SOUTHEAST MINNESOTA
REGIONAL ECONOMIC STUDY

Final Report
OCTOBER 2018

Image: Tim Alms Photography

Submitted by:

HR&A
Analyze. Advise. Act.
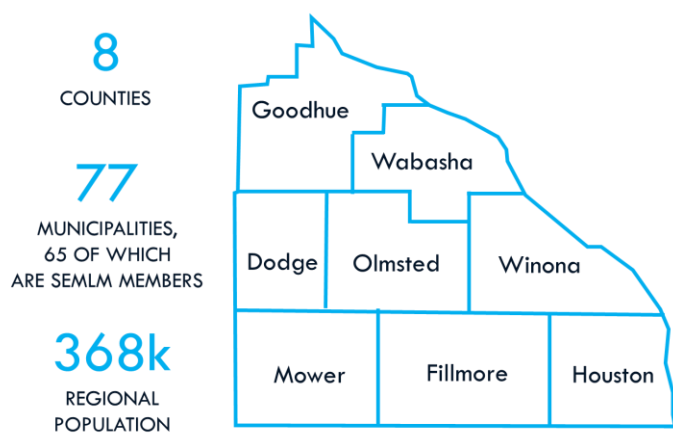
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1. REPORT FINDINGS

1.1. PROJECT INTRODUCTION

The eight-county region of Southeast Minnesota ("Southeast Minnesota" or the "Region"), composed of Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, and Winona counties, encompasses 77 municipalities, with more than 368,000 residents and 190,000 employees.

A State of Minnesota grant appropriation through the Department of Employment and Economic Development ("DEED") provided funding for the Southeast Minnesota League of Municipalities ("SEMLM") to conduct a study with the aim of understanding economic impacts facing cities in the Region, with procedural support from Community and Economic Development Associates ("CEDA"). SEMLM sought to better understand the demographic and economic future of the Region. SEMLM engaged HR&A Advisors, Inc. ("HR&A") to conduct this study, providing stakeholder engagement, analysis, and overall project direction.

The Southeast Minnesota Regional Economic Study (the "Study") aims to provide communities in the Region with long-range population, employment, and economic forecasts at the county- and region-wide scales.[1] These forecasts will equip municipalities, counties, and the Region with quality data that can inform long-range planning, guiding important municipal and county decision making for things like investment in new infrastructure and public works, municipal services and schools, land use planning, and strategic downtown planning, in addition to regional considerations about transportation

Figure 1: The Southeast Region

investment and housing growth. With a clearer understanding of the future population and economy of Southeast Minnesota, the Region can work to ensure that this growth is equitable and sustainable, serving all residents and workers.

Southeast Minnesota is a major economic driver for the State of Minnesota. Today, 6.5% of the State of Minnesota's jobs and 6.8% of the population are located within the Region, while the Region makes up less than 6% of the state's landmass.[2,3] Communities will need to consider key challenges and trends as the Region and its municipalities plan for and invest in their futures, including:

- Historically, the Region's **population grew faster than the State and US** as a whole, driven primarily by greater than 25% growth in Dodge, Goodhue, and Olmsted counties between 1970 and 2000.[4]
- Since 2000, population growth within the Region has **not been evenly distributed**, with positive growth occurring in Dodge, Goodhue, Mower, Olmsted, and Winona counties.

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[1] This Study relies upon data provided by municipalities, counties, and regional groups in Southeast Minnesota, as well as publicly available data such as Census, ACS, and BLS data.
[2] Emsi Economic Model
[3] ACS 2016, 5-Year Average
[4] Census, 1970 and 2000

- Southeast Minnesota has **a large senior population;** 17% of those living in the Region are 65+, compared to 12% in the Twin Cities' seven-county metropolitan region and 14% in the State as a whole.[5]
- Despite historical population growth, the State Demographer Center projects that many of the counties in the Region will experience **population stagnation and loss** as older cohorts age and the number of people under the age of 25 declines.
- **Growth in the Region is in part driven by immigration,** with the Region's immigrant population growing from 4.2% in 2009 to 6.4% in 2016.
- Employment growth has slowed in recent years, though **jobs have grown by approximately 1.3% per year** between 2009 and 2016; unemployment in Region is lower compared to the state and the country, signaling strong employment trends in the Region.
- **Health care, manufacturing, and government are the Region's largest industry employers;** combined, these industries make up more than 50% of the Region's jobs. Tourism, though not a historically significant industry, is growing rapidly, particularly in Winona, Olmsted, and Fillmore counties, where employment in tourism related industries has risen over 15% since 2009.[6]
- Even with positive employment growth, throughout the Region employers face challenges reaching skilled workers, creating a **talent mismatch.**
- Lower wages in the Region (7% lower than statewide averages) make attracting and retaining workers challenging; however, **wages in the Region are growing at a faster rate** than elsewhere in the state.
- **Higher health care premiums** in the Region than elsewhere in the state, making business attraction and retention challenging.
- A variety of **major regional initiatives**, both planned and underway, including the planned expansion of Destination Medical Center, growing manufacturing industries in Winona and Goodhue Counties, and potential future transportation and tourism initiatives.

This Study provides an overview of recent trends facing the Region, including an assessment of regional existing forecasts (1.2), establishes a Baseline Forecast for regional growth accounting for ongoing regional activity (2.1), and describes a set of ongoing regional challenges and quantifies the net economic impact of addressing them (2.2-2.7).

1.2.   RECENT TRENDS & FORECASTS

To understand the challenges and opportunities facing the Region, this Study assesses baseline demographic and economic conditions in the Region, layered with a thorough review of existing economic development initiatives in the Region. This includes a review of materials received from 26 Southeastern municipalities and all 8 counties about challenges and initiatives underway in these communities. This review was supplemented by discussions with counties, municipalities, and regional entities, both in-person and over the phone with representatives from counties and municipalities, including the City of LaCrosse and LaCrosse County, as well as regional organizations including the Southern Minnesota Initiative Foundation, Southeast Minnesota Together, Journey to Growth, and the Seven Rivers Alliance.

The Region is known for its high quality of life, with good schools and access to scenic open space, as well as a significant and growing supply of quality jobs, specifically in the health care and agricultural industries. Despite its many assets, counties within the Region have experienced declining populations in recent years, and rising housing costs coupled with a loss of agricultural land may make the Region less livable in the next few decades. While each community within the Region has unique challenges and opportunities, regionwide

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[5] ACS 2016, 5-Year Average
[6] As measured by growth in employment in Accommodation and Food Services and Arts and Entertainment sectors.

economic development strategies, supported by targeted local initiatives, will affect the Region's growth. Key trends identified throughout the Region include:

- **A growing need for housing** to meet the needs of a growing and diversifying population. As the Region's population continues to grow, the Southeast Minnesota's existing housing gap will be exacerbated. Communities expressed that residents seek a broad range of housing typologies with varied price points that are located throughout the Region. The Region's growing senior population seeks housing that will allow them to age-in-place, while young professionals, unable to afford home ownership, seek viable rental alternatives. A lack of appropriate housing to meet the needs of the Region's growing work force will reduce the Region's ability to attract skilled workers, reducing the Region's economic competitiveness.

- **Labor supply shortages,** which are a significant constraint to future economic growth and business attraction and expansion. Driven by many factors, communities cited the availability and affordability of daycare and childcare providers, and in some areas low wages offered by employers, as particular burdens on the availability of labor. In addition to these challenges impacting the Region's ability to attract labor, communities noted that workforce retention is a compounding issue, especially apparent in businesses' ability to retain skilled workers. These challenges are especially acute given the Region's existing 10,000 unfilled jobs.

- **Demand for regional transportation** to support the growth of employment and population centers throughout the Region. Nearly 90% of residents in the Southeast Region commute to work by private vehicle, while just 3% commute by public transportation, a reflection of the fact that the Region is not currently served by a cohesive transportation system.[7] Regional transit improvements have the potential to better match people to jobs in Southeast Minnesota, connecting residential areas to job centers and helping to fill the labor gap that exists today and distribute residential growth throughout the Region.

- **International migration** to the Region, has historically been a significant population driver. The Region's share of immigrants is increasing, growing from a 4.2% share of the population in 2000 to 6.4% in 2016.[8] Today, the State of Minnesota is home to the highest number of refugees per capita nationwide, with 2% of the nation's population but 13% of its refugees. Increasing the rate of international immigration will increase the Region's long-term economic growth, particularly by providing an endogenous source of new labor supply and opportunities for innovation.

- **Growth of tourism and recreation** throughout the Region, driven by major attractions including Wabasha's National Eagle Center, Treasure Island Resort & Casino, and the B&B capital of Minnesota, the City of Lanesboro. Annual sales at leisure and hospitality businesses throughout the State of Minnesota grew by 41% between 2005 and 2015, from $10.2 billion to $14.4 billion per year, creating $930 million in state sales tax revenues and supporting almost 260,000 full- and part-time jobs.[9] In the Southeast Region alone, the leisure and hospitality industry supports more than 16,000 jobs and with national tourism trends and local initiatives there is potential for this figure to increase.

- **Healthcare insurance costs,** that are above average for the state. Due to a number of factors, related to the small market of insurers in the Region, higher than average care costs, smaller rating areas established with the ACA, and regional demographics and population density, the Region's health insurance costs may impact the Region's ability to competitively attract and retain businesses, critical to sustaining continued economic growth.

- **Changing employment trends,** including diversification from the Region's historically dominant industries. While agriculture is central to the culture of the Southeast Region, and historically a

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[7] ACS 2016, 5-Year Average
[8] ACS 2016, 5-Year Average
[9] Explore Minnesota, 2017

leading industry in the Region, it is not a significant employer today. Due to the historical and cultural significance of the agricultural industry, however, the preservation of agricultural jobs is noted as a primary concern in many cities' planning documents. Manufacturing is one of the largest industries in the Region, with 13% of all jobs in the Region concentrated in manufacturing. While regional trends indicate that the manufacturing industry is stable, increasing by 600 jobs or 2% since 2009, there is significant clustering of manufacturing employment in certain counties, such as in Goodhue, as seen by its many firms such as BIC Graphic and Red Wing Shoes. The clustering of manufacturing jobs makes matching skilled workers and employers increasingly important.

The Study also assessed existing population and economic forecasts for the Region, including county-level forecasts and population projections completed by the Minnesota State Demographic Center. The State Demographic Center produces a detailed population forecast ("State Population Projection') by county, age cohort, and gender based upon historical growth trends, recent birth/death rates, and migration patterns. This Study developed the "SDC Forecast" using the State Population Projection as an input in the REMI Software, which in turn generated employment projections for the Region. The SDC Forecast estimates that the Region's population will increase by about 13,950 between 2016 and 2040. The SDC Forecast estimates that with this population input, total employment is forecasted to increase by 11,220 jobs between 2016 and 2040.[10]

This Study considers the State Population Projection, and by extension the SDC Forecast, to be very conservative estimates for the Region, as they only account for existing aging and migration patterns and do not consider ongoing regional initiatives for economic development and population growth. Given this conclusion, this Study creates a new Baseline Forecast that includes adjustments for a number of ongoing regional initiatives.

