

Albert Lea EDA

Joint Vision and Economic Development
Strategic Plan Interim Summary

November 5, 2019

Introduction

OUR PROJECT UNDERSTANDING

Albert Lea is located in Freeborn County, Minnesota and is home to nearly 18,000 people. The county is its own metropolitan statistical area (MSA), which has a population of just over 30,000. The MSA has a diverse economic base and has above average concentration in Manufacturing, Agriculture, Utilities, Retail Trade and Health Care. Some of its largest employers include Mayo Clinic, AL Select Foods, Minnesota Corrugated Box and Interstate Packaging, among others.

The city sits at the crossroads of major U.S. Interstates I-35 (north-south) and I-90 (east-west). Within a 500-miles radius, companies in the region can access major Midwest markets, such as Chicago, Minneapolis, St. Louis, Milwaukee and more.

Despite these unique economic assets, the city has seen a population decline between 2013 and 2018. This population decline, as well as other factors, have put a strain on the regional workforce and employers are facing barriers to growth related to workforce. Some of these challenges include housing and childcare availability, retention of youth, automation and succession planning.

Many organizations contribute to the economic success of the region and now they would like to work together to create a coordinated vision and plan for the community.

OBJECTIVE

Albert Lea Economic Development Agency is interested in creating a joint vision and economic development strategic plan with the following key partners. This plan will focus primarily on the EDA; however, we will recommend roles and responsibilities for each partner within the context of the strategic plan.

Key Partners:

- Albert Lea-Freeborn County Chamber of Commerce
- Albert Lea Convention & Visitors Bureau
- City of Albert Lea
- Freeborn County

The result of this project will be a joint community vision and a five-year economic development strategic plan.

Regional Market Assessment

The following section provides a brief overview of key location criteria that may factor into the decision-making processes a site selector, company and/or talent may be looking into before deciding to locate in your community. This includes information on demographics, economics, education and quality of life. All data included in this section is secondary research available from public sources, as well as from EMSI.

This is not meant to be an exhaustive analysis of these location criteria factors, but simply provide a baseline starting point for understanding how your community will be perceived by those outside of it without a boots-on-the-ground perspective. It is important to be aware of this data and use it to build your best business case possible.

| Market Assessment Factor | Albert Lea | Freeborn County | Minnesota | United States |
|----------------------------------|------------|-----------------|-----------|---------------|
| Median Household Income | \$49,600 | \$51,200 | \$65,700 | \$56,800 |
| Unemployment Rate (July 2019) | 4.61% | 4.61% | 4.13% | 3.90% |
| Poverty Rate | 16.2% | 11.8% | 10.5% | 13.4% |
| Cost of Living: Overall | 79.6 | 81.2 | 106.3 | 100 |
| Crime Ratings: Violent Crime | 11.2 | 9.6 | 15.7 | 22.7 |
| Property Crime (1=low, 100=high) | 33.6 | 25.5 | 33.2 | 35.4 |
| High School | 88.2% | 88.2% | 92.1% | 86.2% |
| Post High School – Two Year | 11.8% | 11.8% | 10.7% | 8.0% |
| Post High School – Four Year | 16.3% | 16.3% | 33.8% | 29.9% |
| Post High School – Grad School | 4.6% | 4.6% | 11.4% | 11.1% |

Source: U.S. Census Bureau, 2019

| Business Climate Factors | Minnesota | Iowa | South Dakota | Wisconsin |
|---|-----------|------|--------------|-----------|
| Property Tax Rank (out of 50) | 31 | 39 | 28 | 21 |
| Unemployment Insurance Tax Rank (out of 50) | 25 | 33 | 39 | 41 |
| Overall Tax Ranking (out of 50) | 43 | 45 | 3 | 32 |

Source: Tax Foundation, 2019

The color scale for each row goes from highest (dark red) to lowest (dark green)

Note: Tax rankings only factor in state sales tax rates, local sales tax rates not included in state level comparison.

Economic Base Analysis

INTRODUCTION

In order to gain some background knowledge on the City of Albert Lea's and the region's current industry and occupation make-up, Ady Advantage conducted analysis at the 2-digit NAICS code level (industry). The data that we look at in the following section include:

- Number of employees
- Concentration (location quotient)
- Past five-year growth
- Future expected five-year growth

The data found on the following pages was obtained through EMSI. Note that while EMSI provides information on industries and their impact on the local economy, it does not include identities of specific firms. Additional information about EMSI's data and how its used for economic development are provided below.

