 %). Employment is low in health care and social assistance (7.5 %) compared to the county (20.4 %) and the MSA (18 %). Retail trade in Big Lake is somewhat light (9.8 %) compared to the county (11.9 %) and the MSA (11.7 %).

These numbers likely reflect

- The city’s heritage in hospitality and traffic on US 10
- The historic presence of Remmele Engineering in the community
- The city/township development of the industrial park
- The impact of young families and children on the school district
- The location of the former Monticello-Big Lake Hospital (now CentraCare) in Monticello, and
- The strong concentrations of retail businesses in Monticello, Elk River, St. Cloud and the metro area.

Concentrations of employment can be viewed as a competitive strength on which the community can continue to build. Areas where employment lags can be viewed as possible opportunities for the community, provided that economic conditions in the community and surrounding areas create sufficient demand.

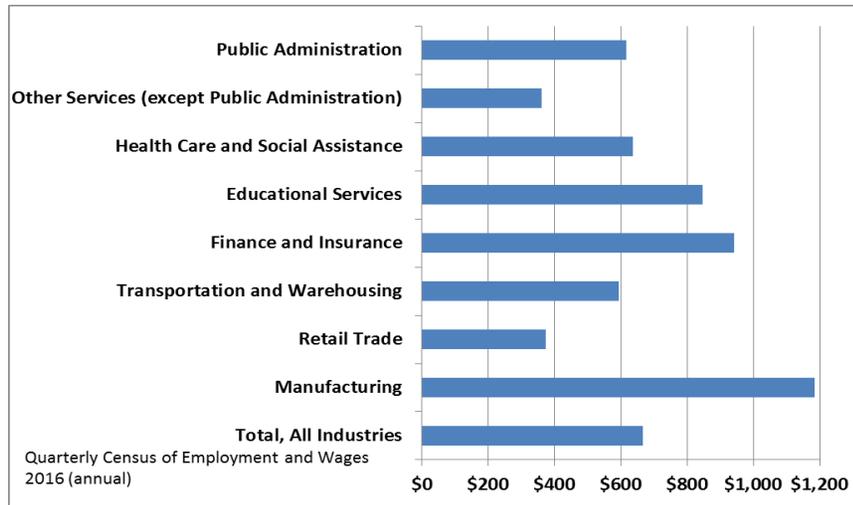
Figure 8-1
Employment by Industry, 2014



U.S. Census Bureau. 2016. OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>

Big Lake’s concentration in manufacturing boosts income for area residents and spending power in the region. The average weekly wage in manufacturing is \$1,184 compared with an average weekly wage in all industries of \$666. The retail and service sectors have the lowest weekly wage, \$375 and \$362 per week respectively.

Figure 8-2
Average Weekly Wage, City of Big Lake, 2016



A recent analysis by Brigid Tuck, University of MN Extension, for Sherburne County’s Futures Workshop documented a concentration of manufacturing employment in the Fabricated Metal sector— 4,041 jobs in the county. This sector includes machine shops, architectural and structural materials, metal containers, forging and stamping, coating, engraving and heat treatment businesses.

Tuck noted the competitiveness of this sector in Sherburne County: “The number of jobs in fabricated metal product grew by about 15 percent between 2001 & 2016 in Sherburne County. Meanwhile the same sector nationally has experienced decline in the number of jobs by 15 %.” She also documented that this sector has a significant positive effect on other businesses in the area including trucking firms, restaurants, employment services, and others resulting in 43 additional jobs in the area for every 100 jobs created in fabricated metal manufacturing.

