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Partnerships: a fresh approach to



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Partnerships: A Fresh Approach for Trade and Economic Development in Minnesota

The Community Response

April 1987

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MINNESOTA DEED REPORT

Partnerships:
**A Fresh Approach for Trade and
Economic Development in Minnesota**

The Community Response

April 1987

**Prepared by the
Policy Analysis Division
Minnesota Department of
Energy and Economic Development**

EXECUTIVE SUMMARY

This report describes the purpose and outcome of a series of meetings held by the Minnesota Department of Energy and Economic Development from December 1986 through February 1987. The meetings, held in 29 communities around the state, were an opportunity to tell the community about new directions within the department and to ask people how they felt about it. In all, more than 1,000 Minnesotans participated.

Overwhelmingly, the response to the message presented at the meetings was positive. Across the state, community leaders agreed to form partnerships with the Department on a variety of fronts to pursue a better economic future for their communities and their children.

In rural Minnesota today, there is an acute awareness of economic problems. Farmers have seen their livelihoods disappear. Communities are in anguish as talented young people leave.

Department staff used a slide presentation in several meetings to highlight the economic problems and the role of the Department in addressing them (Figure 1). There was a feeling that the department had properly diagnosed the economic problems facing the state: global competition; undiversified economies in rural areas; a reduction in federal assistance; capital market failures; and, in some communities, a downward spiral in the economy as difficulties spread.

It was agreed that aggressive state-led efforts are needed to staunch the economic wounds. The Department of Energy and Economic Development offers a variety of services: marketing and promotion; policy analysis; financial assistance to businesses and communities; technical assistance to businesses and communities; tourism promotion.

People say they know these tools had been helpful in the past and urge that the state continue to provide assistance in those areas, in addition to the new partnership strategies. They say they want more access to programs and program dollars. They know what a difference state help can mean to their communities.

INTRODUCTION

Representatives of the Department of Energy and Economic Development fanned out across the state from December 1986 through March 1987. They went to Anoka, Appleton, Blaine, Bloomington, Champlin, Coon Rapids, Crookston, Dawson, Duluth, Eveleth, Farmington, Fergus Falls, Granite Falls, Le Sueur, Little Falls, Long Prairie, Mankato, Marshall, Minneapolis, Moorhead, New Brighton, Ortonville, Rochester, St. James, St. Louis Park, St. Paul, Shoreview, Thief River Falls and Worthington, to find out what people thought were the economic problems facing them. They also brought the message of a fresh, new approach the department is pursuing -- one of partnerships with communities and businesses to revitalize economies or to build on what already existed.

Meetings followed a standard pattern. Community and civic leaders were invited in advance. Legislators and other elected officials were present. In several cases, Commissioner Speer made the presentation. In others, representatives of the Department of Energy and Economic Development -- from all divisions: community development, financial management, economic development, trade, tourism, and policy analysis -- were on hand to outline the department's plan, but mostly to listen to people's concerns.

Then, the floor was opened for comment. Across the state, similar themes reverberated, but with a different twist in each community. This report

describes the approach proposed by the Department and the response that was received. It is being shared now to help Department officials and others interested in economic development in the state to better understand what should be done next.

The Message

Distilling the comments of dozens of speakers at meetings in disparate cities in a diverse state like Minnesota is not easy, but four themes come through.

Minnesota faces unprecedented economic challenges. Especially in rural areas, no one was shy about expressing concern for the economic future. The depression in farming has led to a generalized economic decline in many communities. A lack of income from basic sectors of the economy means no money to spend on Main Street. Young people are leaving rural communities. In communities beset by economic problems, reversing the downward spiral is extremely difficult. Once things begin to slide in one or two industries, all sectors of the economy are hit. The challenge of diversification is acute in rural areas.

The impact of the globalization of economic activity is apparent. It is clear that problems in mining and farming are related to international economic forces. Other industries, such as computers, that supplied a strong impetus for economic growth in the past decade are now experiencing similar difficulties.

Partnerships are critical to the state's economic future. The proposals outlined by DEED representatives to develop partnerships with local communities and businesses were seen as a sound one. Most people agreed that collective action is needed: no one entity can go it alone. Addressing failures in information and capital markets, meeting infrastructure needs, and remaining competitive with other states and regions involve state and local governments, as well as the business community. It requires new organizational forms and better communication among existing organizations.

The Department's proposal calls for greater focus on Greater Minnesota. In all of the meetings, this approach was supported. In several forums, however, concern was expressed that fragmenting the state carried risks. Some people said that some regions are receiving special treatment and that doing so created a risk that other communities are being left out.