- EMSI Information on Data Descriptions and Sources: <http://www.economicmodeling.com/data/usa-data/>
- EMSI for Economic Development: <http://www.economicmodeling.com/our-clients/emsi-for-economic-developers/>

RESULTS PRESENTED ON GRAPHS

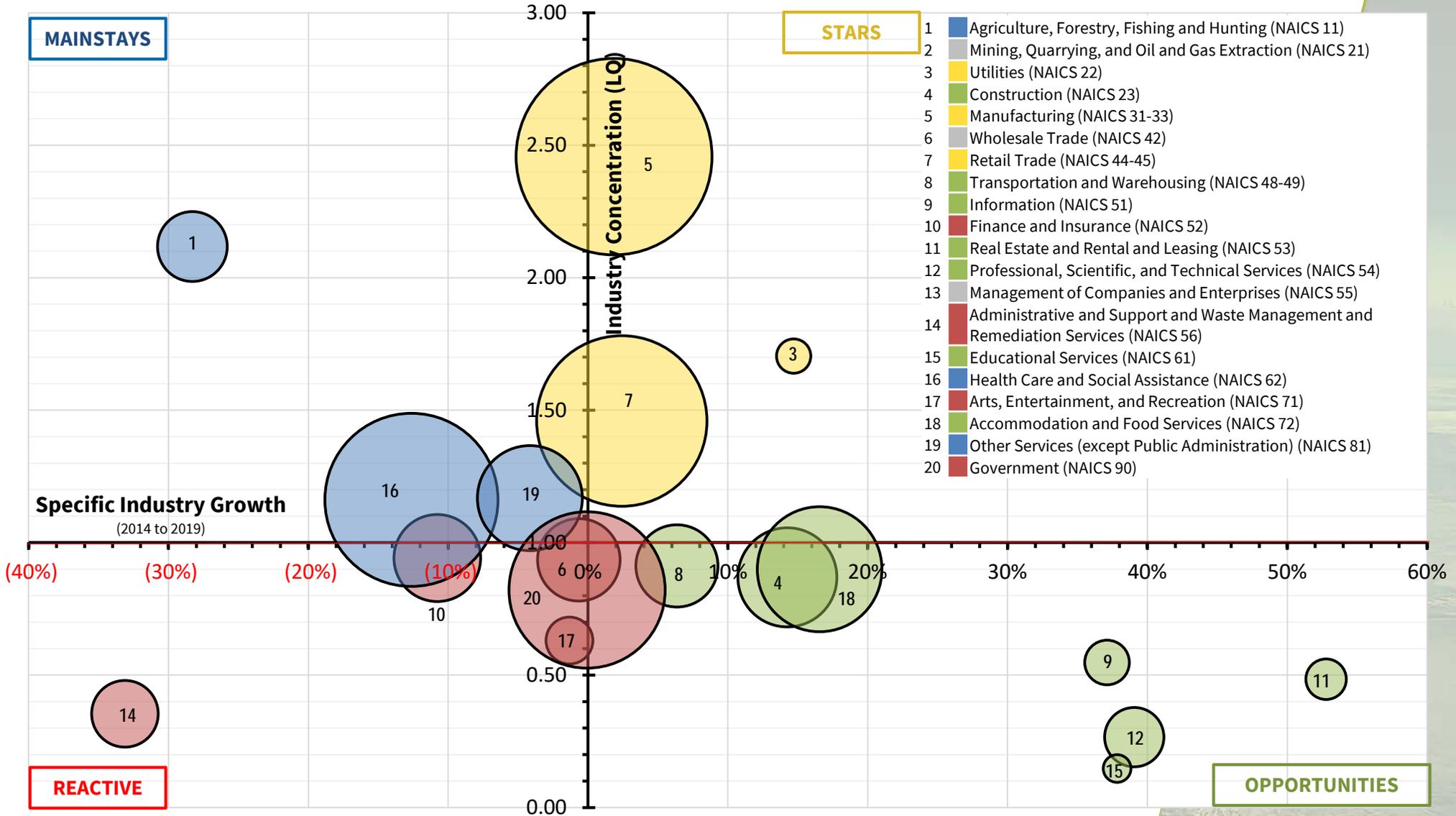
The various bubble charts, shown on the following pages, graphically show this first-level industry analysis for Freeborn County (Core Region). The core region was defined by the Albert Lea MSA, which is Freeborn County. The core region will be compared to the greater region, which is defined as the following counties (all in Minnesota unless noted): Freeborn, Waseca, Faribault, Mower, Steele, Worth (IA), and Winnebago (IA).