Workforce

The availability and skills of the workforce is one of the top considerations for employers considering where to locate businesses. As the baby boomer

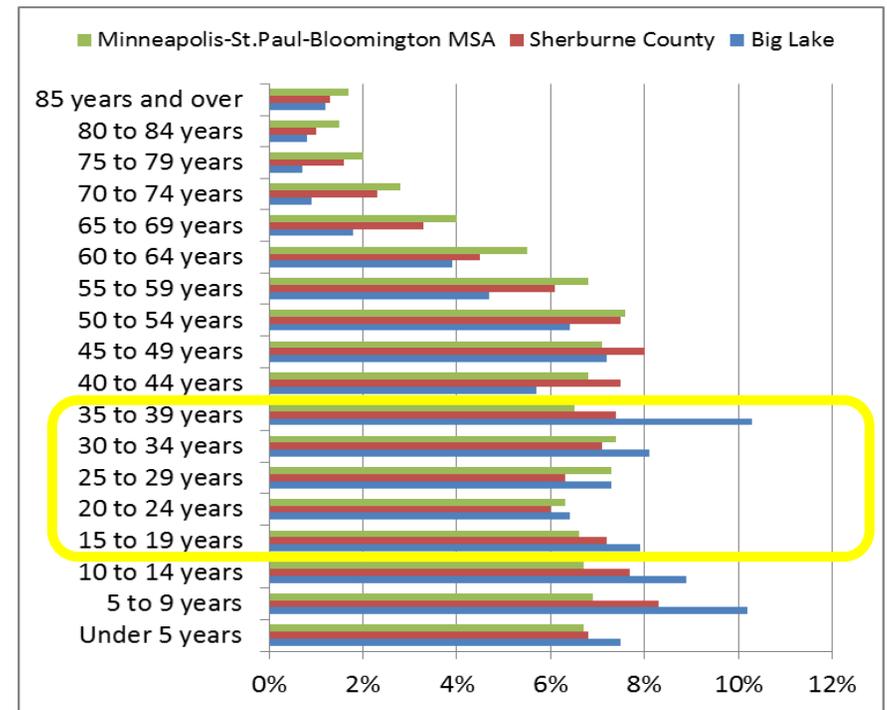
generation retires, this factor is expected to become even more important in certain business site location decisions. Big Lake is well-positioned to attract manufacturing firms from a workforce perspective because:

- The workforce is relatively young
- A significant percentage of residents currently commute over 25 miles to work
- Compared to the 17-county MSA, residents of Big Lake are twice as likely to be employed in a production, transportation or material moving occupation.

Age

Compared to the 17-county MSA, Sherburne County and especially Big Lake have a young population. The population of 20 – 39 year olds is attractive to many employers.

