

Vision 2020 Economic Vitality Task Force

Economic Development Vision

and

Three Year Action Plan

2004-2007



Economic
Development
Services

Sponsoring Organizations

Brainerd Lakes Area Development Corporation
Brainerd Lakes Area Chambers of Commerce
City of Brainerd
City of Baxter
Crow Wing County
Independent School District #181
Initiative Foundation
Minnesota Power & Light
Potlatch Corporation
Region Five Development Commission

Recognition of US EDA and other funders

A special thank you to the US EDA and other funders for the financial support of this project. This project was funded in part by the Initiative Foundation, a regional foundation.

Planning Committee

Sheila Haverkamp, *Brainerd Lakes Area Development Corporation*
Anne Hanson, *Region Five Development Commission*
Bob Hutton, *Region Five Development Commission*
Lucy Neshiem, *Brainerd City Council*
Lisa Paxton, *Brainerd Lakes Area Chambers of Commerce*
Jeremy Vacinek, *City of Baxter*
Dan Vogt, *City of Brainerd*

2020 Economic Development Task Force

Tom Anderson, Hunt Technologies	Jim Kraft, Northern National Bank
Jim Anderson, Anderson Bros. Construction	Larry Kruse, Consultant
Bill Bates, NTC	Kevin Larson, CTC-General Manager
Corey Berube, Community First Bank	Dave Lauer, Arnold S. Johnson Enterprises
Becky Best, CLC	Sally Mayfield, Former Potlatch Employee
Joe Birmingham, CLC President	Terry McCollough, Brainerd Daily Dispatch
Bob Brekken, Brekken's Clothier	Craig Nathan, RMCEP/MN WorkForce Center
Bruce Buxton, Widseth, Smith & Nolting	Clint Nelson, Positive, GMAC Realty
Conrad Bye, Communications Investments	Lucy Nesheim, Brainerd City Council
Ellen Cherne, BLADC	John Newhouse, Lakeland Molding Co.
Reggie Clow, Clow Stamping	Lisa Paxton, Chamber of Commerce
Mike Engler, Consultant	Ken Priebe, Larson Allen Weishair & Co.
Kathy Gaalswyk, Central MN Initiative Foundation	Renee Richardson, Brainerd Daily Dispatch
Tom Haglin, Lindar	Angella Roby, Mille Lacs Band of Ojibwe
Anne Hanson, Region 5 Development Commission	Mark Ronnei, Grand View Lodge
Brian Hanson, Minnesota Power	Anthony Schaffhauser, Dep't of Economic Security
Sheila Haverkamp, BLADC	Gary Sorensen, Dep't of Economic Security
Peter Herlofsky, County Administrator	Jeremy Vacinek, City of Baxter
Julie Hofius, BLADC	Dan Vogt, Brainerd City Administrator
Bob Hutton, Region 5 Development Commission	Sandy Voigt, Central MN Initiative Foundation
Craig Kochsiek, Brainerd Hardwoods	
Jerry Walseth, School District 181	
Barb Wells, City of Baxter	
Warren Williams, Bremer Bank	

A special thank you to all of the community members who participated in the various aspects of this project.

Introduction

In May 2002, the Brainerd Lakes area lost more than 600 jobs when Potlatch closed its papermaking operations in the community. The Region 5 Development Commission responded by securing Economic Development Administration grant funds from the U.S. Department of Commerce to develop an economic development strategy. These funds were matched by local contributions raised by the Brainerd Area Chamber of Commerce and Brainerd Lakes Area Development Corporation. The strategy development process included an analysis of economic and demographic data, interviews with key industries and stakeholders, and a community outreach/input process. With this support, the 2020 Economic Vitality Task Force developed the following long-term strategy and action plan to guide economic development efforts in the Brainerd Lakes area.

The strategy focuses on three areas:

- Key industries
- Community capacity
- Organizational capacity

Key industry strategies address business sectors targeted by the 2020 Economic Vitality Task Force because of the area's demonstrated success in these niches and the potential for future growth.

Community capacity strategies identify the infrastructure necessary to support economic growth in the Brainerd Lakes area. Key factors include industrial park development, transportation and telecommunications infrastructure, and workforce development considerations.

Organizational capacity strategies lay out a process to effectively address issues such as staffing, funding, communications, increasing marketing/response capacity, and measuring progress and impact.

Key Industries

The key industries identified by the 2020 Economic Vitality Task Force are:

- Healthcare
- Finance and Insurance
- Professional and Technical Services
- Metal Manufacturing
- Plastics Manufacturing
- Wood Products Manufacturing

Community leadership envisions addressing all of these sectors over a five-year period. In the first year, major initiatives will be undertaken for Finance and Insurance, other Back Office operations, and all three segments of the Manufacturing sector. Less aggressive initiatives will be undertaken to support the Healthcare and Professional/Technical Services sectors.