In each graph, the X-axis is the historic growth or contraction by industry over time; the Y-axis identifies the industry location quotient, and the size of the industry cluster circle represents the number of employees in the region.

The graph breaks into four quadrants, split by industries above and below 0% growth, and those above and below average concentration (LQ = 1.0). The four quadrants reflect four general approaches to the industries, which we use as a starting point and then adjust based on the specific dynamics within a client's region as well as our experience in conducting similar analyses in many diverse regions.

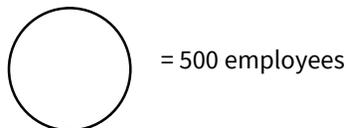
Economic Base Analysis

CORE REGION INDUSTRY ANALYSIS



Circle Size = Number of employees in Freeborn County
Source: EMSI 2019

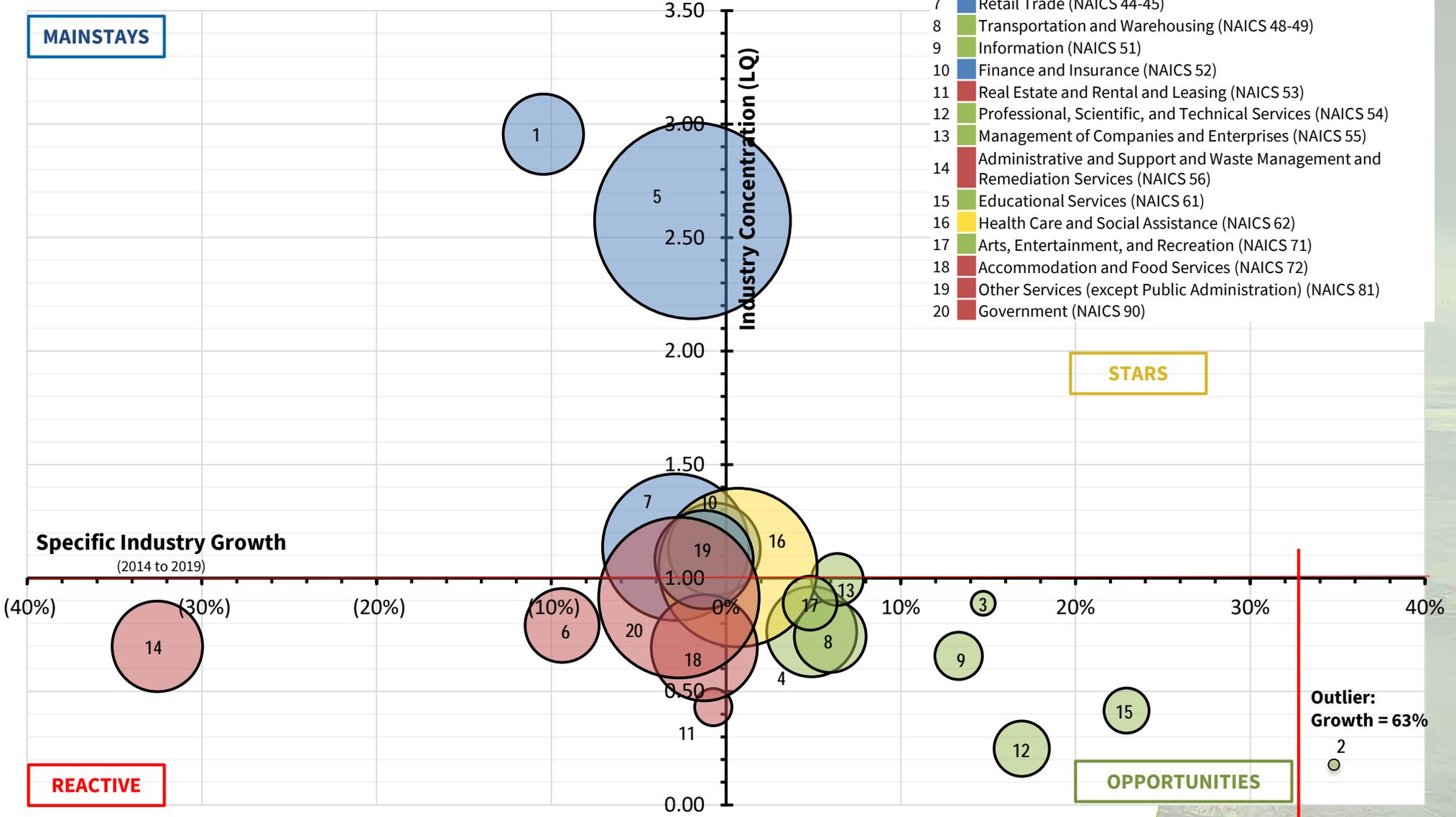
Total Employees in Freeborn County: 13,407