Minnesota needs a strong, state-led effort in economic development. Many people said they knew of the positive results of state programs. In some communities, tourism programs were cited. In others, it was direct financial assistance to businesses or to municipalities. The success of the Star Cities program was mentioned frequently and a great deal of interest in international trade was shown. Often, local officials cited the utility of having a state agency they could turn to as an ombudsman to solve their problems. Communities have distinct needs and logically use distinctive Department programs. In all of the communities, it is clear that the Department's services have been significant.

Concern about reorganization. Because of the strong support for Department activities, it is not surprising that many officials and individuals worry about pending reorganization. They want to know why things should change now, when relationships are sound and local people are becoming secure with the programs and the people who run them. Many local officials expressed concern about what they had heard about Departmental budget cutbacks. They wondered how effective programs would be without adequate financing. Communities in which enterprise zones are located felt they would lose something if the zones were not as attractive as they had been in the past.

These four themes led to two preeminent questions about the future.

How can the partnerships strategy be made to work? The strong support for linkages and coordination through state-level leadership as a conceptual matter led directly to a questioning of how best to implement the strategy. Who should do what to get things moving?

Some answers:

- o Community/regional partnerships -- Programs like Star Cities; better linkages to rural development commissions.
- o Linkages with other state agencies -- Community Colleges, Area Vocational-Technical Institutes, State Universities, The University of Minnesota, Transportation, Jobs and Training, and other agencies.

- o Business Partnerships -- Through local chambers of commerce, the Minnesota Chamber of Commerce and Industry, the Minnesota Business Partnership.

How can existing tools be made to work better? With a strong agreement that existing programs and activities can provide benefits, the question becomes, how can the state and communities best use the tools available? How can they be used more efficiently and effectively?

Some answers:

- o Promote Minnesota goods and industries -- Promote tourism through linkages to various market regions.
- o Expand international trade -- Help small and medium-sized businesses find international markets.
- o Provide information -- Help communities analyze problems and identify resources.
- o Support community-based development activities -- Through information sharing and technical assistance.
- o Provide capital -- Through the Economic Recovery and MEEDA programs.
- o Finance local infrastructure -- Through Community Development programs.

Although these themes were present in all of the meetings, a great deal of other comments were heard. Many problems with state program offerings and with the state's general competitiveness were identified. Some sample comments, recorded at seven regional meetings at which the department's slide presentation was made, follow.

- * Workers compensation and business costs are too high -- Mankato.
- * Why can't the state develop a comprehensive approach, involving education, promotion of the high quality work force, and research into new farm products? -- Marshall.
- * Infrastructure costs are too high -- Eveleth.
- * Cutting financial assistance programs for businesses doesn't help promote a partnership strategy -- Little Falls.
- * Tax increment financing programs should be protected -- Fergus Falls.
- * The 1987 tax plan will raise commercial-industrial taxes and that won't help development -- Thief River Falls.
- * Small business management could be made better through educational offerings -- Mankato.

- * Communities can't exist as economic islands. Better coordination and linkages between cities should be pursued -- Eveleth.
- * Market the strengths of Greater Minnesota and stop dwelling on the negatives -- Little Falls.
- * How can the successes of the local port authority be expanded? -- Fergus Falls.
- * Five or six jobs can be important to a small town. Better appreciation of the scale of economic development in small towns is needed -- Marshall.
- * The state should explore venture and seed capital programs -- Blaine, Eveleth.
- * Community colleges can provide customized training and retrain displaced farmers -- Marshall.
- * Continued urban-rural cooperation is needed in economic development -- Thief River Falls.
- * Should the state help a business to move from one community to another? -- Fergus Falls.

- * The state should coordinate the offerings and programs of all of its agencies -- Marshall.
- * Linking trade programs with other Department activities makes sense -- Little Falls.
- * The minimum wage increase, if passed, will create problems -- Marshall.
- * Don't let the emphasis on rural development lead to a metropolitan backlash -- Blaine.
- * Don't neglect highway improvements -- Marshall.
- * Expand trade missions -- Eveleth.
- * Develop a complete, comprehensive guide to DEED programs -- Mankato.