Figure 2: Regional Population Growth, 2001-2040

Regional Population Projection
2001-2040
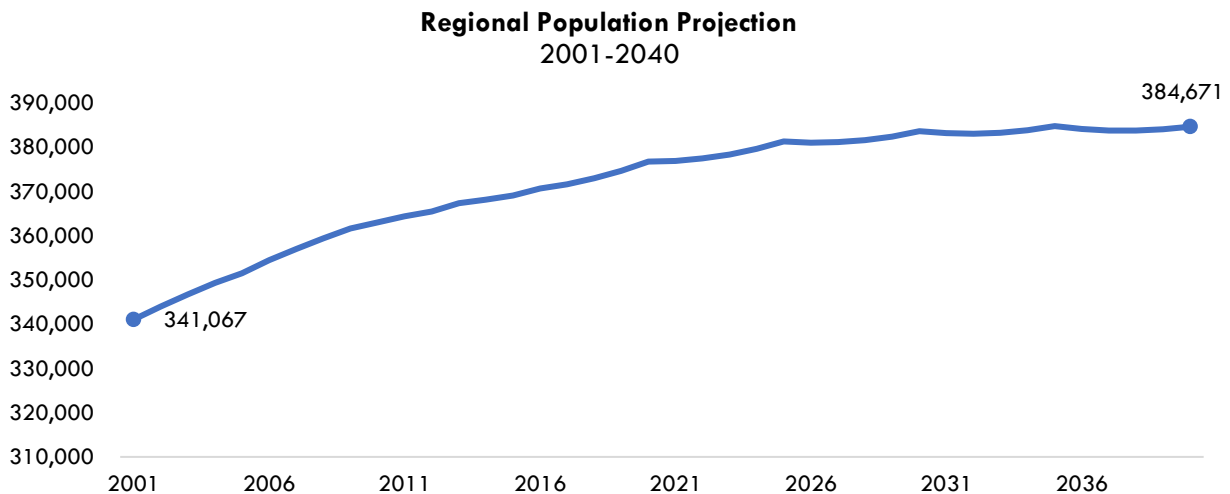
Source: Minnesota State Demographic Center, HR&A Analysis

Figure 3: Population Growth by County, 2016-2040

County	2001	2016	2040	Change, 2016-2040	Annual Growth, 2016-2040
Dodge	18,120	20,420	20,500	80	0.02%

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[10] This Study used REMI Policy Insight, a globally renown econometric modeling platform, to model changes in employment based on the population projections of the State Demographic Center. More information on REMI PI+ and methodology can be found in Section 3 of this report.

Fillmore	21,180	20,590	18,600	-1,990	-0.42%
Goodhue	44,570	46,530	51,750	5,220	0.44%
Houston	19,860	18,610	17,100	-1,510	-0.35%
Mower	38,760	39,170	36,840	-2,330	-0.26%
Olmsted	126,740	153,370	173,680	20,310	0.52%
Wabasha	21,760	21,270	19,790	-1,480	-0.30%
Winona	50,070	50,760	46,410	-4,350	-0.37%
Region	**341,060**	**370,720**	**384,670**	**13,950**	**0.15%**

Source: Minnesota State Demographic Center, HR&A Analysis

Figure 4: Regional Employment Growth, 2016-2040

Regional Employment Projection
2001-2040
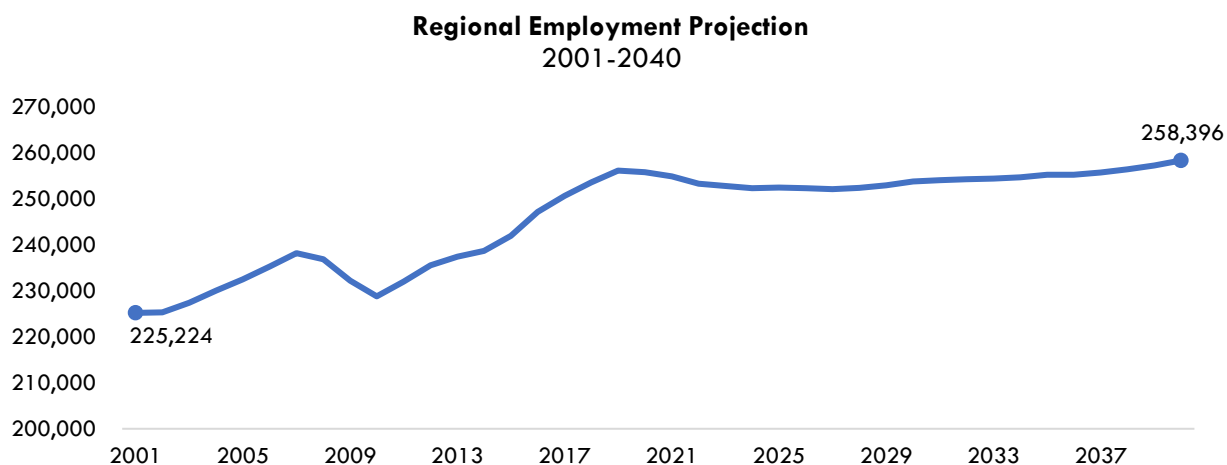
Source: REMI, HR&A Analysis

Figure 5: Employment Growth by County, 2016-2040

County	2001	2016	2040	Change, 2016-2040	Annual Growth, 2016-2040
Dodge	7,860	9,400	9,730	330	0.14%
Fillmore	11,850	11,420	10,590	-830	-0.31%
Goodhue	29,930	30,060	29,460	-600	-0.08%
Houston	8,970	9,000	8,530	-470	-0.22%
Mower	21,520	22,380	21,770	-610	-0.12%
Olmsted	101,840	120,460	136,560	16,100	0.52%
Wabasha	11,440	11,190	10,730	-460	-0.17%
Winona	31,820	33,270	31,030	-2,240	-0.29%
Region	**225,230**	**247,180**	**258,400**	**11,220**	**0.19%**

Source: REMI, HR&A Analysis

1.3. BASELINE FORECAST

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast ("Baseline Forecast") for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate baseline is important to understand the projected net new impacts of proposed or existing economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact

of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region.

The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level projections and forecasts completed by the Minnesota State Demographic Center, as well as other local forecasts and economic activity underway. With the implementation of regional initiatives, there is significant new growth anticipated in the Region. The Baseline Forecast's projected growth above the SDC Forecast is attributable to a number of regional initiatives, including investment in the Destination Medical Center ("DMC") and the Goodhue County housing forecast.

As shown in Figure 6 in the Baseline Forecast, the DMC and the Goodhue County housing forecast have substantial positive effects for the Region, contrasting the trends forecasted in the SDC Forecast. Overall, the Baseline Forecast projects that the Region will see growth of 50,160 residents between 2015 and 2040, up to 419,240 total residents. This represents an annual growth rate of 0.53% from 2015-2040, similar to the 0.62% annualized growth seen from 2000-2015 in the Region. While the DMC's work is focused on Downtown Rochester, spinoff activity outside of Rochester is likely to occur as this regional hub develops. The DMC presents a tremendous opportunity for economic development throughout the entire Southeast Region. Including the projected impacts of the DMC and other ongoing initiatives throughout the Region in the Baseline Forecast ensures that the Baseline Forecast appropriately accounts for the overall impacts on regional in-migration, which will affect labor supply throughout the region, as well as increased housing needs, both of which will have numerous ancillary impacts on the Region's economic growth.

Figure 6: Regional Population Growth, 2010-2040
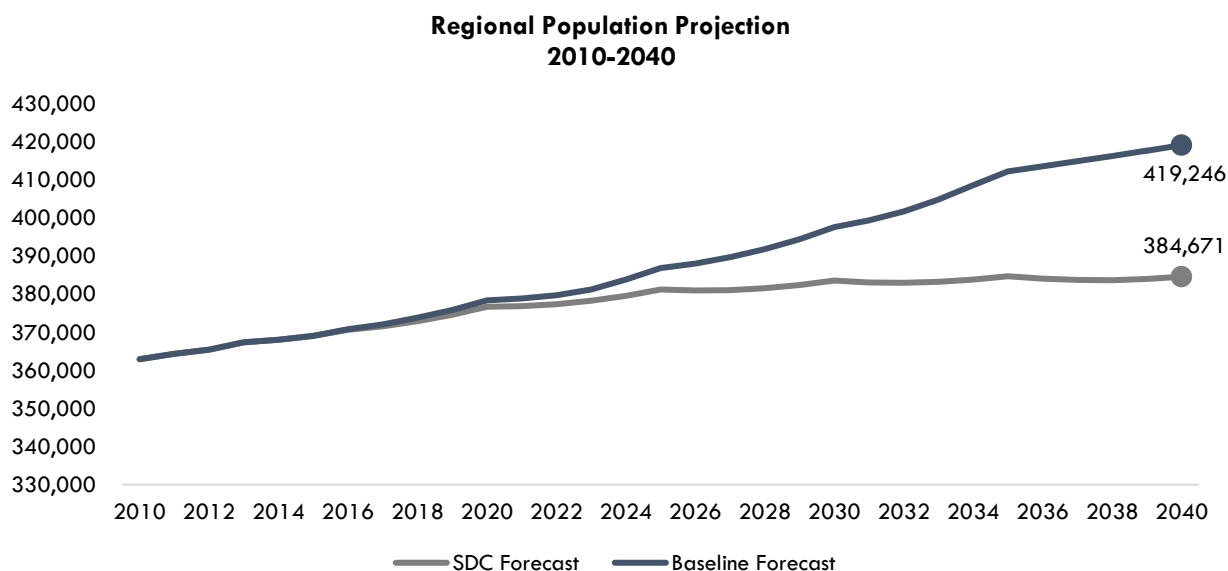
Source: REMI, HR&A Analysis, Minnesota State Demographic Center

Figure 7: Regional Population Change by County, Baseline Forecast, 2015-2040

County	2015	2040	Change, 2015-2040	Annual Growth
Dodge	20,360	22,400	2,040	0.40%
Fillmore	20,830	19,820	-1,010	-0.21%
Goodhue	46,440	52,960	6,520	0.55%
Houston	18,770	17,230	-1,540	-0.36%
Mower	39,120	37,780	-1,340	-0.15%
Olmsted	151,440	200,520	49,080	1.18%
Wabasha	21,240	21,120	-120	-0.02%

Winona	50,880	47,410	-3,470	-0.29%
Region	**369,080**	**419,240**	**50,160**	**0.53%**