In general, the following process will be implemented for each industry:

1. Identify and recruit an industry leader.
2. Organize a “cluster” committee consisting of the firms in the industry, related businesses (suppliers), and related community organizations (educational institutions, etc.).
3. Encourage dialogue about niche opportunities in the cluster.
4. Work together to better understand the needs, opportunities, and challenges of the industry.
5. Refine approaches to developing the industry in the Brainerd Lakes area based on entrepreneurship, business retention/expansion, and attraction strategies. Develop a coordinated plan to engage various community organizations in addressing the cluster’s identified needs, opportunities, and challenges.

An approach to developing key industry strategies, designed by Michael Porter and the Council on Competitiveness at the Harvard Business School, is outlined in the Appendix and may be a useful guide for the key industry committees.

Key Industry vision

The Brainerd Lakes area targets key industries with growth potential for the area. Industry leaders from the community are involved in developing and implementing strategies to grow the industry in the region through entrepreneurship and business retention, expansion, and attraction strategies. Community organizations work together to provide supportive infrastructure and workforce capacity.

Year 1 Goals

Finance, Insurance, and Other Back Office Operations

- Recruit an industry representative to lead the Finance, Insurance, Back Office initiative.
- Recruit members for a Finance, Insurance, Back Office Task Force to develop and implement the initiative.
- Conduct retention/expansion visits to headquarters and back office operations in the Brainerd Lakes area to identify issues and opportunities for the industry.
- Identify and pursue community capacity issues and opportunities involved in attracting additional finance, insurance, and other back office operations, including labor force training and appropriate real estate with good telecommunications capacity.
- Develop and execute a targeted marketing strategy to attract back office operations.

Manufacturing Sector

Metal Products

- Recruit an industry representative to lead the Metal Products initiative.
- Establish a task force of the Manufacturing Alliance to develop and implement the initiative and recruit members.

- Identify related niches, such as painting and powder or Teflon coating, heat-treating, casting, or engineering services that would support and enhance the competitiveness of Lakes-area manufacturers. Identify volume estimates. Develop a marketing campaign to contact such manufacturers by involving local industry leaders, using direct mail, and participating in trade shows as appropriate.
- Clarify Technical College assets in metal-related industries and industry sectors that would benefit most from such a link. Integrate into the marketing strategy.

Forest Products

- Recruit an industry representative to lead the Forest Products initiative.
- Recruit task force members to develop and implement the initiative.
- Conduct retention/expansion visits to area forest products companies not contacted recently; follow up as appropriate.
- Work with other communities with forest products industries, such as Grand Rapids. Monitor the activities of the Governor's Advisory Task Force on the Competitiveness of Minnesota's Primary Forest Products Industry. Identify issues that affect Minnesota's competitiveness, such as the high cost of stumpage; participate in identifying and lobbying for solutions.
- If necessary, support a study on the reuse of former paper mill facilities.

All Manufacturing

- Work with a regional organization like the Initiative Foundation to help manufacturers anticipate and adapt to the challenges presented by low-cost competitors in China.
- Continue existing retention/expansion and Manufacturing Alliance activities.

Health Care

- Work with health care institutions constrained by limited sites.
- Develop a small task force involving the Chamber, local government and the health care organizations.
- Discuss long-term development plans, and determine how their needs can be accommodated.

Year 2 Goals

Finance, Insurance and Other Back Office Operations

- Continue efforts (as needed) to address community capacity issues related to Finance, Insurance and Other Back Office businesses (e.g., appropriate real estate, workforce training).
- Execute marketing campaign.

Manufacturing Sector

Metal Products

- Execute marketing campaign to attract metal-related industries that will strengthen the competitiveness of existing firms. Focus on industries and businesses less susceptible to competition from China and other low-cost locations.
- Implement other initiatives as recommended by the Metal Products task force.

Forest Products

- Implement initiatives identified by the Forest Products task force.
- Continue to work with other communities as appropriate to address issues that affect the competitiveness of Minnesota's forest products industries.
- Bring together log-building products firms; explore issues and opportunities for working together to strengthen this cluster.

Plastics

- Recruit an industry representative to lead the Plastics initiative.
- Establish a task force of the Manufacturing Alliance to develop and implement the Plastics initiative and recruit members.
- Identify the specific types of firms that could benefit from the workforce training capacity at the Technical College.
- Identify strategies to develop the plastics industry, including entrepreneurship, retention/expansion, and attraction strategies.