Figure 8-3
Age of Big Lake Residents, 2015

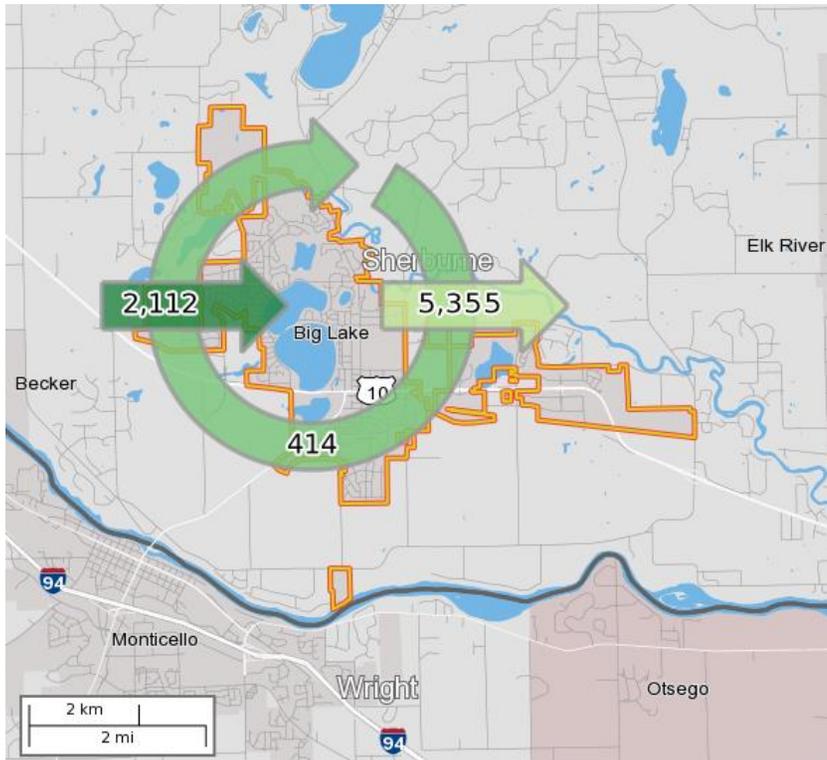


American Community Survey Population Estimates, 2015

Commuting Patterns

Big Lake residents who are employed are likely to leave the community for employment – 92.8 % leave the community. The most recent data available (2014, US Census Bureau, CES) indicates that 5,769 workers reside in Big Lake but only 2,526 people were employed in the city. 5,350 workers residing in Big Lake leave the community each day to work; 414 live and work in the community and 2,112 people who reside outside the community work in Big Lake.

Figure 8-3
Inflow and Outflow of Jobs



U.S. Census Bureau. 2016. OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>

Table 8-1
Inflow and Outflow Job Counts (All Jobs), 2014

Employed in the Selection Area	2,526	100.0 %
Employed and Living in the Selection Area	414	16.4 %
Employed in the Selection Area but Living Outside	2,112	83.6 %
Living in the Selection Area	5,769	100.0 %
Living and Employed in the Selection Area	414	7.2 %
Living in the Selection Area but Employed Outside	5,355	92.8 %

Seventy-five percent of workers commute more than 10 miles to work, with 47.4 % commuting more than 25 miles to work.

Table 8-2
Workers by Distance to Employment Location (linear)

	Count	Share
Less than 10 miles	1,344	25.4 %
10 to 24 miles	1,442	27.2 %
25 to 50 miles	2,300	43.4 %
Greater than 50 miles	211	4.0 %

MN Compass, US Census Bureau Longitudinal Employer Data, 2nd Qtr. 2014

Big Lake and its close neighbors, Elk River and Monticello, provided employment opportunities for 23.3 % of Big Lake residents in early 2014.

**Table 8-3
Workers by Employment Location – Second Quarter 2014**

	Count	Share
Big Lake Workers with an Identified Employer Location	5,297	
Elk River	466	8.8 %
Monticello	412	7.8 %
Minneapolis	390	7.4 %
Big Lake	357	6.7 %
St. Cloud	229	4.3 %
Rogers	211	4.0 %
Plymouth	210	4.0 %
Maple Grove	157	3.0 %
Coon Rapids	146	2.8 %
St. Paul	118	2.2 %
All other	2,601	49.1 %