Figure 8: Regional Employment Growth, 2010-2040

Employment Projection 2010-2040
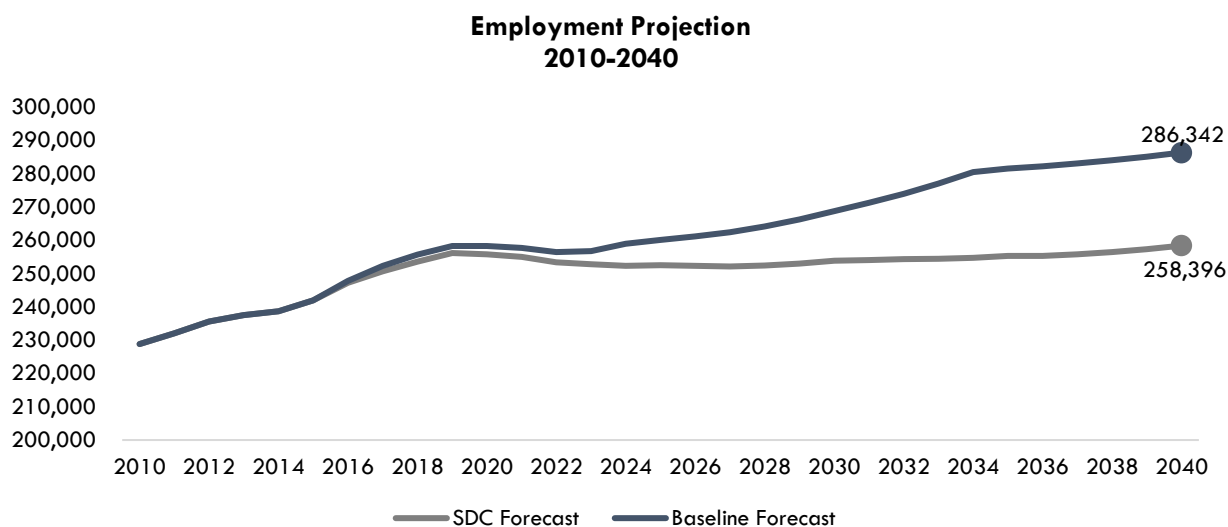
Figure 9: Regional Employment Change by County, Baseline Forecast, 2015-2040

County	2015	2040	Change, 2015-2040	Annual Growth
Dodge	9,370	10,090	720	0.31%
Fillmore	11,320	10,900	-420	-0.16%
Goodhue	29,920	29,810	-110	-0.02%
Houston	8,920	8,600	-320	-0.15%
Mower	21,970	21,950	-20	0.00%
Olmsted	116,440	162,540	46,100	1.40%
Wabasha	11,040	11,080	40	0.02%
Winona	33,010	31,370	-1,640	-0.21%
Region	**241,990**	**286,340**	**44,350**	**0.70%**

1.4. IMPACTS OF TRENDS AND KEY INITIATIVES

In addition to understanding baseline population and employment forecasts, **the Study analyzed the impacts of key regional trends and potential regional initiatives that will impact future population and employment trends.** This Study identified these key trends and challenges based on substantial stakeholder outreach and review of previous plans and materials. This information informed our understanding of the key initiatives and challenges underway in the Region. These include:

1. Destination Medical Center, and its local and regional impacts on employment and population.
2. Demand for affordable and diversified housing
3. Increasing labor force access for existing Southeast Minnesota residents
4. Increasing demand for a regional transportation system
5. Growing the overall labor supply through new immigration
6. Growing tourism and recreation industry

7.   Shifting trends in major industries, including agriculture and manufacturing

How the Region shapes and addresses these issues will have significant impacts on the Region's future economy. To understand the impacts of the overarching trends and challenges facing the Region, this Study assessed scenarios related to initiatives or issues and layered each scenario onto the Baseline Forecast. The results of this initiative scenario analysis can be used by the Region, counties, and municipalities to understand the population and employment implications of key economic drivers or inhibitors facing the Region.

1.4.1. Destination Medical Center

The largest regional initiative underway is undoubtedly the Destination Medical Center. Led by the State of Minnesota, the DMC launched in 2013. Overall, DMC plans for a 20-year, $5.6 billion investment centered around making Rochester a global destination for health and wellness as well as a hub for innovation in biotech and other scientific research. The plan envisions the development of nearly 7 million square feet of healthcare space, 1.3 million square feet of bio-med-tech and office space, 1,380 hotel rooms, nearly 3,000 units and 320,000 square feet of retail dining and entertainment. The DMC Master Plan envisions that by full build-out in 2034, the DMC will support over 28,000 direct jobs.[11]

Opportunity

Investment in the DMC has vast implications for Southeast Minnesota, given the interconnectedness of the Region. Currently, 41% of all 190,965 workers in the Region commute to Olmsted County for work.[12] Of the jobs in Rochester, over 30% are filled by commuters. Workers at the Mayo Clinic (the largest private employer in the Region) commute in from all over the state and even from Wisconsin and Iowa. As the DMC is implemented, the Region as a whole is likely to feel its effects, especially in terms of transportation, housing, and the exacerbation of an existing labor shortage.

Employees and residents affiliated with the DMC will require diverse housing options, straining the Region's existing housing supply, with spillover impacts in adjacent counties and throughout the Region. The DMC Development Plan estimates that between 2,300 and 3,100 new housing units will be needed in the Development District.[13] In order to sustain a livable community, the Development Plan recommends that the Development District include a range of housing options, with units varying in size, tenure, and affordability. Overall, this Study estimates that with the DMC, there will be a 14,100 unit gap in new housing units needed to meet the need region-wide, even after all the proposed new housing is built in Rochester.

Given high labor and construction costs, cited as issues in many communities throughout the Region, multifamily development is often infeasible relative to achievable rents. In some communities, concerns over land speculation drive development costs even higher, while in other communities, developers face issues obtaining financing for development as markets are untested and unproven. Due to a lack of sufficient and appropriate supply, the **rising cost of housing will have negative economic impacts on the Region**, reducing its ability to attract skilled workers and therefore reducing the Region's economic competitiveness.

To ensure that jobs created at the DMC are filled by skilled workers and that increased commuting does not overwhelm existing road networks, a robust regional transportation system will be critical. In 2017 the Region had approximately 10,000 unfilled jobs, more than 10% of which in health care professions, jobs that are concentrated largely in Olmsted County.[14] As the DMC expands, the mismatch between employment opportunities and skilled workers will be exacerbated. Demand for regional transit services will also continue to grow as employment opportunities in both Rochester and smaller communities increase as a result of the DMC.

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[11] DMC Master Plan, 2014
[12] LEHD, 2015
[13] DMC Development Plan
[14] MN Deed Job Vacancy Survey, 2017

Municipalities need to equip themselves with a sound understanding of how these economic changes will impact their communities to make informed decisions regarding infrastructure investments, policies, and land use plans needed to best position themselves for future growth. As such, this Study created a Baseline Forecast that accounts for the new jobs, investment, and spinoff activity that the DMC is likely to create. This Baseline Forecast serves as the baseline for which all other initiatives are modeled.

Implications and Findings

The Baseline Forecast's population growth expectations are higher than the SDC Forecast's, as the Baseline Forecast accounts for the significant impact of the DMC and other growth in the Region, which will cause an influx of jobs and residents to the Region. Overall, the model forecasts that the Region will see growth of 50,200 residents in the next 25 years, up to nearly 420,000 residents in 2040, primarily driven by growth in adjacent counties. This represents an annual growth rate of 0.51% from 2016-2040, close to the 0.62% historical annualized growth seen from 2000-2015 in the Region.

This Study projects that employment in Southeast Minnesota will also grow as a result of the DMC and other growth in the Region, as the Region is expected to add more than 44,400 jobs over the next 25 years. Much of this employment growth will be in Olmsted County, but there will be job growth in all counties, differing from the SDC Forecast. The Baseline Forecast projects that there will be 7,660 spinoff jobs in the Region as a result of the DMC. Most of these spinoff jobs are concentrated in the construction, accommodation and food services, and retail trade industries. As a result of the initiative, Dodge County will see growth of an additional 2,000 people, and Fillmore, Goodhue, Wabasha, and Winona will all see an influx of jobs to counteract projected employment decline in those regions due to longstanding trends.

1.4.2. Increased Housing Supply

Historically, the Region has seen a proportionately limited supply of new housing when compared to the Region's population growth. Between 2009 and 2016, the Region saw a net increase of 3,600 housing units, while the population grew by more than 13,700 during the same period.[15] Given the average household size of 2.5 people in the Region, this population growth should have required 5,500 total housing units, which exceeded new construction by 1,900 units. The lack of new housing supply to keep up with demand is likely due to a confluence of factors including rising land prices and construction costs and restrictive zoning regulations. Slowly increasing wages in the Region prevents the potential for higher rents or sales prices to support new housing demand, further constricting the housing market. As the Region's population continues to grow, this housing gap will be exacerbated. A lack of appropriate housing to meet the needs of the Region's growing work force will reduce the Region's ability to attract skilled workers, inhibiting the Region's economic competitiveness and potential growth.

As the Region's population grows and diversifies, this housing gap will be exacerbated. The Region's growing senior population seeks housing that will allow them to age-in-place, while young professionals, unable to afford home ownership, seek viable rental alternatives.

With projected population and employment growth in the Region, and assuming continued historical rates of housing production, as well as a healthy vacancy rate of seven percent, the **housing gap throughout the Region is anticipated to grow to 14,100 units by 2040.** A lack of appropriate housing to meet the needs of the Region's growing and diversifying workforce will have economic implications, reducing the Region's ability to attract skilled workers, stymying the Region's effects of its economic investments. Additionally, the Region will need to diversify its housing typologies to meet the needs of its growing and diversifying population, adding both rental and for-sale units, as well as new single family and multifamily housing in walkable downtowns.

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[15] ACS 2016, 5-Year Average

If the Region does not implement any initiatives to support the creation of new housing stock at a faster rate than the Region has historically produced, there will be significant adverse economic and demographic impacts. Without the necessary supply of 14,100 new units throughout the Region by 2040, the Region's population will stagnate by an additional 25,200 residents, with spinoff impacts on the Region's supply of labor. Overall, the Region will see a loss of output of $4.14 billion. Employment would also decrease by 20,700 jobs. Understanding existing and projected demographic trends, the forecasted housing need will have an outsized impact on the Region's growing senior population, requiring the development of housing options with sufficient services to meet the needs of seniors.

Opportunity

Communities throughout the country are faced with increasingly strained housing markets. In response, cities are implementing policy and regulatory changes to encourage increased housing production and contextually appropriate density. To address the growing demand for diversified and affordable housing within the Southeast Region, municipalities and counties can explore various options to help fill the housing gap, including policy changes. As there will be no singular solution to address the housing gap in the Region, and these policy decisions are determined at the local level, this Study recommends that Southeast Minnesota municipalities and counties consider the following approaches:

- **Increased downtown densification in key cities throughout the Region** can help address the housing gap, as evidenced by other local and national cities. This should include the "middle-middle", such as small-scale stick construction buildings that both comport with existing neighborhood and town character while providing more efficient living opportunities. The Region's multifamily units, defined as buildings with five or more units, increased by 1,400 units between 2010 and 2016. This is a key building typology to support the Region's growing senior and young professional populations, and land use policy changes can further incentivize increased density in key downtown

Figure 10: New Multifamily Development in Downtown Stillwater, MN

districts. In addition to changing land use policy, local placemaking and beautification programs can encourage residential and business relocations to downtown districts, growing residential communities and the amenities to support them. Today, multifamily housing accounts for 13% of all housing units in the Region. Assuming the production of multifamily housing increases by a conservative 2%, the Region could add 6,900 housing units by 2040.