Economic Base Analysis

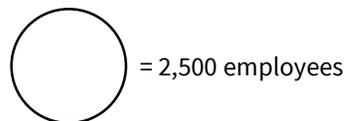
GREATER REGION INDUSTRY ANALYSIS

- 1 Agriculture, Forestry, Fishing and Hunting (NAICS 11)
- 2 Mining, Quarrying, and Oil and Gas Extraction (NAICS 21)
- 3 Utilities (NAICS 22)
- 4 Construction (NAICS 23)
- 5 Manufacturing (NAICS 31-33)
- 6 Wholesale Trade (NAICS 42)
- 7 Retail Trade (NAICS 44-45)
- 8 Transportation and Warehousing (NAICS 48-49)
- 9 Information (NAICS 51)
- 10 Finance and Insurance (NAICS 52)
- 11 Real Estate and Rental and Leasing (NAICS 53)
- 12 Professional, Scientific, and Technical Services (NAICS 54)
- 13 Management of Companies and Enterprises (NAICS 55)
- 14 Administrative and Support and Waste Management and Remediation Services (NAICS 56)
- 15 Educational Services (NAICS 61)
- 16 Health Care and Social Assistance (NAICS 62)
- 17 Arts, Entertainment, and Recreation (NAICS 71)
- 18 Accommodation and Food Services (NAICS 72)
- 19 Other Services (except Public Administration) (NAICS 81)
- 20 Government (NAICS 90)



Circle Size = Number of employees in Greater Region
 Source: EMSI 2019

Total Employees in Greater Region: 74,641



Economic Base Analysis

SECTOR SCREENING

In order to narrow down the list of industries for further analysis at the two-digit level, we created a screening process. This process takes into account the recent growth and concentration (chart quadrant) of the industry in the Albert Lea region, the projected 5-year growth in the greater region, and the projected 5-year growth nationally. The industries highlighted in green will be explored further in the target industry analysis section of this report.

| Industry | Core Region Chart Quadrant | Greater Region 5-Year Projected Growth (2019-2024) | U.S. 5-Year Projected Growth (2019-2024) | Include in further analysis? Comments |
|--|----------------------------|--|--|---|
| Agriculture, Forestry, Fishing and Hunting (NAICS 11) | Mainstay | (6%) | 1% | Yes. This industry is foundational to the region. While it has not been growing and is not projected to grow in the region, we will examine this industry to determine which strong agriculture sectors might provide opportunities for value-added processing. |
| Mining, Quarrying, and Oil and Gas Extraction (NAICS 21) | N/A | 7% | 7% | No. This industry is very small in Freeborn County. While it is growing in the greater region, there are likely stronger areas in which this industry can grow. |
| Utilities (NAICS 22) | Star | 11% | 3% | No. This is not typically an industry to focus on for business recruitment. |
| Construction (NAICS 23) | Opportunity | 0% | 6% | No. This industry tends to lag/follow the economy. It will grow as other sectors grow. |
| Manufacturing (NAICS 31-33) | Star | (3%) | 0% | Yes. The region has a strong concentration in manufacturing, and it has been growing. We will examine opportunities for clustering and/or emerging industries for the region. |
| Wholesale Trade (NAICS 42) | N/A | 2% | 2% | No. This industry has been declining in the region and is a fairly small industry sector. While not a target industry, this industry should be supported as it relates to distribution opportunities for other industry clusters. |