Figure One

PARTNERSHIPS: A FRESH APPROACH TO TRADE AND ECONOMIC DEVELOPMENT

(Excerpts from slide presentation)

The Problem

- o Increasing international competition
- o Greater Minnesota dependent on a single or few industries
- o Communities threatened
- o Federal government support declining

Three Challenges for Greater Minnesota

- o To shift its economic base from industries that are in decline to those that exhibit a real potential for future growth
- o To diversify rural economies so they become less vulnerable to economic downturns and less dependent on any single industry
- o To generate enough opportunities for farmers and their families to obtain income off the farm so that family farms can continue to operate.

Why Market Forces Alone Won't Solve These Problems

- o Lack of information
- o Capital market failures
- o Distressed areas
- o Incentives of other states
- o Lack of infrastructure

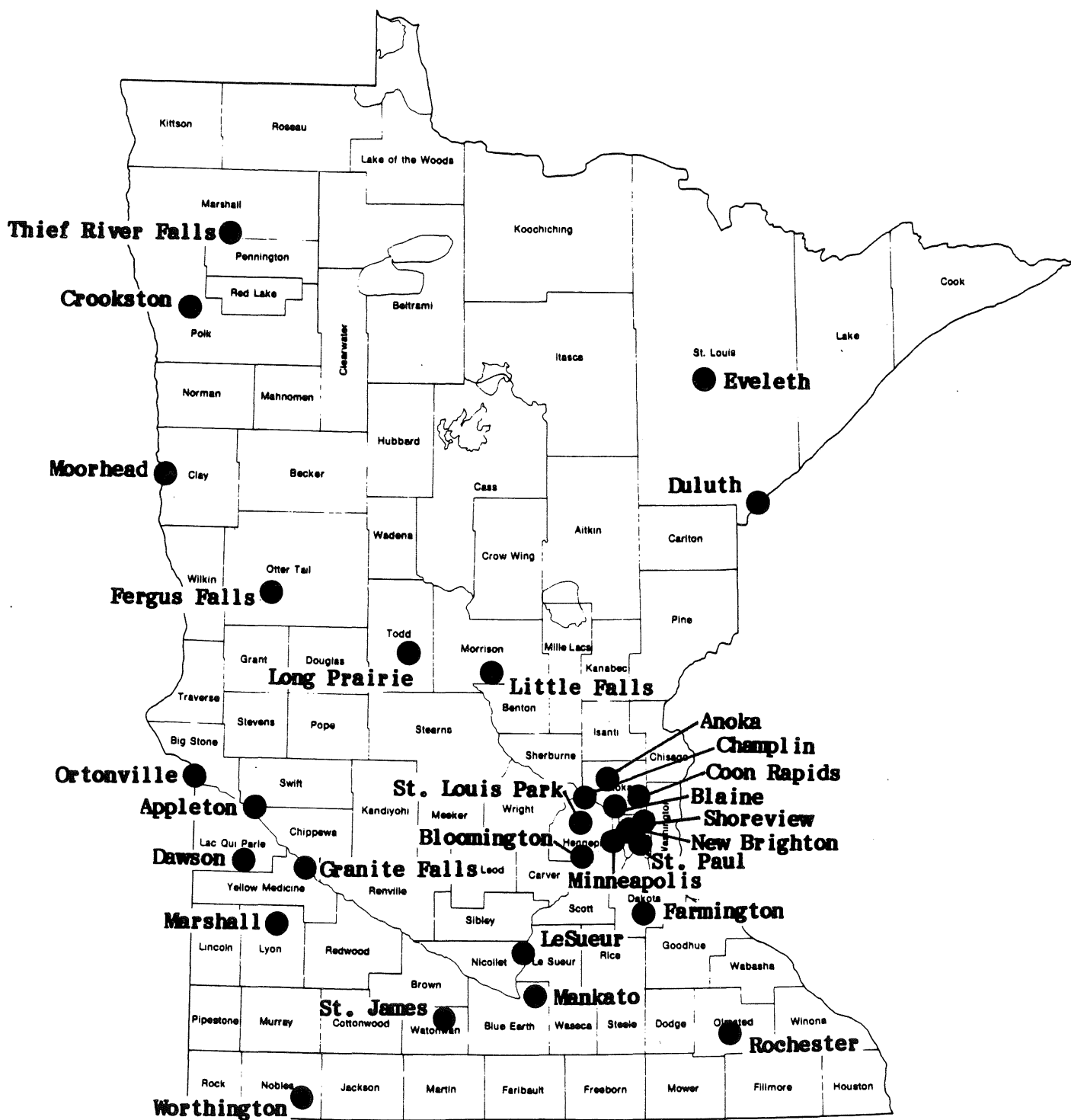
Role of the Department

- o Promote Minnesota industries and goods
- o Expand international trade opportunities for Minnesota businesses
- o Provide information to shape business location decisions
- o Support community-based business development activities
- o Provide capital where the private sector does not do so
- o Finance local infrastructure needs

Priorities and Goals

- o Partnerships with Minnesota communities and businesses
- o Greater Minnesota focus
- o Diversified and stable local economies
- o Effective and flexible economic development tools

Figure Two



Background

The location, date, and attendance of each of the meetings is listed below.