- **Accessory dwelling units ("ADUs") in existing single-family neighborhoods** can help add housing units in a Region without neighborhood disruption. ADUs are a low-impact form of densification, allowing multigenerational families to age-in-place while also creating an affordable housing alternative for young families. Based on the share of ADUs on single-family lots in national precedent cities that have enacted ADU legislation in recent years, such as Seattle, Los Angeles and Vancouver, the Region could reduce its identified housing gap by approximately 1,700 units by 2040 through the

Figure 11: An Accessory Dwelling Unit in Portland, OR

implementation of regionwide ADU enabling regulations.

- **Agricultural land conversion** can be used to create new single-family residential subdivisions, a land development strategy that has historically occurred in Southeast Minnesota. However, this approach may have negative economic impacts, diminishing the already reduced share of employment opportunities in the agricultural industry. Single-family subdivisions are not a highest-and-best-use residential form, and do not support the Region's broader economic development goals. If the housing gap is met with agricultural land conversions, and assuming an average density of 5 homes per acre,[16] this suggests that 1,900 acres of farmland should be subdivided over the next 20 years. A high volume of low-density residential development will have significant transportation and infrastructure implications, reducing the Region's concentrated demand for public transportation and requiring costly municipal off-site investments. Additionally, this housing typology is often less appealing to young talent, who seek denser, walkable locations and rental units.

Figure 12: New Homes in Eagan, MN

Through a combination of these policy changes, enacted at the municipal-, county-, or state-levels, the Region has an opportunity to address the Region's forecasted housing gap. Addressing this housing gap will limit the Region's risk of economic stagnation that could result due to a lack of appropriate housing options.

1.4.3. Increased Labor Supply

Across the Region, communities highlight labor shortages as a significant constraint to future economic growth and business attraction and expansion. There are a number of factors that are constraining participation in the workforce, and hence the size and quality of the work force. **Without sufficiently affordable or accessible child care, employment options for the Region's workforce are limited**, which in turn restricts the Region's economic development potential. This burden disproportionately impacts manufacturing and agricultural industries because of the wages associated with these industries. Due to the unaffordability of childcare, there is an increasing trend in communities across the Region for one parent in two-parent households to leave the workforce to care for their children, constricting labor force participation and therefore economic development.

In addition to labor force access challenges resulting from a lack of child care, **employers in the Region struggle to compete for labor with both Twin Cities and Rochester employers**. Average earnings in the City of Rochester are $72,000, approximately 18% higher than the Southeast Region's average earnings of $59,000.[17] Smaller job centers in the Region, unable to compete with higher average earnings and greater opportunities in the state's two major job centers, have started to explore workforce attraction incentive options.

Driving these challenges is the Region's existing share of unfilled jobs, which will be further compounded with projected job growth throughout the Region. DEED estimates that the Southeast Region currently has more than 10,000 unfilled jobs, a number that will likely increase without more proactive economic development regulations.

Opportunity

A growing labor shortage suggests the need for the Region to expand its labor force. According to DEED, there are nearly 10,000 unfilled jobs in the Region, particularly in healthcare, retail, and manufacturing.

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[16] Metropolitan Council, Density of Development
[17] Emsi Economic Model (QCEW employees, 2017) and REMI Policy Insight (BEA, 2017)

This figure agrees with the general perception among regional employers that there is a lack of workers available to fill positions in the Region's hospitals, manufacturing plants, and agri-business plants. For some, this is linked to a lack of affordable childcare options within the Region, which constrains the number of parents who can take available low- and middle-pay jobs.

Increased access to childcare can help mitigate the Region's labor supply challenge, increasing regional labor force participation and therefore growing the labor force available to work in the Region. The Baseline Forecast projects that the number of daycare-aged children (under 10 years old) will continue to grow at a rate of 0.16% from 2016 to 2040, at a rate 0.32% higher than the historical growth rate between 2001 and 2016. Given this, municipalities, counties, and the Region should seek to address the childcare gap. Working in partnership with the local business community, cities can incentivize childcare center development and operation and can explore alternative shift time systems to facilitate greater access to childcare for workers, while also enabling greater labor force participation from the Region's student population. In addition to city- and business-led solutions, the State can continue to facilitate childcare center development through resources like DEED's publicly-available childcare center pro forma.

Employers also have a role to play and can be encouraged to be nimbler in order to enable access to a larger labor supply. This includes offering employees flexible shift times to account for childcare requirements, such as private sector initiatives underway in Winona, or by working directly with cities and non-profits to increase the workforce development pipeline from local high schools or with refugee and immigrant populations, such as the initiative underway in Red Wing.

Implications and Findings
Studies conducted in the United States, as well as in European countries with family-friendly work policies, indicate that reducing the cost of childcare by 25% through measures implemented at various scales to address the labor force access challenge can increase labor participation in women by 8.95% and by 0.15% in men. Reducing childcare costs in the Region could lead to an additional 6,000 women in the workplace, a third of which are within the 35 to 44 age cohort, as well as $1.14 billion in increased output in 2040, an additional 2.0% compared to the Baseline Forecast.

1.4.4. Creation of a Regional Public Transportation System
Half of all workers in Minnesota commute to a different county for work, and in 2015, approximately 32% of jobs in Rochester were filled by workers living outside of Olmsted County.[18],[19] The average commute time in the Region is 20 minutes, though residents in Wabasha, Goodhue, Dodge, and Fillmore Counties contend with longer average commute times, ranging from 24 to 26 minutes.[20] With the large number of existing unfilled jobs in the Region, a number that is projected to grow over the next 25 years with the growth of smaller job centers throughout the Region, the gap in commute times within the Region will likely increase. As commute times increase throughout the Region, demand for a robust transportation system will also increase. Regional transportation and quality connectivity will allow the Region to address both housing and labor supply challenges, connecting workers to jobs and diverse housing opportunities.

Nearly 90% of working residents in the Southeast Region commute to work by private vehicle, while just 3% commute by public transportation.[21] The Region is currently served by a limited public transportation network that is hindered by a lack of coordination between multiple existing service providers. While no comprehensive regional transportation plan exists, preliminary findings from a MnDOT study that

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[18] MnDOT, Southeast Minnesota Travel Study, 2016
[19] ROCOG Long Range Transportation Plan, 2015
[20] ACS 2016, 5-Year Average
[21] ACS 2016, 5-Year Average

assessed Southeast Minnesota's travel preferences identified specific opportunities and corridors for regional transit service expansion.[22]

Demand for a regional transportation system is compounded by the cost and accessibility of car ownership. Within the Region, 94% of households own cars, with 9,200 households that do not own a car.[23] Employment opportunities for single-car households with multiple potential wage earners are limited, and with a growing regional renter population, this split will be exacerbated.[24]

In Minnesota, the cost of car ownership is approximately $4,000 per year.[25] Given that "affordable" car ownership is equivalent to expending less than 10% of gross income on car-related expenses, this suggests that those earning less than $40,000 annually, or 32% of the Region's households, are "car-burdened" or cannot afford a car.[26] Due in part, potentially, to the high cost of car ownership, ownership rates in the Region have been in decline for the last decade, dropping by 50 basis points between 2009 and 2016.[27]

Figure 13: Existing Transit Services within the Region
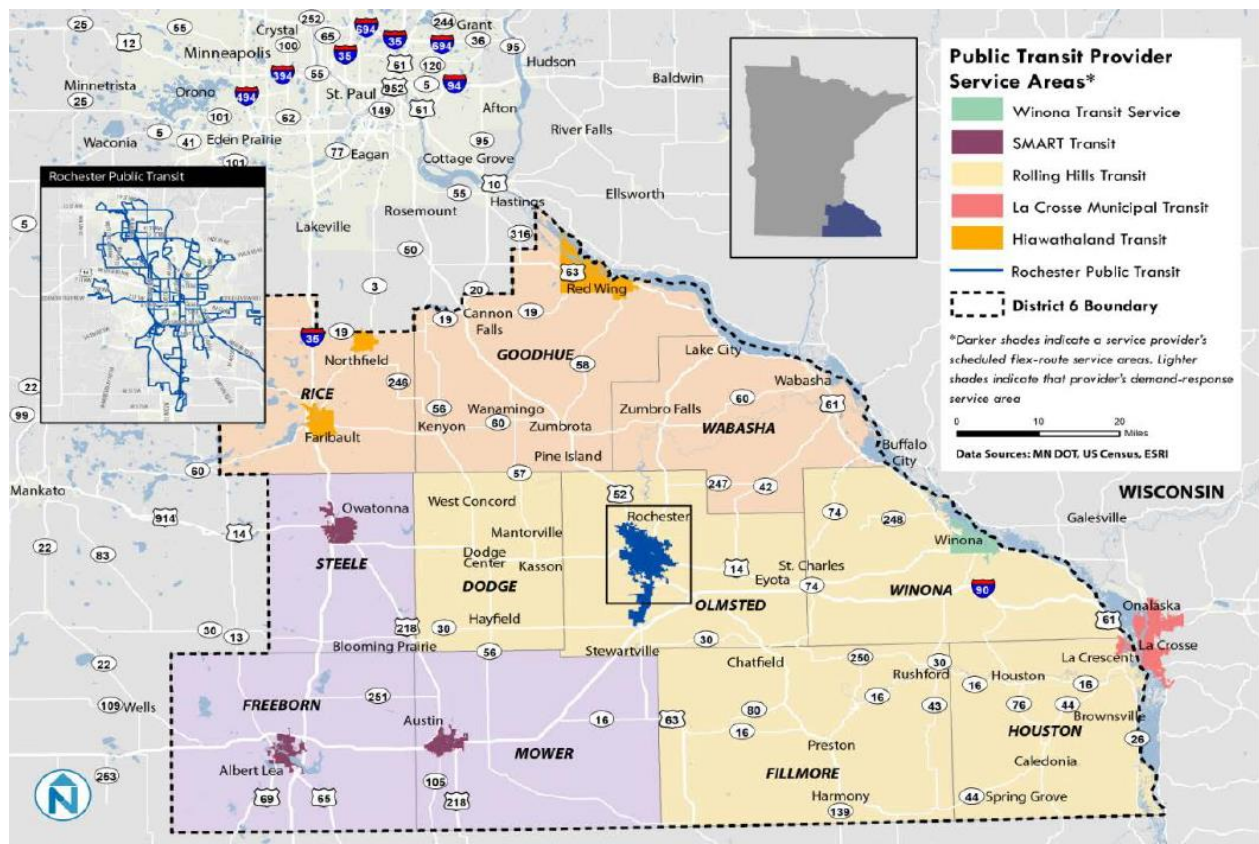
Source: Southeast Minnesota Travel Study

Opportunity

There is an opportunity for the development of a robust regional transportation system to serve the Southeast Region. Demand for regional transit services will continue to grow as employment centers grow throughout the Region, in tandem with an increase in shift-based manufacturing and warehousing jobs. While no comprehensive regional transportation plan currently exists, preliminary findings from a MnDOT study

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[22] MnDOT, Southeast Minnesota Travel Study, 2016
[23] ACS 2016, 5-Year Average
[24] ACS 2016, 5-Year Average
[25] GOBanking Rates, 2016
[26] ACS 2016, 5-Year Average. This represents the proportion of households earning less than $85,000 annually.
[27] ACS 2016, 5-Year Average

that assessed Southeast Minnesota's travel preferences identified specific opportunities and corridors for regional transit service expansion.[28] Potential corridors for service expansion include express and local routes along US-52, along US-14, between Rochester and Austin, Red Wing, and Plainview, and between La Crosse and Winona, and Red Wing and the Twin Cities. The DMC has also undertaken transportation studies to assess how the influx of new jobs will necessitate additional transit use. By 2040, the DMC envisions that nearly 30% of workers will commute via bus to work in Rochester, up from approximately 10% today.