All Manufacturing

- Support and promote regional efforts to help manufacturers anticipate and adapt to the challenges presented by low-cost competitors in China.
- Continue existing retention/expansion and Manufacturing Alliance activities.

Health Care

- Follow up on issues/opportunities related to health care organizations with constrained sites.

Professional and Technical Services

- Identify and convene a meeting of consultants, home-based businesses, and other professional/technical businesses that sell their services outside the region and bring “new money” to the area. Explore the value of establishing a task force to support and encourage this industry group. Identify specific tasks related to community capacity as well as possible entrepreneurship, retention/expansion, and attraction strategies.

Year 3 Goals

Finance, Insurance and Other Back Office Operations

- Continue efforts (as needed) to address community capacity issues related to Finance, Insurance, and Other Back Office businesses
- Continue marketing campaign. Monitor results and changes in conditions; adjust strategy.

Manufacturing Sector

Metal Products

- Continue marketing campaign to attract metal-related industries that will strengthen the competitiveness of existing firms. Focus on industries and businesses less susceptible to competition from China and other low-cost locations. Monitor results and changes in conditions; adjust strategy.
- Implement other initiatives as recommended by the Metal Products task force.

Forest Products

- Continue to work with other communities as appropriate to address issues that affect the competitiveness of Minnesota’s forest products industries.
- Pursue initiatives identified by the Forest Products task force.
- Pursue any initiatives identified by the log-building products cluster.

Plastics

- Develop entrepreneurship, retention/expansion, and attraction strategies and identify additional community capacity needed to most effectively support and attract the industry.

- Implement initiatives to support/expand the plastics industry.

All Manufacturing

- Support and promote regional efforts to help manufacturers anticipate and adapt to the challenges presented by low-cost international competitors.
- Continue existing retention/expansion and Manufacturing Alliance activities.

Health Care

- Determine how the community might provide additional support to enhance the health care industry in the region.
- Explore the creation of a Lakes Area Health Care Task Force.

Professional and Technical Services

- Implement any initiatives to enhance/develop the Professional and Technical Services sector identified in Year 2.

Community Capacity

Business/Industrial Park Development: Vision

The Brainerd Lakes area plans long-term for well-located business and industrial parks and maintains an inventory of serviced sites to meet market opportunities. Community return on investment in land and infrastructure guides development density, land sale, and incentive policies. Redevelopment of land and buildings is pursued to provide competitive, quality sites.

Business/Industrial Park Development: Goals

Year 1

- Develop criteria for identifying priority development sites, taking into consideration factors such as transportation access and sewer, water, and telecommunications infrastructure.
- Determine top priority site and begin negotiations to acquire land for development.
- Submit pre-application to U.S. Economic Development Administration (EDA) for industrial park infrastructure funding (if desired).
- Begin preliminary engineering and cost estimates.
- Integrate decisions regarding density and design standards with financial assumptions.
- Acquire land for priority sites.
- Submit application to EDA for funding (as appropriate)
- If not using EDA funding:
 - complete final engineering, prepare and award bids, and complete construction.
 - update policies on land sales, design standards, incentives, and community return on investment
 - prepare fact sheets on new industrial park; post information on website and MnPro.
- Explore reuse of the State Hospital site and buildings.

Year 2

- If working with EDA:
 - complete final engineering, prepare/award bids, complete construction.
 - update policies on land sales, design standards, incentives, and community return on investment.
 - prepare fact sheets on new industrial park; post information on website and MnPro.
- Continue working on reuse of the State Hospital site and buildings
- Consider redevelopment of other facilities with potential for targeted sectors (manufacturing and back office).

Year 3

- Review historic absorption and update forecast; share with BLA communities and encourage development to meet market needs and opportunities.
- Continue working on reuse and redevelopment of the State Hospital site and other facilities with potential for targeted sectors (manufacturing and back office).

Transportation and Telecommunications Infrastructure: Vision

Highway, air service, and telecommunications infrastructure improves, strengthening the competitiveness of the region as a business location.

Transportation and Telecommunications Infrastructure: Goals

Year 1

- Support initiatives to improve scheduled air service to the Brainerd area.
- Plan public relations campaign to inform Twin Cities businesses and entrepreneurs about the completion of four-lane highway access to the Brainerd Lakes area.
- Pursue implementation of telecommunications goals prepared by Community Technology Advisors.

Year 2

- Explore technology and air service needs of entrepreneurs and “lone eagles.” Identify issues and opportunities; pursue as appropriate.
- Explore implementation of telecommuting hubs and other short-term office space and support services, particularly in the Lakes area of Cass and Crow Wing counties.
- Identify technology issues and opportunities related to key industries, such as telemedicine in the health care sector. Pursue as appropriate.
- Continue to support initiatives to improve scheduled air service to the Brainerd area.
- Continue to implement telecommunications goals prepared by Community Technology Advisors.