MN Compass, US Census Bureau Longitudinal Employer Data, 2nd Qtr. 2014

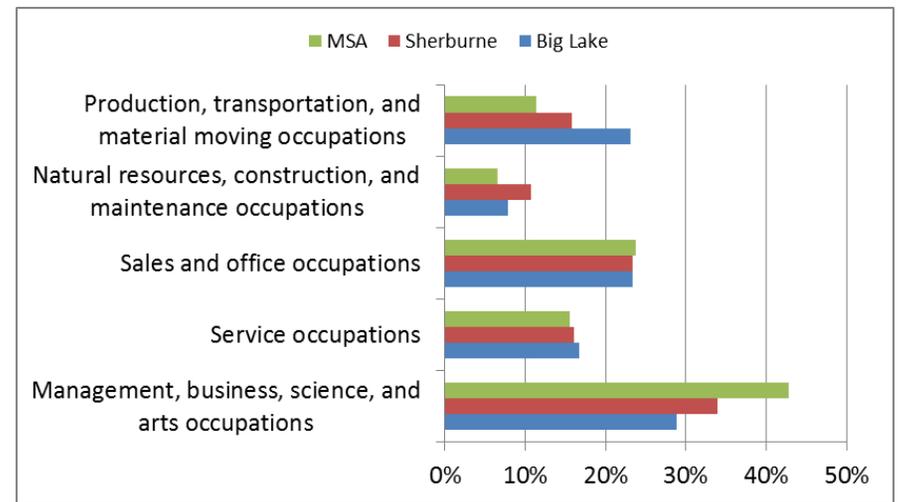
Occupation and Educational Attainment

Residents of Big Lake generally follow the occupational profile of the MSA with two exceptions: residents are less inclined to be employed in management, business, science and arts occupations (Big Lake 29 %; Sherburne County 34 % and the MSA 43 %) and are more likely to be involved in production, transportation and material moving occupations (Big Lake 23 %; Sherburne County 16 % and the MSA 11 %). From an educational perspective, residents of Big Lake have greater levels of “higher education beyond high school” than persons employed in Big Lake.

The combination of a younger population and an occupational concentration in production, transportation and material moving occupations would be viewed positively by most manufacturers in evaluating a potential production location.

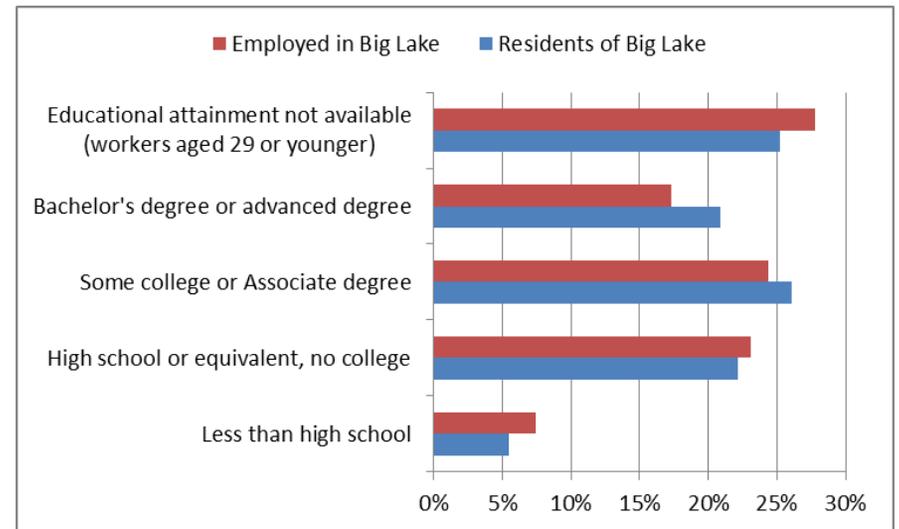
Source: U.S. Census Bureau. 2016. OnTheMap Application. Longitudinal-Employer Household Dynamics Program. <http://onthemap.ces.census.gov/>

**Figure 8-4
Occupation of Residents, 2015**



(2011-2015 American Community Survey 5-yr Estimates)

**Figure 8-5
Educational Attainment of Residents and Employees, 2014**



Transportation and Economic Development

Big Lake's location on the growth corridor along US10 between Minneapolis-St. Paul area and the St. Cloud area is a competitive strength from an economic development perspective.

The intersection of US 10 and MN25 in downtown Big Lake is located less than 4 miles north of I-94, but congestion occurs at the Mississippi River bridge crossing and as MN 25 passes through downtown Monticello. A new Mississippi bridge crossing is being explored, which could improve access to I-94 and strengthen Big Lake's attractiveness to firms interested in better access to the transportation network around the metro area.

The BNSF mainline, connecting Chicago, Minneapolis-St. Paul and west coast ports in Seattle and Portland, passes through Big Lake. There is minimal local service via a spur to a lumberyard in Big Lake Township, southeast of the city. The community first seriously explored a rail park in a study funded jointly by the city and the county in 2009. Several long-term trends are likely to support increased interest in rail transportation – it provides global access, especially to west coast ports, and is notably energy efficient.

Big Lake offers the first and only large tract of land accessible for freight operations along the BNSF mainline connecting to Portland/Seattle between the core of the Minneapolis-St. Paul metro area and Big Lake. Within the I-494/I-694 loop, sites are much smaller and more expensive; may be contaminated, and typically require redevelopment. Becker also has large tracts of land available near the Sherco plant. Becker owns the rail spur with a single switch into the industrial park, which provides service to the T.J. Potter Trucking and Liberty Paper and could serve other customers in the park.