Increased coordination between existing service providers and new and improved routes can improve the regional transportation network, with implementation beginning within individual municipalities. Improving service at the city-scale will create opportunities for increased coordination amongst existing providers throughout the Region, in lieu of a comprehensive regional transit plan. Building upon improved coordination will allow for a scaling up of existing services, in order to more broadly address the transit needs of the Region. Quality downtown bus locations paired with land use changes that allow for multifamily housing product near transit can help minimize the number of people impacted by last mile issues, while also allowing for regional growth and consistent ridership. As the final level of implementation, the Region should develop a full regional transportation plan that includes a centralized operator with strategic service routes.

Implications and Findings

With the implementation of increased regional transportation service, labor access will increase, as employees and employers are able to be better matched. This can be translated into a gain of productivity, which will generate more economic activity, bolstering the economy in the long term, while reducing the need for new migrants.

Regionally, the impacts of stronger transit and transportation amounts to:

- $460 million in additional output in 2040, an additional 0.8% compared to the Baseline Forecast;
- 1,100 new people in 2040, an additional 0.3% compared to the Baseline Forecast;
- 380 new jobs in 2040, an additional 0.1% compared to the Baseline Forecast;
- $43 million in additional wages in 2040, an increase of 0.4% compared to the Baseline Forecast.

1.4.5. Increased International Migration

The State of Minnesota has a long history of becoming the new home for international migrants and refugees seeking better opportunities or fleeing persecution. The Region's first major immigrant groups were from Germany and Ireland, who led the Region's settlement as an agricultural economy. By the beginning of World War I, 70% of the Region's population was foreign-born or a second generation immigrant. Ensuing major waves of immigration included Hmong and Vietnamese migrants, fleeing collapsing governments and encouraged to settle in Minnesota with State Department support services. Today, the State is home to the highest number of refugees per capita nationwide, with 2% of the nation's population but 13% of its refugees.

The Region has a growing immigrant population, increasing from a 4.2% share of the population in 2000 to 6.4% in 2016.[29] The major immigrant groups in the Region are from Asia, with 38% of the total share of immigrants, and Latin America, with nearly 30% of the total share immigrants in the Region. These trends are shifting though, with the share of immigrants from Africa increasing between 2009 and 2016, growing from a 13% share to 18%, the largest increase in continent of origin during that period. More than 70% of this growth is due to an increase in Eastern African immigrants.

While Olmsted County is home to more than 65% of the Region's immigrant population, **Mower County's share of the Region's immigrant population increased from 12% to 13.5% between 2009 and 2016,**

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[28] MnDOT, Southeast Minnesota Travel Study, 2016
[29] SEMN Together, Discovering Diverse Workforce Solutions

driven largely by a nearly 50% increase in immigrants from Latin America. In particular, an initial concerted effort to attract more migrants to work in Mower County's meatpacking plants caused the county, and in particular the City of Austin, to gain a positive reputation as a welcoming place for refugees and immigrants. Goodhue County also grew its immigrant population between 2009 and 2016, by nearly 70%, adding more than 500 new residents. There is a need for workers in a range of industries, from manufacturing to life sciences, including qualified medical and research professionals as a result of the DMC.

To meet the needs of this growing group, **many communities have implemented immigrant support services**, directed at workforce development and community integration programs.[30] In the City of Austin, a non-profit operates the Welcome Center, a space that serves the city's growing Hispanic population by increasing access to opportunity through community-building. Austin and Winona are member communities of Welcome America, a national organization of approximately 100 members that offers a platform for participating members to share ideas and tools for transforming communities into more welcoming places. A satellite Immigrant Law Center of Minnesota also operates in Austin, offering pro bono legal services to the immigrant community. Project FINE (*Focus on Integrating Newcomers through Education*) operates throughout Winona County, providing foreign language interpreters and education opportunities for immigrants and refugees.

Opportunity
Increasing the rate of international immigration increases long-term economic growth by providing an endogenous source of new labor supply and innovation. A 2016 panel convened by the National Academies of Science conducted a thorough review of the existing literature on the topic and concluded that "immigration is integral to the nation's economic growth." New immigrants help increase the labor force as native-born birth rates decline, are more likely to start new businesses, and contribute to human capital through new patents and innovation.[31]

There is an opportunity to continue to support international immigrants through the formalization of the Region's immigrant welcome centers and services, an effort that can be led by non-profits and institutions with support from regional organizations. With additional support from regional organizations or the State, these existing services can improve services through shared capacities and knowledge in order to increase efficiencies. Recognizing the importance of immigrants to support the labor force statewide, and therefore within the Region, **the State can position itself as an attractive destination for incoming immigrants, especially for skilled and educated workers and their families.** The State will likely rely on immigrants for future population growth, a population group that will be critical to sustaining the State's economic strength. The State can explore opportunities to grow the state's international student population, as well as strategies to retain these international students as future high-skilled workers in the state's economy. By analyzing existing immigrant groups, the State can more effectively target new immigrants to encourage settlement in Minnesota.

Advocacy at the federal-level to encourage fair federal immigration policy is yet another opportunity to encourage continued international migration to Minnesota. While this Study assumes that historical levels of international immigration will continue over time, and results are adjusted to incorporate near-term changes to federal policy, this Study recognizes that changes related to federal immigration policy has the potential to significantly impact the Region's economy.

Implications and Findings
Increasing the amount of international immigration has substantial positive effects on the regional economy's output and gross regional product. This Study models the economic potential if the Region were to implement

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[30] SEMN Together, Discovering Diverse Workforce Solutions
[31] National Academies of Sciences, Engineering, and Medicine. 2017. The Economic and Fiscal Consequences of Immigration. Washington, DC: The National Academies Press.

more-immigration friendly policies. Currently, the Region captures slightly less than its proportional share of immigrants. Over time, if the Region were to capture a share of international migrants proportional to its current population (or about 0.116% of expected immigration to the U.S.), the impacts would amount to:

- $380 million in annual additional output in 2040, an additional 0.11% compared to the Baseline Forecast;
- 2,000 new jobs in 2040, an additional 0.7% compared to the Baseline Forecast;
- 5,100 additional people in 2040, an additional 1.23% compared to the Baseline Forecast. Additional population can allow the Region to also potentially fill unfilled jobs and help employers have more access to a larger workforce.

This Study therefore recommends investment in the attraction, retention, and integration of international migrants. More international migration enables employers to gain access to a larger, more diverse workforce to fill jobs as the economy continues to grow and the native-born population birth rates stagnate.

1.4.6. Growth of Tourism and Recreation

In a 2005 study, the U.S. Department of Agriculture Economic Research Service compared more than 300 rural counties that it defined as "recreation counties" with counties that had fewer tourism-related activities.[32] The researchers found that during the 1990s, the **recreation counties had three times the average population growth and twice the job growth of other rural counties.** A rise in geotourism, an emerging sector defined as tourism that sustains or enhances the geographical character of a place being visited, has also led to a national increase in rural visitation with a focus on cultural, historic and natural resources.[33]

Communities throughout the Region recognize the importance of outdoor recreation for the benefit of both residents and visitors. The City of St. Charles benefits from its proximity to Whitewater State Park, which draws approximately 350,000 visitors each year, ranking it as the sixth most popular state park.[34] Many municipalities operate extensive bike and pedestrian trail networks, with the goals of expanding existing networks to better serve local communities. The Mississippi River Trail runs through the cities of Wabasha and Winona, connecting the Region to bike-tourism from Lake Itasca, Minnesota through to Venice, Louisiana. Improvements to local trail networks reaps benefits for the Region, with counties in the highest quartile of quantity of parks, trails, and forests generating more than double the tourism-related sales than counties in the lowest quartile.[35] In addition to these local recreation assets, a number of **communities highlighted the impact of outdoor recreation on the Region's tourism ecosystem.**

The City of Red Wing recently received State bonding and Port Assistance Funds to plan a second boat dock on the Mississippi River for seasonal tour boats, which will grow the city's tourism economy, drawing increased visitation in the summer months in particular. The cities of Red Wing and Lake City are investing in ski jump facilities; Lake City estimates that upon completion, the jump will draw an estimated 100,000 annual visitors. The City of Winona is developing an indoor ice climbing wall, which the City hopes will be an economic driver for the county. To capture growing regional demand for the tourism market, the City of Cannon Falls recently completed a 46-room GrandStay hotel in late 2017 and the City of Red Wing opened a 68-bed hotel.

Opportunity

To encourage continued growth in Southeast Minnesota's tourism industry, **the Region has an opportunity to develop a strong regional brand that will form the foundation of a regional tourism strategy.** Throughout the Region, municipalities already recognize the importance of investment in recreation and tourism assets,

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[34] Minnesota State Parks Visitor Report
[35] Parks & Trails Council of Minnesota, 2014

evidenced by cities' investments in local and regional trail networks, as well as larger-scale investments in major tourism drivers, such as the ski jump in Red Wing. While some counties market local tourism efforts, there is an opportunity for greater coordination between counties to advance both tourism marketing and investment efforts. By coordinating trail investments across county borders, there is an opportunity to create new connections within the Region, with greater collective impacts than possibly achieved through individual local investments.

Implications and Findings
Tourism initiatives can have substantial positive effects on economic growth. New tourism infrastructure helps generate construction and spin off employment, while new spending to the Region helps sustain new, permanent jobs. This Study forecasts the impacts of a regional tourism strategy:

- 1,200 new permanent jobs by 2040, more than 50% of which will be in retail and accommodations;
- $123 million of additional regional output per year by 2040, compared to the Baseline Forecast.