Year 3

- Support initiatives to improve scheduled air service to the Brainerd area.
- Identify technology issues and opportunities related to key industries. Pursue as appropriate.
- Continue to implement telecommunications goals prepared by Community Technology Advisors.

Workforce Development: Vision

Workforce development and economic development organizations work together closely to monitor changes in employer needs and respond with initiatives to train new workers and retrain incumbent workers. Key industry strategies are supported by related workforce development strategies.

Workforce Development: Goals

Year 1

- Create workforce development strategies to support two key industry sectors, with active involvement of industry representatives. Prepare success measures as part of each strategy.
- Seek funding to implement these strategies.

Year 2

- Implement workforce development strategies for first two key industry sectors.
- Create workforce development strategies to support additional key industry sectors, with active involvement of industry representatives. Prepare success measures as part of each strategy.
- Seek funding to implement the second group of workforce development strategies.

Year 3

- Implement second group of workforce development strategies.
- Evaluate the effectiveness of the first two workforce development strategies.
- Create workforce development strategies to support two additional key industry sectors, with active involvement of industry representatives. Prepare success measures as part of each strategy.
- Seek funding to implement the third group of workforce development strategies.

Financing Tools and Policies: Vision

Access to the necessary financing tools and incentives enables the Brainerd Lakes area to achieve economic development goals consistent with community values regarding risk and return. Local units of government establish needed policies in a timely manner, enabling economic development and city staff to work effectively with prospective companies.

Financing Tools and Policies: Goals

Year 1

- Participate in Initiative Foundation's economic impact workshop. Share results with stakeholders. Begin using economic impact process to inform decisions on the use of financing and incentives.
- If the community receives JOBZ designation:
 - Review and update financing and incentive policies.
 - Prepare JOBZ fact sheets and marketing materials and post on website.

Year 2

- Monitor progress of key industry and marketing strategies. Identify any gaps in financing and incentives. Explore opportunities to develop an appropriate response.
- Review and update financing and incentive policies.

Year 3

- Continue to monitor progress of key industry and marketing strategies. Identify any gaps in financing and incentives. Explore opportunities to develop an appropriate response.
- Review and update financing and incentive policies.

Organizational Capacity

Vision

Public and private sector leaders are actively involved in economic development functions in the Brainerd Lakes area. The roles and responsibilities of economic development partners, including the Brainerd Lakes Area Development Commission (BLADC), the Brainerd Lakes Area Chamber of Commerce, municipalities, Central Lakes College, Region 5, and workforce partners. The roles and responsibilities of economic development partners are well understood, structured, and coordinated; these partners include BLADC, the Brainerd Lakes Area Chamber of Commerce, municipalities, Region 5, Central Lakes College, and other workforce partners. Strategic goals are established to support entrepreneurship and business retention, expansion, and attraction in key economic sectors. Financial and staff resources are available to accomplish community goals; progress and impact are measured and communicated.

Goals

Year 1

- Prepare a marketing plan to attract manufacturing firms and back office operations. Regularly update general purpose marketing capacities, including website, general economic development information, and detailed business/industrial park information. Develop specific marketing materials (direct mail, fact sheets, etc.) for each targeted industry sector.
- Clarify financial and staffing requirements to accomplish strategic goals.
- Prepare budget and fundraising plan.
- Communicate with stakeholder groups regarding the strategy, goals, funding requirements, and success measures.
- Secure additional funding to accomplish economic development goals; hire staff and consultants as appropriate.
- Begin executing key industry and community capacity initiatives.

- Lay foundation for execution of marketing plan, building organizational capacity to prepare marketing materials, develop mailing lists, track results, and establish systems for operating with “higher volume” while providing quality customer service.
- Communicate consistently with funders and stakeholders regarding impact and progress in achieving goals; opportunities and challenges.
- Celebrate successes.

Year 2

- Execute marketing campaign.
- Implement key industry and community capacity initiatives.
- Measure impact of entrepreneurship, retention/expansion, and marketing approaches in the key industry sectors.
- Communicate economic development challenges and successes to stakeholder groups and the general public.
- Communicate consistently with funders and stakeholders regarding opportunities and challenges, impact of activities, and progress in achieving goals.
- Celebrate successes.
- Review strategic goals, progress, impact, budget, staffing, and office systems. Adjust as appropriate.