Economic Base Analysis

TARGET INDUSTRY SCREENING

| Industry | Core Region Chart Quadrant | Greater Region 5-Year Projected Growth (2019-2024) | U.S. 5-Year Projected Growth (2019-2024) | Include in further analysis? Comments |
|---|----------------------------|--|--|--|
| Retail Trade (NAICS 44-45) | Star | (1%) | 2% | No. This industry is not a focus of this research. These subsectors tend to follow the economy and are consumer-driven. |
| Transportation and Warehousing (NAICS 48-49) | Opportunity | 5% | 7% | Yes. The region has experienced growth in this region and is expected to continue to grow. Many stakeholders mentioned this as a growth opportunity due to Albert Lea's location. |
| Information (NAICS 51) | Opportunity | 8% | 3% | Yes. While some of the subsectors in this industry are consumer-driven, the region has seen growth and it is projected to continue to grow. |
| Finance and Insurance (NAICS 52) | Reactive | (2%) | 4% | No. The subsectors within this industry tend to follow the economy, such as commercial banking. It has been declining in the region and is projected to continue to decline. |
| Real Estate and Rental and Leasing (NAICS 53) | Opportunity | 3% | 4% | No. These subsectors tend to follow the economy and are consumer-driven. |
| Professional, Scientific, and Technical Services (NAICS 54) | Opportunity | 11% | 8% | Yes. There are several subsectors of this industry that have experienced significant growth in the region, and this industry is projected to experience significant growth in the future. This industry also provides greater diversification of the regional economy and job opportunities for professional and educated labor. |
| Management of Companies and Enterprises (NAICS 55) | N/A | 8% | 5% | No. This industry currently does not employ anyone in the region. There may be opportunities for regional offices and the like; however, those can be reviewed by looking at other subsectors. |

Economic Base Analysis

TARGET INDUSTRY SCREENING

| Industry | Core Region Chart Quadrant | Greater Region 5-Year Projected Growth (2019-2024) | U.S. 5-Year Projected Growth (2019-2024) | Include in further analysis? Comments |
|---|----------------------------|--|--|--|
| Administrative and Support and Waste Management and Remediation Services (NAICS 56) | Reactive | (3%) | 6% | No. Most of the subsectors of this industry follow the economy, and the focus should be to support rather than recruit. |
| Educational Services (NAICS 61) | Opportunity | 16% | 8% | No. This is not an industry to recruit, but rather, support. There are strong educational assets in the region that can be used as a selling point for new business development. |
| Health Care and Social Assistance (NAICS 62) | Mainstay | 5% | 10% | No. While this industry is strong in the region, this industry is not a focus of this research. These subsectors tend to follow the economy and are consumer-driven. |
| Arts, Entertainment, and Recreation (NAICS 71) | Reactive | 9% | 6% | No. This industry is not a focus of this research. These subsectors tend to follow the economy and are consumer-driven. |
| Accommodation and Food Services (NAICS 72) | Opportunity | (2%) | 6% | No. This industry is not a focus of this research. These subsectors tend to follow the economy and are consumer-driven. |
| Other Services (except Public Administration) (NAICS 81) | Mainstay | 0% | 4% | No. The subsectors within this industry are consumer-customer driven and will follow the economy. |
| Government (NAICS 90) | Reactive | 0% | 2% | No. This is not typically an industry to recruit. |