Anoka. January 20. Speech to Anoka County Chamber and met with Anoka County Economic Development Partnership Board.

Appleton. December 29. Fly around with Representative G. Anderson. Met with local business people and officials.

Blaine. February 20, Blainebrook Hall. More than fifty people attended, including several from the Department and several legislators and elected officials.

Bloomington. January 22. Speech to the Minnesota Industrial Development Association.

Champlin. February 10. Star Cities Award presentation.

Coon Rapids. February 14. Press conference on Governor's Capitol Budget at Anoka County Community College.

Crookston. February 13. Meeting with local officials and Red River Show.

Dawson. December 29. Fly around with Representative G. Anderson. Met with local businessmen and officials.

Duluth. January 15. Speech at Arrowhead Regional Development Commission Regional Meeting and meeting with local officials.

Farmington. February 19. Speech to Minnesota Ag Extension Office on rural business alternatives.

Eveleth. February 20 & January 28. Holiday Inn, roughly forty in attendance, including several from the Department and local development agencies; Star Cities Award presentation.

Fergus Falls. February 27, Holiday Inn. More than 100 attendees, including eight from the Department and six mayors.

Granite Falls. December 29. Fly around with Representative G. Anderson. Met with local business people and officials.

Le Sueur. February 17. Speech to Economic Development and local Chamber of Commerce officials.

Little Falls. February 13, Pine Edge Inn. Roughly sixty in attendance, including several from the Department and several elected officials.

Long Prairie. March 27. Star Cities award presentation.

Mankato. February 12 & January 23. Downtown Holiday Inn, more than 50 in attendance including legislators and local elected officials; informational meeting with local officials.

Marshall. February 20, Southwest State University. More than fifty attendees, including five state officials and five legislators.

Minneapolis. February 26. Speech to Minnesota Medical Annual Banquet.

Moorhead. January 22. Informational meeting with local officials.

New Brighton. February 11. Star Cities Award presentation.

Ortonville. December 29. Fly around with Representative G. Anderson. Met with local businessmen and officials.

Rochester. January 21. Presented Star Cities Award and appeared on local TV program.

St. James. March 18. Star Cities award presentation.

St. Louis Park. January 6 & 19. Speech to St. Louis Park Rotary Club and Minnesota Chamber of Commerce Executives.

St. Paul. February 26. Speech to Minnesota Tourism Conference.

Shoreview. March 20. Speech to Suburban Area Chamber of Commerce.

Thief River Falls. February 20 & January 27. Best Western Hotel, more than 200 attendees, including many Department representatives, several legislators, and local elected officials; speech to Northwest Regional Development Committee.

Worthington. January 23. Informational meeting with local officials.

INDEPENDENT
Marshall, MN
Feb. 21, 1987

Official: Joint effort brings development

By EILEEN SMITH
Staff Writer

MARSHALL — Communities must work together for stronger economic development.

That's the push of the Minnesota Department of Energy and Economic Development's new proposal, "Partnerships: A Fresh Approach for Trade and Economic Development."

"Our philosophy is that we're not the ones to do the economic development for you, but we are here to support you," said Lee Munnich, an assistant commissioner with DEED.

Munnich and others from DEED, along with regional legislators and business people, gathered at Southwest State University Friday evening to discuss economic development in southwestern Minnesota.

DEED officials listened to residents in the region as they talked about how rural Minnesota needs to work toward a strong economic future.

Some of the suggestions involved more money from the Legislature, along with more information and education for the people who are already working in rural areas.

It has to be understood, Munnich said, the term economic development means activity that creates a positive net impact on the economy of Minnesota or eliminates local economic problems without taking

wealth away from someplace else. The move has to have an overall positive gain.

Rep. Norman DeBlieck, DFL-Milroy, said a good example of positive development is a paper manufacturing plant in Duluth. On a recent trip to the business, he asked how that operation helps southwestern Minnesota.

"It helps because the starch they use for the paper comes from here in Marshall. It comes from our corn, our corn plant," DeBlieck said. "That plant up in the woods is helping us down here, and that's working together."