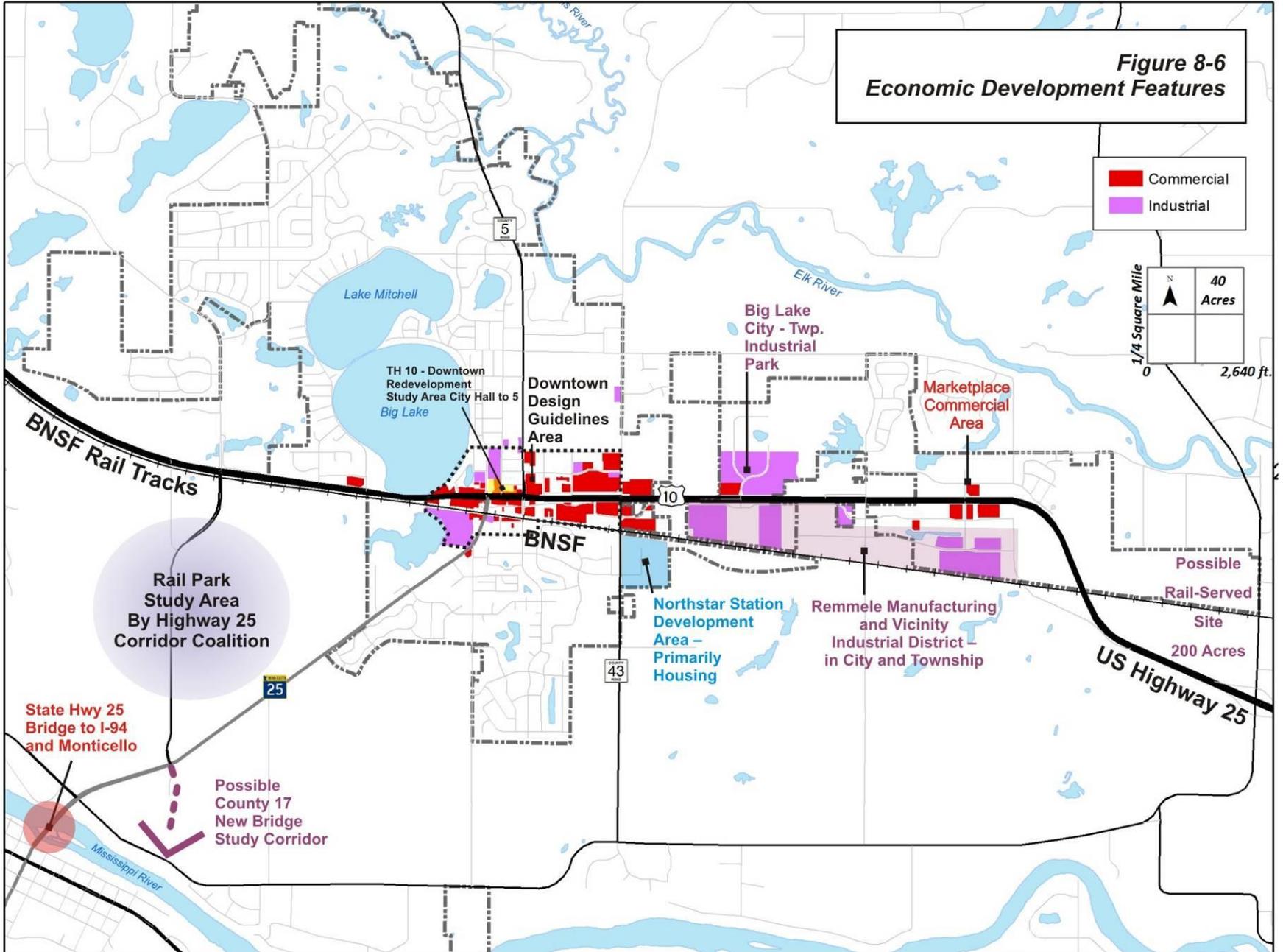
Throughout its system, BNSF is working to keep the main line clear. This means that two switches off the mainline are now required to avoid situations where a train must stop and back up. Large sites, often in the neighborhood of 500 acres, are the trend in order to distribute the high capital cost of track and switches off the main line over more land and more users.