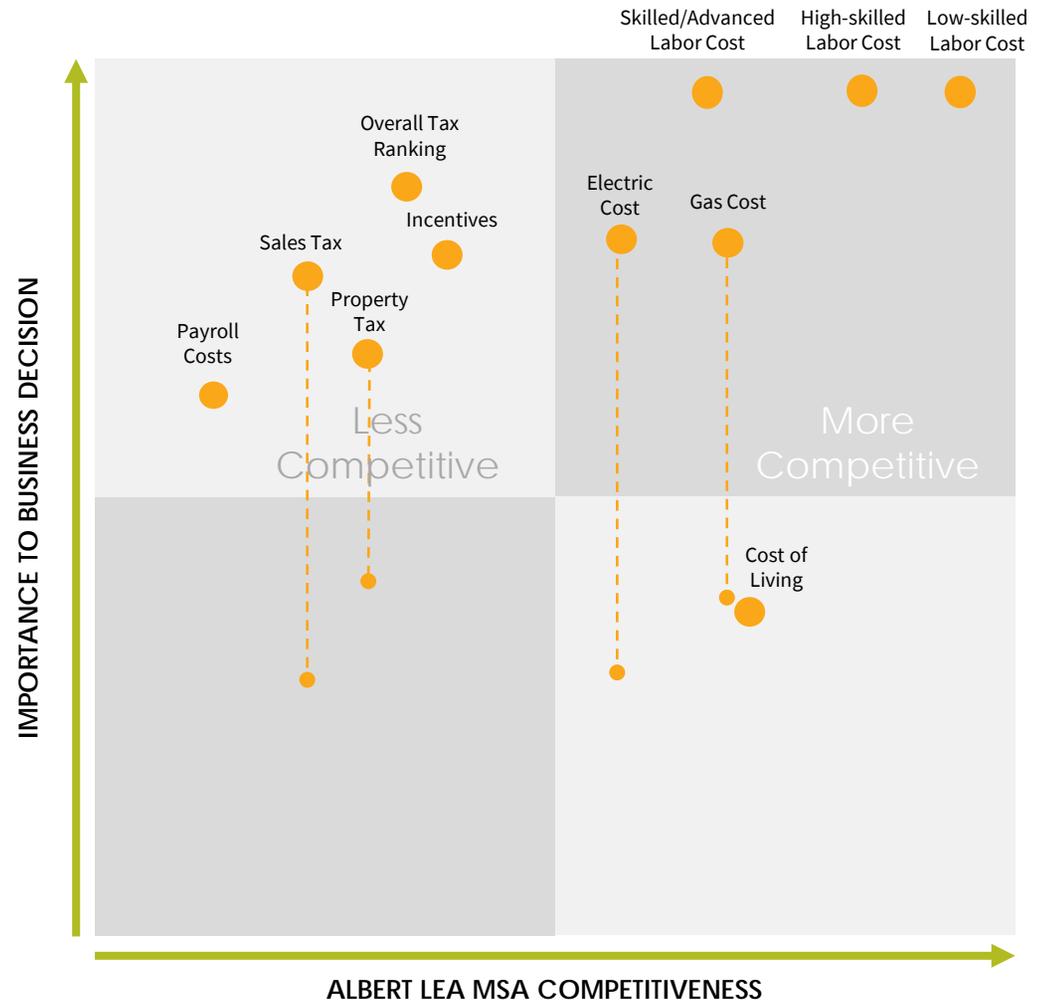
Opportunity and Barrier Assessment

GENERAL BUSINESS COSTS ASSET MAP COMMENTS

The asset map to the right depicts the Albert Lea MSA and surrounding region's competitiveness compared to the state of Minnesota, surrounding states, as well as the United States as a whole.

- Labor costs in the core and greater region are lower than average for most industries compared to the state of Minnesota and the national average.
- Minnesota generally has less competitive tax rankings relative to its neighboring states. The exception is the Unemployment Insurance Tax Rank, which is better than Iowa, South Dakota, and Wisconsin. In addition, Minnesota is lower than Iowa in Corporate Income Tax Rate and better than Iowa in Overall Tax Ranking.
- Industrial gas costs in Minnesota are lower than Iowa, South Dakota, and Wisconsin. For industrial electric costs, Minnesota is lower than Iowa and Wisconsin, but higher than South Dakota.
- Albert Lea offers the standard mix of financing and incentives. Illinois offers a variety of incentives, with a number tailored towards job creation and small businesses. Minnesota offers the Investment Fund, Job Creation Fund, and Job Expansion Program.
- The cost of living in Albert Lea is 20% lower than the national average.

GENERAL BUSINESS COSTS ASSET MAP



Note: Dotted lines down represent the variability of importance of each factor depending on the industry.