1.4.7. Shifting Major Industries: Agriculture and Manufacturing
Employment trends in the Region are changing, diversifying from the Region's previously dominant industries. While agriculture is central to the culture of the Southeast Region, and historically a leading industry in the Region, it is not a significant employer today. Even as late as 1970, farm employment constituted nearly 14% of the regional employment (about 17,000 jobs); today farm jobs make up less than 2% of total employment (about 10,000 jobs). Due to the historical and cultural significance of the agricultural industry, however, the **preservation of agricultural jobs** is noted as a primary concern in many cities' planning documents.

Manufacturing is one of the largest industries in the Region, with 13% of all jobs in the Region concentrated in manufacturing. While regional trends indicate that the manufacturing industry is relatively steady, increasing by 600 jobs or 2% since 2009, there is significant clustering and growth of manufacturing activity in Goodhue County. Manufacturing employment in Red Wing has increased by nearly 30% since 2009, adding almost 1,000 jobs in the same period, buoyed by strong local manufacturers like Red Wing Shoes and BIC Graphic. Local manufacturers are struggling to find employees, though. To combat this challenge, the City of Red Wing is beginning to work with high schools and colleges in Red Wing to better match local employer needs with education and training. Similarly, to increase the City of Winona's competitiveness with Rochester for the Region's workforce, companies are experimenting with increasing wages and offering alternative shift times and atypical employee schedules to facilitate greater access to childcare for workers and to allow for Winona's student population to work.

Opportunity & Implications
Throughout the Region, communities and businesses emphasized challenges faced in attracting and retaining skilled workers, specifically in the manufacturing industry. **There is an opportunity to increase access to manufacturing jobs for skilled workers throughout the Region by solving for other challenges impacting labor force access**, including by providing affordable child care, increasing flexibility in shift times, developing viable regional transportation options, increasing settlement of international migrants, and growing diverse housing opportunities.

While the agricultural industry is not a major employer, and is unlikely to experience significant future growth, it has historical and cultural significance throughout the Region. In coordination with the Region's concerted tourism and branding strategy, there is an **opportunity to reframe the Region's agricultural industry to meet the needs of current and future residents, fostering small-scale efforts and leveraging the farm-to-table and slow food movements.** Increased momentum for local foods and products made from local ingredients in the Region will support some growth in the agricultural industry. Agricultural employment in Houston County increased by 10% since 2009, buoyed in part by a local farmer's market that recently opened in Houston, MN, supported by young farmers moving into the area. RockFilter Distillery opened in

Spring Grove, a local business that makes whiskey from grains grown, milled, and distilled within several miles of Spring Grove. The distillery is set to start distribution this year and is already winning awards for the product.

Though agricultural employment is not as critical to the Region as it historically has been, cities and the Region should advocate to **preserve communities' historic character by protecting farmland against conversions for residential subdivisions**. Single-family subdivisions are not a highest-and-best-use residential form, and do not support the Region's broader economic development goals. Instead, such communities can support residential growth through moderate growth of their downtowns.

1.5. AGGREGATE IMPACT OF ALL INITIATIVES

As discussed in Section 5, implementation of the initiatives will require cooperation and coordination among many levels of government as well as regional groups and non-profits. Southeast Minnesota stands to significantly gain if it is able to address its key challenges, as discussed above, and more so if all initiatives are implemented. Conversely, the Region will face significant economic challenges, including a shortage of housing and labor, should it not work to address these challenges.

To understand the overall benefit to the Region of these initiatives, this Study uses REMI to aggregate the various inputs from the above described methodologies into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today and the housing needed for the population projected by the State Demographer is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the Region's economic growth will be solving for the housing gap and labor participation rates. Overall, the Region will see substantial growth over the SDC Forecast if all initiatives described in the preceding sections are met. The impacts include:

- An increase of 38,700 residents, or 9.1% above the SDC Forecast;
- A 5% increase in the number of residents aged 0-19, an 8% increase in the share of people aged 35-64, and a 1% decrease in the share of people aged 65-84;
- 37,400 net jobs by 2040, or 12.6% above the SDC Forecast;
- $6.14 billion in increased output in 2040, an additional 10.3% compared to the SDC Forecast;
- $1.87 billion in increased wages in 2040, an additional 15.6% compared to the SDC Forecast;

1.6. IMPLICATIONS OF STUDY RESULTS

This Study provides a summary of the baseline economic future of Southeast Minnesota, while also analyzing the long-term impacts of key economic drivers and issues facing the Region. While the Region is composed of diverse communities with distinct challenges and opportunities, there is value in understanding both the economic future of individual municipalities and counties and the compound impacts of key economic drivers on the Region. **Assessing a multi-county region creates opportunities for coordination across jurisdictions to plan for growth, leveraging knowledge, resources, and multiple scales of implementation capacity.** By working together as a region, communities throughout the Southeast can address issues collaboratively to ensure the entire Region is served effectively. For issues requiring input from larger governing entities, operating as a region will be more effective for voicing issues that have collective consequences, maximizing political leverage.

- At the **federal-level**, the Region can advocate for changes to national legislation that support funding for transit and affordable housing initiatives. With a coordinated regional approach, the

Region can also lobby for federal policies that are favorable to preserving existing agricultural land and farmers in the Region. Finally, as a cohesive region, there are opportunities to advocate for a national immigration policy that encourages and supports international migrants to settle in the United States, bolstering the country's population and workforce and contributing to continued national economic strength.

- At the **state-level**, there is a significant opportunity for coordination across existing tourism initiatives operating on the city- or county-scale. The State of Minnesota's tourism industry is strong, and the Region, working collectively, can position itself to capture an increasingly large share of the State's tourism spending. Through targeted tourism campaigns focusing on the assets of the Southeast Region, the Region can work to develop a regional tourism strategy that aligns with and benefits from State funding. State initiatives can also work to improve access to labor, through the allocation of State resources to support regional transportation, investment funds or policy changes to streamline regulations impacting child care providers, or with a statewide immigration attraction strategy.

- Within individual **counties and municipalities,** there are a number of local regulatory changes that can be made to address key economic challenges and drivers throughout the Region. Land-use policy changes can address the Region's housing need, by enabling contextual zoning allowing for multifamily development in key downtowns, allowing ADUs, and other densification strategies. Loosening development regulations and establishing development incentives presents another opportunity for municipalities to contribute to the Region's broader economic development goals. Counties and municipalities can also implement strategic investments to support local economic development plans. The results of this study can also inform school districts' long-term plans; entities that can use demographic and immigration forecasts to better understand anticipated public-school aged children populations.

- **Regional groups and non-profits** have an opportunity to harness the strength of community involvement and unify that strength throughout the Region. Through downtown beautification initiatives, non-profits and community groups can work to improve the sense of place in the Region's downtowns. The non-profit sector also has an opportunity to play a role in addressing refugee and immigrant integration and support, ensuring that immigrants who come to the Region have the resources required to develop economic security and to foster social inclusion with existing groups. Leveraging work done to-date in regional transportation, trail, and other economic development groups, regional groups can also work to advance the development of region-wide transportation and trail plans.
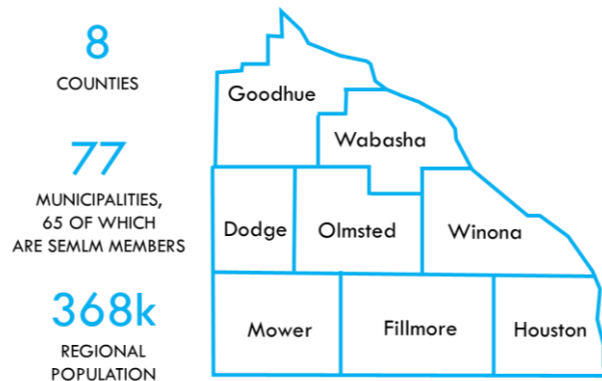
This Study will equip communities throughout the Southeast Region with comprehensive long-range population, employment, and economic forecasts at the county- and region-wide scales to equip municipalities, counties, and the Region with quality data and economic and demographic forecasts that can inform ongoing long-range planning efforts.

2. INTRODUCTION

The eight-county region of Southeast Minnesota ("Southeast Minnesota" or the "Region"), composed of Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, and Winona counties, encompasses a range of communities that are home to diverse populations.

The Region is known for its high quality of life, with good schools and access to scenic open space, as well as a significant and growing supply of quality jobs, specifically in the health care and agricultural industries. Despite its many assets, counties within the Region have experienced declining populations in recent years, and rising housing costs coupled with a loss of agricultural land may make the Region less livable in the next few decades. While each community within the Region has unique challenges and opportunities, regionwide economic development strategies, supported by targeted local initiatives, will affect the Region's growth. It is critical for individual communities and counties, and the Region as a whole to understand these impacts.

Figure 14: The Southeast Region

8
COUNTIES

77
MUNICIPALITIES,
65 OF WHICH
ARE SEMLM MEMBERS

368k
REGIONAL
POPULATION

The goal of the Southeastern Minnesota Economic Regional Study ("the Study") is to provide communities and regional planners in Southeast Minnesota with long-range population, employment, and economic forecasts at the county- and region-wide scales to equip municipalities, counties, and the Region with quality data and economic and demographic forecasts that can inform long-range planning. These forecasts can help guide important municipal and county decision making, including investment in new infrastructure and public works, municipal services and schools, land use planning, and strategic downtown and investment planning, in addition to regional considerations about transportation investment and housing growth. With a clearer understanding of the future population and economy of Southeast Minnesota, the Region can work to ensure that this growth is equitable and sustainable, serving all residents and workers.

2.1. REPORT OVERVIEW

A six-month process, the Study began with meetings and outreach to municipalities and counties throughout the Region to understand high-level demographic and economic trends. Throughout the duration of the Study, SEMLM and regional thought-leaders reviewed the Study's methodology, hypotheses, and preliminary findings to ensure that the forecasts reflected the diverse initiatives that are being pursued throughout the Region. The first task included an assessment of baseline demographic and economic conditions in the Region, layered with a thorough review of existing economic development initiatives in the Region *(see Section 2.2)*. Review of materials provided by 26 municipalities, eight counties, and multiple regional organizations, in addition to interviews with 25 municipalities and the eight counties, informed the existing conditions assessment. More details can be found in Section 7, Findings by County. Using the REMI Policy Insight Model, the industry-standard of economic forecasting, used as a simulation tool to help regional policymakers understand the long-term consequences of socioeconomic trends and policy decisions, the Study establishes a baseline scenario of projected growth in the Region *(see Section 3)*. The Study then layers a series of economic and policy initiatives on the Baseline Forecast to test how these different strategic approaches to economic development could impact future growth in the Region *(see Section 4)*. Finally, we conclude with policy implications for public and private sector stakeholders working throughout the Region *(see Section 6)*.