Tourism is another economy booster where communities should join together, officials said. Southwestern Minnesota is one of the only areas of the state, according to the Department of Tourism, where communities aren't working together to promote the area.

Jo Pertz, president of Worthington Community College, said communities in the region should pick one feature they would like to advertise. The region could work together to promote this part of the state so people stop instead of just driving through on their way to another part of the state, Pertz said.

The group was reminded that out of every dollar spent on tourism, \$16 are returned.

Part of Friday's meeting was

devoted to discussing DEED's goals and priorities for 1987. Those goals are to focus more on rural areas, because that is where the problem are founds, and to create a more diversified economic base in those areas.

"We want a better partnership between the state and Minnesota communities and businesses. We want to act, not in isolation, but in concert," Munnich said.

To reach out, the department has set the goal of evaluating its development tools to make them more effective and flexible.

"We have to keep decentralizing, bringing people out to the area to hear people who know what they need," said Sen. Gary DeCramer, DFL-Ghent. "We have to develop standards that relate more to those of us out here."

State DEED officials ask area leaders for program direction

Text and photo by Lorae Vardas

Little Falls was the second stop Friday by Minnesota Department of Energy and Economic Development (DEED) officials on a seven-city fact finding tour. Kathleen Callahan, deputy commissioner, and a field staff met with about 40 area community leaders, educators, and regional community development officials in order to get an accurate picture of the state's economy.

The information generated from the meetings will be compiled in a report to the governor. The public input will also form the basis for DEED "strategies for the future," said Callahan. Other cities visited included Mankato, Eveleth, Blaine, Marshall, Thief River Falls and Fergus Falls. An agency name change is also in the offing, she said.

DEED sees the concept of forming a partnership with communities as a viable and fresh approach to improving trade and economic development in the state. Through DEED information, financing programs that respond to capital gaps and incentives offered by other states, and help in developing roads, sewage and water systems to support industry, communities can revitalize themselves, said a DEED brochure.

"I wonder what we can do to get industry to come to small towns," asked Senator Bernie Omann from St. Stephen.

"When trying to attract business, you don't want to portray yourself as 'poor rural Minnesota',"

said Callahan. Presenting a good positive image works much better. People are competing for a limited amount of opportunities. Who meets them and greets them in the community is often more important than a computer print-out," she said, adding that "sometimes communities are just plain lucky."

Another guest commented that presenting a positive outlook also applies to the media which plays a tremendous role in attracting or distracting business or industry.

A representative from an area AVTI suggested, "Promoting the state's well-trained work force." Someone else said, "We need to appreciate what we've got in our back yard." Think regionally instead of communities because what happens in one town impacts upon all the others, he said.

Callahan said DEED focuses attention on areas where problems are most severe, indicating also that a large portion of money is allocated outside the metro area.

An assembled panel of experts was asked to comment on a film strip and what can be done generally to improve the depressed outstate economy. Little Falls Mayor Pat Spence urged continuance of enterprise zone designation which she felt from experience provided positive incentives for industries to locate and expand in Little Falls. "I want that message to get back to the governor," she stated. She also had a lot of praise for Kathy Johnson, DEED field representative, for giving "tremendous technical assistance."