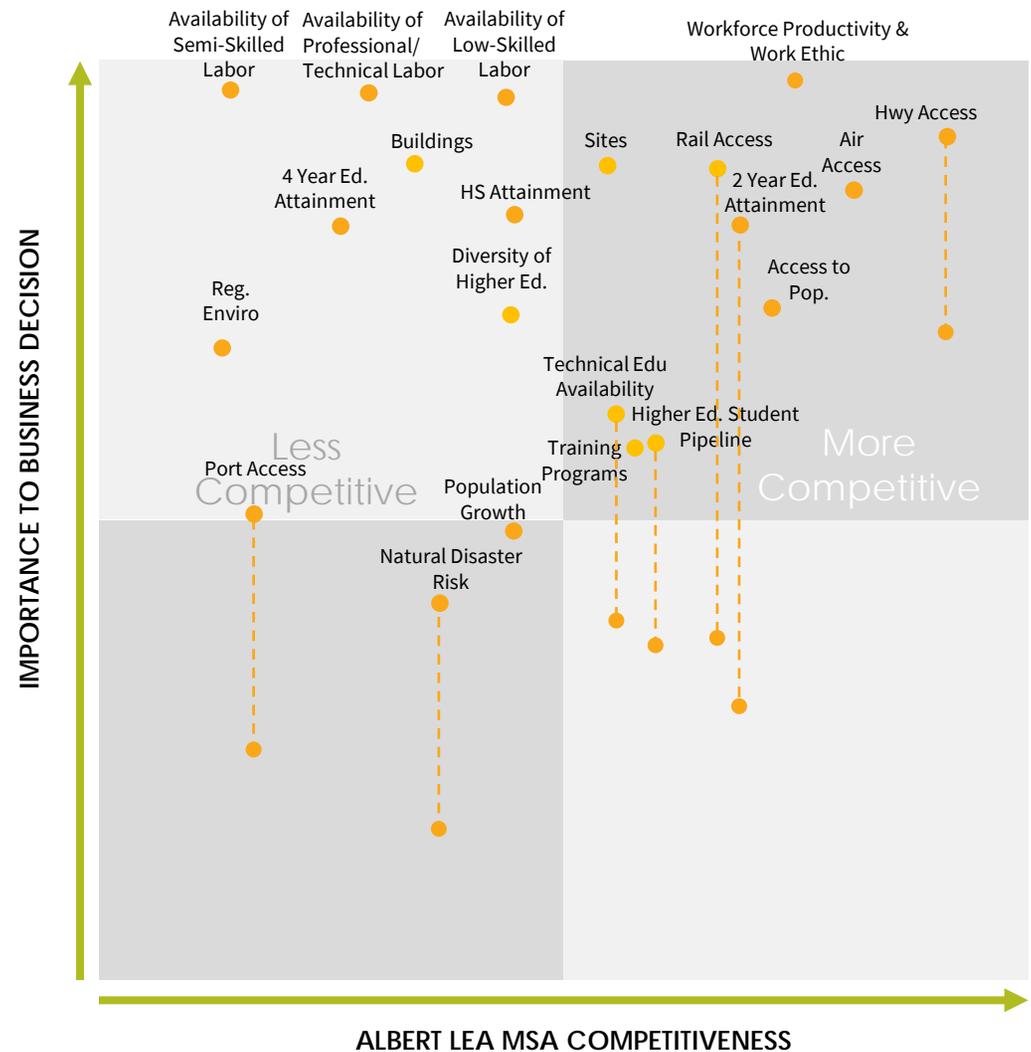
Opportunity and Barrier Assessment

GENERAL BUSINESS CONDITIONS ASSET MAP COMMENTS

The asset map to the right depicts the Albert Lea MSA and greater region's competitiveness compared to the state of Minnesota, surrounding states, as well as the United States as a whole.

- There has been negative population growth over in the Albert Lea MSA, decreasing by -1.2% since 2014. The state of Minnesota has experienced population growth of 3.6% since 2014.
- Availability of labor was noted by employers as a key challenge, regardless of labor type. Skilled labor seemed to be the most acute challenges, as most of the industries require these positions.
- The Albert Lea MSA has access to Riverland Community College and College of St. Scholastica. These provide some programs and training for industry needs. The nearest 4-year universities are in Mankato and Rochester, MN. Technical training is supplied by the Sunde School, as well as the Mayo Clinic School of Health Sciences and Mayo Clinic Medical School.
- Work ethic was not often cited as an issue. However, employers struggle to recruit additional workers to the area. Lack of childcare and affordable housing were noted as barriers to recruiting more workers.
- The Albert Lea MSA has lower high school, 4-year, and graduate attainment rates than the state of Minnesota average, the neighboring states' average, as well as the US average. However, the Albert Lea MSA has higher 2-year degree attainment than all comparison regions Mason City, IA.
- The Albert Lea MSA has some land sites and buildings available for companies looking to expand or relocate. For sites, these include the Jobs Industrial Park, the Agra-Resources Industrial Park the Northaire Industrial Park, the Habben Industrial Park and the I35-I90 Industrial Park. For buildings, Albert Lea has 18 buildings listed, with the largest almost 350,000 square feet.
- The nearest commercial airport is the Rochester International Airport, and Albert Lea is also 90 minutes away from MSP.
- Albert Lea has no direct port access.
- Albert Lea and Freeborn County have access to two Class 1 rail lines, with access from the Agra-Resources Industrial Park as well as the Blazing Star Landing Site.

GENERAL CONDITIONS ASSET MAP



Note: Dotted lines down represent the variability of each factor depending on the industry.