2.2. OVERVIEW OF KEY REGIONAL TRENDS AND ISSUES:

Southeast Minnesota is a major economic driver for the State of Minnesota. Today, 6.5% of the State of Minnesota's jobs and 6.8% of the population are located within the Region, while the Region makes up less

than 6% of the State's landmass.[36],[37] There are key trends and challenges that communities will need to consider as the Region and its municipalities plan for and invest in their futures, including:

- Historically, the Region's **population grew faster than the State and US** as a whole, driven primarily by greater than 25% growth in Dodge, Goodhue, and Olmsted counties between 1970 and 2000.[38]
- Since 2000, population growth within the Region has **not been evenly distributed**, with positive growth occurring in Dodge, Goodhue, Mower, Olmsted, and Winona counties.
- Southeast Minnesota has **a large senior population;** 17% of those living in the Region are 65+, compared to 12% in the Twin Cities' seven-county metropolitan region and 14% in the State as a whole.[39]
- Despite historical population growth, the State Demographer Center projects that many of the counties in the Region will experience **population stagnation and loss** as older cohorts age and the number of people under the age of 25 declines.
- **Growth in the Region is in part driven by immigration**, with the Region's immigrant population growing from 4.2% in 2009 to 6.4% in 2016.
- Employment growth has slowed in recent years, though **jobs have grown by approximately 1.3% per year** between 2009 and 2016; unemployment in Region is lower compared to the state and the country, signaling strong employment trends in the Region.
- **Health care, manufacturing, and government are the Region's largest industry employers;** combined, these industries make up more than 50% of the Region's jobs. Tourism, though not a historically significant industry, is growing rapidly, particularly in Winona, Olmsted, and Fillmore counties, where employment in tourism related industries has risen over 15% since 2009.[40]
- Even with positive employment growth, throughout the Region employers face challenges reaching skilled workers, creating a **talent mismatch.**
- Lower wages in the Region (7% lower than statewide averages) make attracting and retaining workers challenging; however, **wages in the Region are growing at a faster rate** than elsewhere in the state.
- **Higher health care premiums** in the Region than elsewhere in the state, making business attraction and retention challenging.
- A variety of **major regional initiatives**, both planned and underway, including the planned expansion of Destination Medical Center, growing manufacturing industries in Winona and Goodhue Counties, and potential future transportation and tourism initiatives.

The section below describes these trends in greater detail, and Appendix 1 provides trends and context details on a county-by-county basis.

2.2.1. Population and Demographics

The population of Southeast Minnesota grew from 276,800 in 1970 to over 366,850 in 2015. The Region saw its highest rate of population growth between 1990-2000, where it added nearly 30,000 residents and experienced 0.94% annualized growth, a rate of growth higher than both the State of Minnesota and the United States at that time. Since 2000, this pace decreased and is reverting back to historical trends of slower growth, as the population of the Region ages, particularly in more rural parts of the Region.

Olmsted County is largest and fastest growing county in the Region, home to the City of Rochester, which is the third most populous city in the State. In addition to significant growth in Olmsted County, between 2009

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[36] Emsi Economic Model
[37] ACS 2016, 5-Year Average
[38] Census, 1970 and 2000
[39] ACS 2016, 5-Year Average
[40] As measured by growth in employment in Accommodation and Food Services and Arts and Entertainment sectors.

and 2016 Dodge County grew by 4.4%, adding nearly 900 new residents, while Winona County experienced the largest absolute population change, following Olmsted County, with more than 1,500 new residents.[41] Since 2010, the rate of population change in most of the counties is beginning to stagnate or decline, while Olmsted County continues to grow.

Figure 15: Historical Regional Population Trends (1970-2015)

Southeast Minnesota Population, 1970-2015
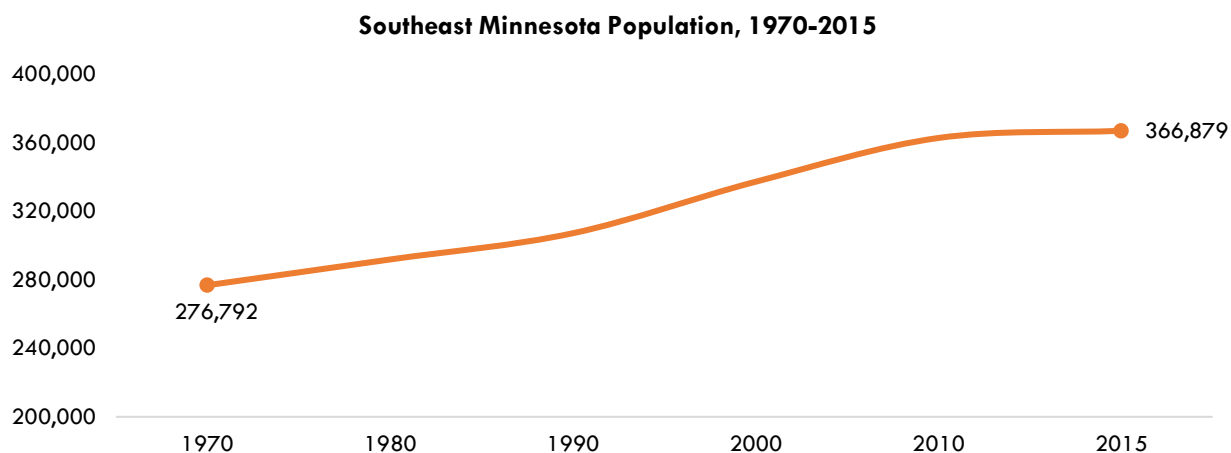
Source: U.S. Census, ACS

Figure 16: Historical Population Trends, by County (1970 - 2015)

County	1970	1980	1990	2000	2010	2015	Annualized Growth
Dodge	13,050	14,750	15,750	17,750	20,100	20,300	1.0%
Fillmore	21,900	21,950	20,800	21,100	20,850	20,850	-0.1%
Goodhue	34,750	38,750	40,700	44,150	46,200	46,400	0.6%
Houston	17,550	18,400	18,500	19,700	19,050	18,800	0.2%
Mower	43,800	40,400	37,400	38,600	39,150	39,250	-0.2%
Olmsted	84,100	92,000	106,450	124,300	144,250	148,750	1.3%
Wabasha	17,200	19,350	19,750	21,600	21,700	21,400	0.5%
Winona	44,400	46,250	47,850	50,000	51,450	51,200	0.3%
Region	276,750	291,850	307,200	337,200	362,750	366,950	0.6%

Source: U.S. Census, ACS

The Region has seen a limited supply of new housing when compared to the Region's population growth. Between 2009 and 2016, the Region saw a net increase of 3,600 housing units, while the population grew by more than 13,700 during the same period.[42] Given the average household size of 2.5 people in the Region, this population growth should have required 5,500 total housing units, which exceeded new construction by 1,900 units. The lack of new housing supply to keep up with demand is likely due to a confluence of factors including rising land prices and construction costs and restrictive zoning regulations, while slowly increasing wages prevent the potential for higher rents or sales prices to support new housing demand.

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[41] ACS 2009 and 2016, 5-Year Averages
[42] ACS 2016, 5-Year Average

The Region's population is aging, with the share of residents aged 55 or older increasing from 25% to 29% between 2009 and 2016.[43] In the same period, the share of residents under the age of 35 decreased slightly by 1%, dropping from 47% to 46%.

Figure 17: Historical Share of Older and Younger Residents, 2009-2016

Changing Age Demographics, 2009-2016
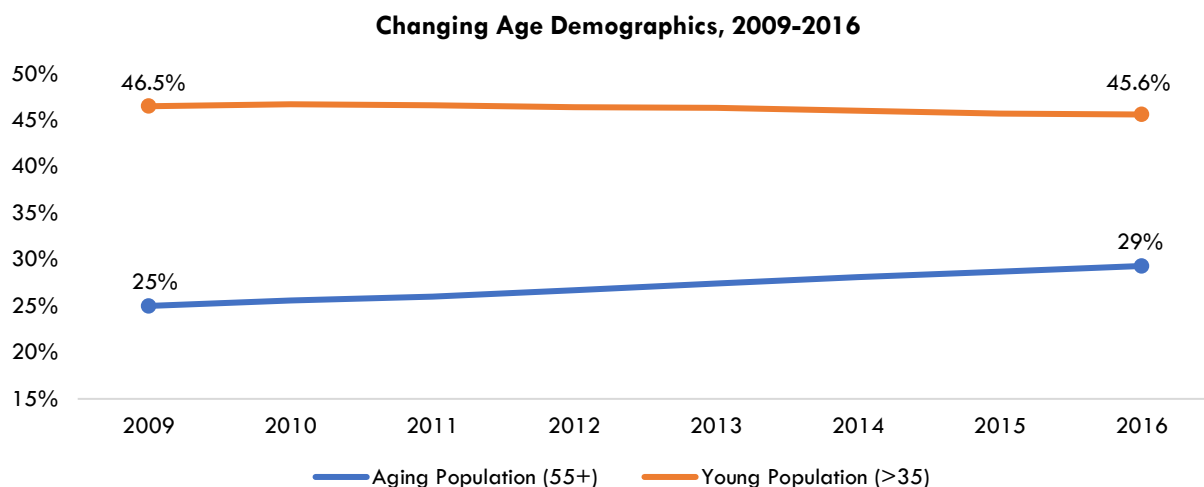
Source: ACS, 5-Year Averages

The Region's residents are increasingly educated, with 65% of the population in 2016 obtaining some college education, up 4% from 2009. While 67% of residents statewide have received some college education, the Region's rate of growth in this category is nearly a full percent higher. The most growth in educational attainment is amongst Bachelor's degree recipients, increasing by 2% between 2009 and 2016.

Compared to the Twin Cities, the Region's median household income is lower, though growing at a faster rate. The Region's $59,000 median household income is 20% lower than the median household income in Minneapolis-St. Paul MSA, at $71,000.[44] Between 2009 and 2016, however, median household incomes grew by 13% in the Region, compared to an increase of 9% in the Minneapolis-St. Paul MSA.

Figure 18: Median Household Income (2009-2016)

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

Source: American Community Survey

More than 90% of the Region's population is white, though since 2009, this share decreased by 2.2%. The share of people of color in the Region is increasing; the black population grew by 1.0% between 2009 and 2016, and Asian and two or more race residents each grew by 0.6% in the same period. Contributing to the Region's increasing population diversity is a growing immigrant population, increasing from a 4.2% share of the population in 2000 to 6.4% in 2016.[45] The major immigrant groups are from Asia, with 38%, and Latin America, with nearly 30% of the share of total immigrants in the Region. These trends are shifting, though, with the share of immigrants from Africa increasing by 5% between 2009 and 2016, growing from

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[43] ACS 2009 and 2016, 5-Year Averages
[44] ACS 2016, 5-Year Average
[45] ACS 2016, 5-Year Average

a 13% share to 18%, the largest increase in continent of origin in that period. More than 70% of this growth is from an increase in Eastern African immigrants.