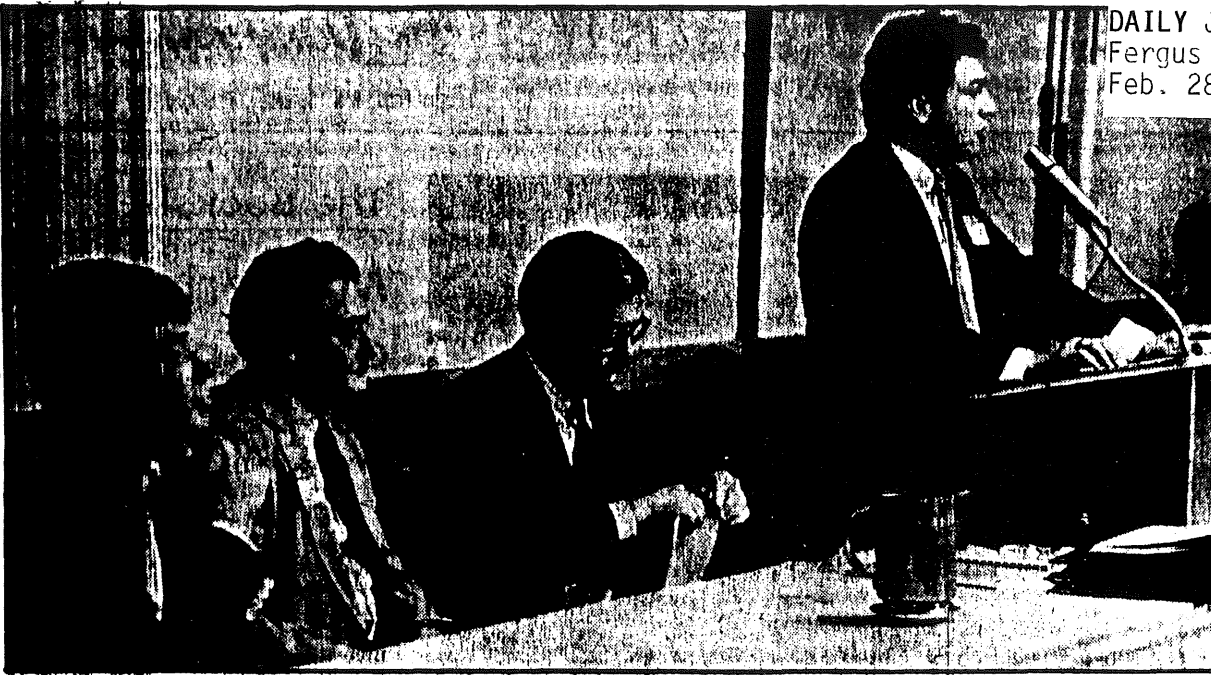
Little Falls Mayor Pat Spence and city councilman Jack Manlick, visit with Kathleen Callahan, center, after the DEED hearing at the Pine Edge Inn.

Janna King, president of St. Cloud Area Economic Development Partnership, liked the fact that the Minnesota Trade Office became part of DEED. She also favored the Star City program, whereby cities implement their own development plans with DEED help and training. "I want to communicate that economic development is an investment in the state and the state does get a return," she said.

Mike Sabota, representing the East Central Regional Development Commission in Mora, called the new telecommunications systems "the highway to the future" and said state government should plan for it. He also wants to focus on "Central Minnesota's high quality of life," perhaps spanned by Garrison Keillor's Lake Wobegon Days.

Sherm Kavanaugh, owner of

Kavanaugh's Resort near Brainerd, was glad to see the state advertise its attractions in publications like Explore Minnesota because there is a big market for good vacations. "We're partners already," he laughed. "I know on the 25th of each month I send six percent of the operation to the state," he said, before going on to note what a sophisticated business and what a huge market there is for tourism in Minnesota.



DEED does the deed

Economic development was on the minds of the approximately 80 people from throughout the area who met Friday afternoon at the Fergus Falls Holiday Inn. Representatives of the Minnesota Department of Energy and Economic Development and related state offices offered overviews of state programs that can benefit economic development. John MacFarlane, presi-

dent of the Fergus Falls Port Authority, Fergus Falls Mayor Kelly Ferber and William Connley, deputy commissioner for DEED, (left to right) listened as David Mocol, DEED's director of finance, discussed the economic climate in the state.

(Journal photo by Kathy Berdan)

Area leaders praise development agency

By Ann Bailey
Herald Staff Writer

THIEF RIVER FALLS — A chorus of about 100 northwestern Minnesota community and business leaders sang the praises of the Minnesota Department of Energy and Economic Development Friday at a meeting of DEED officials and state legislators in Thief River Falls.

Community officials from East Grand Forks to Warroad to Bemidji crowded into a room at the Best Western in Thief River Falls to ask the officials and legislators to take back to St. Paul a message that funding for the department not be cut.

"I hope you legislators go back and convince the Legislature that DEED has been good for cities," Fosston Mayor Arvid Clementson said.

The meeting was one of several meetings DEED officials plan to hold

in rural communities throughout the state this month.

Among those in attendance were DEED Commissioner David Speer, Deputy Commissioner Robert Benner and other DEED officials.

Speer told the group that despite DEED's St. Paul location, the major focus of the department will continue to be in greater Minnesota.

"That is where the needs and the opportunities for economic change are the greatest," Speer said. "I want to stress today that we are fully committed to strengthening our partnerships with communities and local organizations around the state. The governor sees these partnerships as the building blocks of a revitalized economy."

Otis echoed the need for a spirit of cooperation between the Twin Cities and rural communities.

HERALD
Grand Forks, ND
Feb. 21, 1987