Opportunity and Barrier Assessment

KEY THEMES

1. Albert Lea has unique natural assets from which it has been able to create events and recreational opportunities. While there is a high level of awareness of these assets among community members there is an opportunity to enhance and better promote these assets to attract visitors, as well as talent.
2. Workforce is a challenge for employers across the region. While unemployment is low, there are barriers to people entering or staying in the workforce in the area, such as lack of housing, childcare and public transportation.
3. While many stakeholders agree that Riverland is a huge asset for the community, there is a need to better connect K12, Riverland and other higher education institutions in the region to employers. This will help strengthen the talent pipeline and ensure there are opportunities for students in the region once they graduate.
4. There is a perception that Albert Lea's location is a huge asset, but in reality, many communities elsewhere in the region are better positioned for warehousing/distribution and have seen growth in this industry. There is an opportunity to enhance Albert Lea's competitiveness in other areas above and beyond its location, such as talent, costs, etc.
5. There seems to be a lack of awareness from the general public on the companies and job opportunities that exist in the region. Some companies are doing very innovative manufacturing and exporting internationally, but this is not well-promoted.
6. While many stakeholders who participated in this study are very involved in the community, there is an opportunity to better engage and connect the general public and newcomers to the community. Some suggested ideas included a welcome center, young professionals' groups, networking opportunities, etc.
7. For people looking for information about Albert Lea, whether it be a company, talent or a visitor, there is a lack of consolidated messaging and/or central location to get information about the area.
8. Opinions on how and where the community should grow varies among stakeholders in the region. There is no current clear vision for growth of the region; however, people generally agree that the region should build off its existing strengths, such as agriculture and manufacturing.

Target Industry Screening

RECOMMENDED TARGET INDUSTRIES

Based on the analysis in this section, we recommend the following industries as targets for the region. Each target industry will have a specific strategy, as well as a set of key competitive advantages of the region. Positioning for each target industry will be added to the following section of this report.

| Target Industry | Subsectors of Focus | Comments |
|--|--|---|
| Food Processing | <ul style="list-style-type: none"> • Animal Food Manufacturing (NAICS 3111) • Grain and Oilseed Milling (NAICS 3112) • Sugar and Confectionery Product Manufacturing (NAICS 3113) • Fruit and Vegetable Preserving and Specialty Food Manufacturing (NAICS 3114) • Dairy Product Manufacturing (NAICS 3115) • Animal Slaughtering and Processing (NAICS 3116) • Other Food Manufacturing (NAICS 3119) | Food processing is a good fit for Albert Lea and the region. There are already several large players in the region and there is a strong agricultural base. Focus on those industries that are stars and opportunities that show potential for future growth. |
| Equipment and Component Manufacturing | <ul style="list-style-type: none"> • Other Fabricated Metal Product Manufacturing (NAICS 3329) • Industrial Machinery Manufacturing (NAICS 3332) • Ventilation, Heating, Air-Conditioning, and Commercial Refrigeration Equipment Manufacturing (NAICS 3334) • Metalworking Machinery Manufacturing (NAICS 3335) • Semiconductor and Other Electronic Component Manufacturing (NAICS 3344) • Motor Vehicle Body and Trailer Manufacturing (NAICS 3362) | These industries have all experienced growth in the region, and most are projected to continue to grow in the greater region, as well as at a national level. They could provide supply chain opportunities for Albert Lea's existing employers and utilize the skilled workforce within the region. |
| Transportation and Warehousing | <ul style="list-style-type: none"> • General Freight Trucking (NAICS 4841) • Specialized Freight Trucking (NAICS 4842) • Support Activities for Air Transportation (NAICS 4881) • Support Activities for Road Transportation (NAICS 4884) • Couriers and Express Delivery Services (NAICS 4921) • Warehousing and Storage (NAICS 4931) | These industries have been growing and are expected to continue to grow both at a regional and national level. While stakeholders had mixed opinions on how competitive Albert Lea would be for this industry based on its location relative to other peer cities, it has still seen strong growth in the region and provides additional opportunities for growth and to support existing businesses. |

Target Industry Screening

RECOMMENDED TARGET INDUSTRIES (CONT)

Based on the analysis in this section, we recommend the following industries as targets for the region. Each target industry will have a specific strategy, as well as a set of key competitive advantages of the region. Positioning for each target industry will be added to the following section of this report.

| Target Industry | Subsectors of Focus | Comments |
|--|---|---|
| Scientific and Technical Services | <ul style="list-style-type: none"> Architectural, Engineering, and Related Services (NAICS 5413) Specialized Design Services (NAICS 5414) Computer Systems Design and Related Services (NAICS 5415) Management, Scientific, and Technical Consulting Services (NAICS 5416) Scientific Research and Development Services (NAICS 5417) Management of Companies and Enterprises (NAICS 5511) | These industries have all experienced growth in Freeborn County in the past five years and are projected high growth for the greater region. Professional services can be a good way to help diversify Albert Lea's economic base and provide higher-paying opportunities that are attractive to young professionals. |
| Data Centers | <ul style="list-style-type: none"> Data Processing, Hosting and Related Services (NAICS 5182) | We are not currently recommending this as a target industries; however, it shows an opportunity for Albert Lea and is likely an aspirational target industry. Further investigation needs to be done on the availability of broadband and fiber in the region. |