There is also an increased emphasis on service as part of rail-served industrial parks. A logistics provider is actively engaged in meeting the shipping needs

of rail park tenants and other potential shippers up to 40-miles from a regional rail park. This more fully utilizes the value of the large capital investment required for a rail-served park because the private sector is actively engaged in providing the most competitive transportation option to manufacturers and distributors throughout the region.

Two sites with potential have been identified in/adjacent to the community, one a 199-acre site, which lies north of US Highway 10 and the BNSF rail line on the east side of Big Lake. The other, a larger site, lies to the west of Big Lake, near County Road 17, the BNSF rail line and US Highway 10. Efficient access to I-94 from a rail park is likely to be important to investors in a rail park.

The Northstar Commuter Rail service between Big Lake and downtown is an important asset to the community. The Northstar CommuterLink Bus provides connecting service between the Big Lake Northstar Commuter Rail station and the Metro Bus Transit Center in downtown St. Cloud.



Commercial and Industrial Development Sites

The City of Big Lake and Big Lake Township jointly developed the Big Lake Industrial Park. Phase 1 and 2 of the industrial park were established with covenants that require face brick, natural stone, decorative concrete block, precast concrete or other materials approved by the Architectural Review Board. Buildings may cover up to 50% of the total area of the site; buildings and paved surfaces may cover up to 85% of the site.

The 50-acre development is fully built out and roads and utilities are installed in a second phase with 28.6 developable acres. Building values in Phase 1 range from \$27.77 psf to \$43.03 psf, depending on construction characteristics, ceiling height, amount of office space, etc. The building coverage (building size/lot size) varies from a low of 5.4 % to a high of 37.9 %. The variance in lot coverage accounts for most of the difference in tax density per acre. The parcel with the lowest building coverage yielded \$5,848 in total tax (2017 to all jurisdictions) per acre compared to the parcel with the highest coverage - \$22,956 per acre – a nearly 4-fold difference.

While it is not likely or possible to always achieve the highest tax base density, it is important for communities to understand and consider the implications of choices in lot coverage and building finish, which influence tax base density per acre when establishing design standards.

The following illustration shows how a 50-acre industrial park built at the highest density that currently exists in the Big Lake industrial park (\$22,956/acre) would yield significantly more tax revenue for the community than a 50-acre industrial park built out at the lowest density (\$5,848/acre).

**Table 8-4
Tax base density illustration for 50-acre industrial park**

	2017 property taxes to all jurisdictions	2017 property taxes to Big Lake
Highest tax base density	\$ 1,147,800	\$ 314,956
Lowest tax base density	292,400	79,824
Annual difference for 50-acre industrial park	\$ 855,400	\$ 235,132

Big Lake is currently considering two possible business/industrial park opportunities. The rail park mentioned earlier and a business park that accommodates small businesses by reducing the design standards established in Phase 1 of the Big Lake Industrial Park.

Sherburne County approached the City of Big Lake recently inquiring about the possibility of creating an industrial park with lower design standards for businesses that want to grow out of their locations in garages or on farms, and prefer to locate in the city. An analysis of potential projects for three prospective companies revealed the following:

- The projects were construction or automotive service-related, and therefore serve a more local market compared to most manufacturers in the industrial park that sell into national markets
- The projects were relatively small ranging from 7,000 sf to 15,500 sf compared to current industrial park tenants, which are typically in the 20,000 – 50,000 sf range.
- The businesses were seeking to build a pole barn, which is less expensive wood frame construction with a steel skin, than is allowed in Phase 1 of the industrial park.