Year 3

- Execute marketing campaign.
- Implement key industry and community capacity initiatives.
- Measure impact of entrepreneurship, retention/expansion, and marketing approaches in the key industry sectors.
- Measure progress and impact of community capacity and marketing initiatives.
- Communicate consistently with funders and stakeholders regarding opportunities and challenges, impact of activities, and progress in achieving goals.
- Celebrate successes.
- Prepare annual report describing progress toward goals and impact.
- Review strategic goals, progress, impact, budget, staffing, and office systems. Adjust as appropriate.

Appendix

An approach to developing a key industry strategy:

Michael Porter and the Council on Competitiveness,

Harvard Business School

When it comes to thinking about regional competitiveness and developing a strategy, Professor Michael Porter and the Council on Competitiveness are at the forefront. After several decades of research and writing, the findings are compelling and shed a great deal of light on this process.

The following tenets of this work are particularly relevant to the economic development task facing the Brainerd Lakes area:

- The economic goal for regions should be a high and rising standard of living.
- A high and rising standard of living depends upon creating a high-quality business environment that fosters innovation [defined as new products, new processes, new ways of doing things] and rising productivity.
- Strong and competitive clusters [defined as a geographically proximate group of interconnected companies and associate institutions in a particular field] are a critical component of a good business environment and are the driving force behind regional innovation and rising productivity.
- Productivity does not depend on what industries a region competes in, but on how it competes.
- The evolution of regional economies is a lengthy process.
- While inherited factors, geography, climate, and population are important, other factors such as entrepreneurship, the presence of research and training institutions, the composition of the regional economy, and public and private sector actions are important influences.

(Clusters of Innovation: Regional Foundations of U.S. Competitiveness)

Following this work, the Humphrey Institute's report on *Rural Knowledge Clusters for Economic Development* offers similar advice for regional economic development plans:

- Traditional sources of rural economic development such as access to natural resources and relatively lower labor costs have been eroded by globalization.
- Firms across all industries are concluding that innovation is survival... "Innovation, in the form of new products, processes, and ways of managing, underpins the growth of productivity that is necessary for a rising standard of living."
- The implication for economic development is that creating a fertile environment for innovation is crucial for community vitality.

(Rural Knowledge Clusters for Economic Development, Humphrey Institute)

Framework

The following is a checklist of the imperatives for innovation-driven growth and the types of actions that communities can take to help clusters expand and evolve.

1. **Inventory your Assets.** Successful regions leverage their unique assets to build specialized clusters. [NOTE: The first section of the attached report provides this inventory for the Brainerd Lakes region.]
2. **Build on your Strengths.** Regions should leverage existing economic resources. Regions must avoid the mindset that info tech, biotech and communications are the only path to economic success.
3. **Invest in Research.** New ideas represent new opportunities. Regional economies need to invest in laboratories, universities, and think tanks that engage in cutting-edge research.
4. **Build the Talent.** Successful clusters need a deep talent base-solid K-12 schools, a steady supply of college-educated workers, and agile community colleges that can respond rapidly to specific skill-set needs.
5. **Seed Innovation Capital.** Risk capital is essential in turning new ideas and approaches into new companies. To address the gap, regions should explore setting up centers that match public and private funding and leveraging less formalized sources such as individual or "angel" investors.
6. **Strengthen your Infrastructure.** A strong physical and information infrastructure is a baseline requirement for a prosperous regional economy. Roads, highways, airports, railroads, water, and power support the efficient movement of people, goods, and services. The ability to communicate effectively and reliably impacts all businesses.
7. **Create Connections.** The combustion behind innovation often emerges from chance encounters, face-to-face communications, and close interactions among people, ideas, and resources. To facilitate these connections, regions can create forums or institutions that bridge company or academic boundaries and bring together entrepreneurs, academics, labor leaders, company officials, and public sector leaders.
8. **Identify Private-Sector Champions.** While government and universities play a key role in this process, the private sector drives the process for several reasons. First, companies are better able to identify obstacles and constraints to growth. Second, initiatives driven by business leaders are less likely to be polarized politically. Third, economic development plans often benefit from business models and implementation skills. Strong leadership is needed to ensure that companies, knowledge centers, government, and collaborative institutions contribute to their full potential.
9. **Think Economically, Not Politically.** Clusters do not tend to fall neatly within political boundaries. Economic development strategies should include neighboring regions when industry linkages occur. Coordination of policies and planning among local jurisdictions is the first step.
10. **Take the Long View.** The specialized assets necessary for innovative clusters take a long time to form and mature.

Excerpted (and abbreviated) from "Growing the Economy from the Grassroots: The Tools for Creating Prosperity in Regional Economy" by the Council On Competitiveness, 2003.