If the City is interested in creating a space for these types of businesses, the design should include smaller lot sizes so that density and tax base yield per acre can be maintained.

If the city establishes a business park designed for these types of businesses, policies should be developed to address outside storage, parking, landscaping, aesthetic considerations, visibility and clarify the city’s role in encouraging or supporting such a development. Although such an area could be eligible for tax abatement – tax increment finance could only be used if the business was in one of the following sectors: manufacturing, warehousing, research and development, telemarketing or tourism (MN Statutes 469.176 Subd 4c).

Utilities

The existing industrial park is well served with sewer and a looped water system. Engineering studies are currently underway to help the city understand water and sewer capacity. Electric utility services are competitive with regard to capacity, rates and reliability.

Broadband internet service is critical for many businesses, particularly industrial fabrication businesses that must transfer large files. In early 2017 the City received a grant from the State of Minnesota's Border to Border Broadband program to bring fiber into the industrial park. The service will be provided by Palmer Wireless and will include a fiber connection as well as wireless back-up.

Talent Attraction and Quality of Life Factors

Access to an available and appropriately skilled workforce is a critical part of site location decisions for businesses with statewide, national or international markets. Greater MSP, the regional economic development organization and its partners, project that the region will experience a labor force shortage of approximately 114,200 workers by 2020, due to GDP growth and the retirement of the baby boomers. This is also a global challenge; the McKinsey Global Institute projects that “by 2020 there will be a global shortfall of 85 million high- and middle-skilled workers.” Talent attraction and retention is important for all communities. Big Lake’s 2016 Strategic Plan establishes a vision that will help the community attract talent with its strong emphasis on family-oriented recreation, parks, exceptional schools and cultural events and festivals.

Taxes

Property taxes in Big Lake are high relative to neighboring communities. While the magnitude of the difference is not likely to be the critical factor in a specific business site location decision, a position “in the middle of the pack” can be important for a community’s reputation.

**Table 8-5
Commercial property tax comparison**

	Est. Market Value		
	\$750,000	\$1,200,000	\$2,000,000
Becker	\$ 14,912	\$ 23,860	\$ 39,766
Big Lake	\$ 18,855	\$ 30,167	\$ 50,279
Elk River	\$ 17,444	\$ 27,910	\$ 46,517
Monticello	\$ 12,163	\$ 19,461	\$ 32,434
Otsego	\$ 14,496	\$ 23,194	\$ 38,656
Rogers	\$ 16,128	\$ 25,806	\$ 43,009
Saint Cloud (Stearns portion*)	\$ 15,947	\$ 25,515	\$ 42,525
Average	\$ 15,706	\$ 25,130	\$ 41,884

(League of MN Cities; based on 2016 MN Department of Revenue data)

The tax base in Big Lake is distributed as follows among the following classes of property: 22% of tax base is commercial/industrial – 76% is residential; then remaining 2% is public utility, railroad operating and all other property. Big Lake may want to explore strategies to strengthen its commercial/industrial tax base, because the cost of serving households typically exceeds the tax revenue they generate, and commercial/industrial properties typically demand less in services than they generate in revenue.

Sherco, Xcel Energy’s coal-fired power plant located in nearby Becker, is the state’s largest electric generation facility. It has had a significant impact on property tax rates in Sherburne since it was built in the late 1970s. Sherco is scheduled for closure but will be replaced on-site by natural gas fired generating capacity. While the loss of approximately 150 jobs is anticipated, minimal impact on property taxes is expected.

Economic Development Financing Tools and Incentives

The City of Big Lake and its partners – Sherburne County, the Initiative Foundation and utilities offer competitive financing tools and incentives. The City of Big Lake policies for Tax Abatement, Tax Increment Financing and Sewer/Water Access Charges Payment Incentive are up-to-date, enabling the city to respond promptly and professionally to inquiries. Financing tools provided by the Initiative Foundation can provide a competitive advantage to locations in Sherburne County, because such tools are not available in the 7-county metro area.