While Olmsted County is home to more than 65% of the Region's immigrant population, Mower County's share of the Region's immigrant population increased from 12% to 13.5% between 2009 and 2016, driven largely by a nearly 50% increase in immigrants from Latin America. Goodhue County also saw an increase in its immigrant population, by nearly 70% from 2009 and 2016, adding more than 500 new residents. To meet the needs of this growing group, many communities have implemented immigrant support services, directed at workforce development and community integration programs.[46]

2.2.2. Employment

Employment in the Region has steadily increased over the last several decades, adding more than 80,000 jobs since 1970. The Region's annual job growth between 1970 and 2015 was 0.2% lower than the statewide average in the same period, though it exceeded job growth in other more rural parts of the state. Though the Region is not adding jobs as quickly as the state, unemployment is increasing at a slower rate, indicating that existing jobs within the Region are being filled at a higher rate than elsewhere in the state. Annually, unemployment rose by 1.8% since 1970, while the annualized state unemployment increased by 2.2% in the same period.

Historically, agriculture has dominated the Region's economy, though it has increasingly diversified with growth in healthcare, advanced manufacturing, and tourism in recent years.[47] The Region added 86,000

Figure 19: Statewide Change in Jobs, 2009-2016

2009 - 2017 Change
- 18,699 to 103,307
- 3,960 to 18,698
- 744 to 3,959
- 1 to 743
- -1 to -743
- -744 to -3,959

Source: Emsi Economic Model

jobs from 1970 to 2015, driven largely by growth in the health care industry. Between 2009 and 2016, the health care and social assistance sector grew by 11%, adding more than 5,600 jobs to the Region. Manufacturing, the Region's second largest industry after health care, makes up 14% of the Region's jobs.

In addition to health care and manufacturing, regional tourism employment increased by 13% between 2009 and 2017, adding nearly 1,500 new jobs in that period, bringing total employment in the tourism industry to more than 16,000 jobs.[48] The Region is a growing tourism destination, generating more than $50 million in state sales tax on leisure and hospitality sector goods.[49] River-oriented and recreational tourism is driving tourism-related employment in Goodhue and Winona Counties, increasing by 8% and 21% since 2009, respectively.

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[46] SEMN Together, Discovering Diverse Workforce Solutions
[47] Emsi Economic Model
[48] "Tourism industry" includes the Arts, Entertainment, and Recreation, and Accommodation and Food Services sectors
[49] Explore Minnesota, Tourism and the Economy Fact Sheet (2018)

Figure 20: Historical Regional Employment Trends (1970 - 2015)

Historical Regional Employment Trends (1970 - 2015)
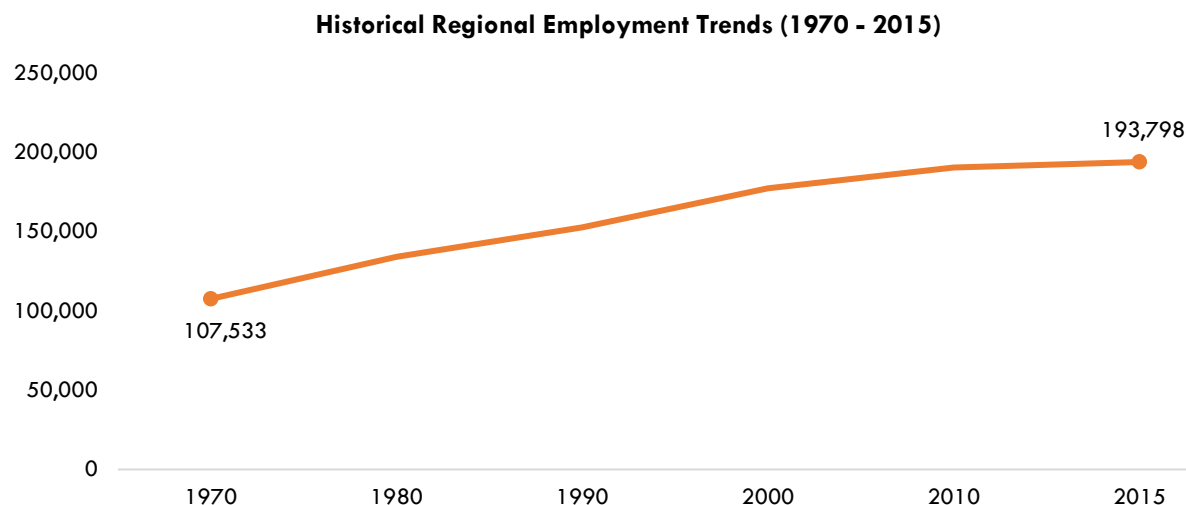
Source: U.S. Census, ACS

Figure 21: Historical Employment Trends, by County (1970 - 2015)

County	1970	1980	1990	2000	2010	2015	Annualized Growth
Dodge	4,950	6,450	7,750	9,350	10,600	10,900	1.8%
Fillmore	8,000	9,150	9,500	10,800	10,550	10,600	0.6%
Goodhue	13,300	17,350	19,550	23,350	24,300	23,650	1.3%
Houston	6,700	8,000	9,050	10,100	10,050	9,800	0.8%
Mower	16,150	16,700	16,400	18,600	19,100	19,150	0.4%
Olmsted	34,950	47,550	57,300	66,950	76,150	80,150	1.9%
Wabasha	6,300	8,250	9,250	11,350	11,700	11,200	1.3%
Winona	17,150	20,600	23,850	26,700	27,850	28,300	1.1%
Region	107,500	134,050	152,650	177,200	190,300	193,750	1.3%

Source: U.S. Census[50]

2.2.3. Major Industries

Health care, manufacturing, and government are the Region's major industry employers, while historically, agriculture was the leading industry in the Region and therefore is central to the Region's culture. Combined, these industries make up more than 50% of the Region's jobs. Since 2009, the health care and social assistance industry added more than 5,600 jobs, the largest absolute growth in one sector. Following growth in the health care industry, the accommodation and food services increased by 11% between 2009 and 2016, adding more than 1,700 jobs. While health care will continue to be a dominant employment driver in the Region with the expansion of the Destination Medical Center ("DMC"), these trends signal a dynamic and diversifying economy.

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[50] Note, as this Study uses employment metrics from multiple sources there is some minor variability in employment trends presented. EMSI gathers and integrates labor market data from a wide array of sources, including the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) and Occupational Employment Statistics (OES), U.S. Bureau of Economic Analysis, U.S. Census Bureau American Community Survey (ACS) and County Business Patterns (CBP), and state departments of labor, allowing a broad accounting of employment that is unavailable from any one traditional source. The Census Bureau serves America as the leading source of quality data about American people, business and economy. Administered by the Census Bureau, the American Community Survey (ACS) collects data on an ongoing basis throughout the year and Longitudinal Employer-Household Dynamics (LEHD) data is part of the Center for Economic Studies at the U.S. Census Bureau and produces public-use information combining federal, state and Census Bureau data on employers and employees.

Figure 22: Regional Industry Employment Growth by Sector, 2009-2017

Industry	2009	2017	Change, 2009-2017
Health Care and Social Assistance	51,100	55,750	11.1%
Government	25,150	25,500	2.4%
Manufacturing	24,800	25,600	2.4%
Retail Trade	20,050	20,350	1.3%
Accommodation and Food Services	13,100	14,550	12.9%
Construction	8,200	8,400	3.9%
Other Services (except Public Administration)	8,550	8,500	-1.2%
Transportation and Warehousing	5,150	5,700	9.5%
Administrative and Support and Waste Management and Remediation Services	5,100	5,600	4.7%
Agriculture, Forestry, Fishing and Hunting	4,950	5,000	-0.9%
Wholesale Trade	4,700	4,700	-1.5%
Professional, Scientific, and Technical Services	3,700	3,600	-1.9%
Finance and Insurance	4,150	3,500	-15.9%
Educational Services	3,550	3,400	-4.7%
Information	2,900	3,150	5.6%
Management of Companies and Enterprises	2,200	2,800	27.4%
Arts, Entertainment, and Recreation	2,200	2,200	10.1%
Real Estate and Rental and Leasing	1,550	1,350	-11.9%
Utilities	1,150	1,100	-6.4%
Mining, Quarrying, and Oil and Gas Extraction	50	100	64.3%
Total Employment	**192,300**	**201,800**	**5.0%**

Source: Emsi Economic Model

While health care and social assistance is the largest industry in the Region, most counties' largest industries are government or manufacturing.

Figure 23: Major Industries by County

County	Major Industry	Share of Jobs
Dodge	Manufacturing	22%
Fillmore	Government	18%
Goodhue	Manufacturing	18%
Houston	Government	20%
Mower	Manufacturing	20%
Olmsted	Health Care and Social Assistance	43%
Wabasha	Manufacturing	20%
Winona	Manufacturing	21%
Region	Health Care and Social Assistance	28%
Minnesota	Health Care and Social Assistance	15%

Source: Emsi Economic Model

Manufacturing is the second largest industry in the Region, with 13% of all jobs. While regional trends indicate that the manufacturing industry is fairly steady, increasing by 600 jobs or 2% since 2009, there is significant clustering and growth of manufacturing activity in Goodhue County.

Figure 24: Change in Manufacturing Employment, 2009-2017

County	2009	2017	Change, 2009-2017
Dodge	1,225	1,500	22.4%
Fillmore	750	825	10.0%
Goodhue	3,400	4,400	29.4%
Houston	525	650	23.8%
Mower	3,600	3,725	3.5%
Olmsted	7,825	6,775	-13.4%
Wabasha	1,750	1,575	-10.0%
Winona	5,725	6,000	4.8%
Region	**24,800**	**25,450**	**2.6%**

Source: Emsi Economic Model

The preservation of agricultural jobs is noted as a primary concern in many cities' planning documents, as the risk of farmland conversions to residential subdivisions increases, reducing the Region's agricultural land supply and therefore jobs. Specifically, the City of Cannon Falls, in Goodhue County, is concerned about balancing sustainable growth and preserving the city's historic character and economy. In Fillmore County, Protected Agriculture Zoning Districts in Rushford Village have helped stabilize agricultural employment, which grew by 2% since 2009. Though the agricultural industry is of critical importance to many communities throughout the Region, employment in agriculture region-wide has decreased by 44 jobs or 1% since 2009, though fluctuations in agricultural employment vary significantly county-to-county.

Figure 25: Change in Agriculture Employment, 2009-2017

County	2009	2017	Change, 2009-2017
Dodge	570	420	-26.3%
Fillmore	590	600	1.7%
Goodhue	920	810	-12.0%
Houston	320	350	9.4%
Mower	370	375	1.4%
Olmsted	490	590	20.4%
Wabasha	740	730	-1.4%
Winona	950	1,030	8.4%
Region	**4,950**	**4,905**	**-0.9%**

Source: Emsi Economic Model

Annual sales at leisure and hospitality businesses throughout the State of Minnesota grew by 41% between 2005 and 2015, from $10.2 billion to $14.4 billion per year, creating $930 million in state sales tax revenues and supporting almost 260,000 full- and part-time jobs.[51] In the Southeast Region alone, the leisure and hospitality industry supports more than 16,000 jobs. With positive national tourism trends and local initiatives, there is potential for this figure to increase. Major attractions driving tourism in the Region include Wabasha's National Eagle Center, Treasure Island Resort & Casino, and the B&B capital of Minnesota, the City of Lanesboro. Supplementing these longstanding tourism drivers in the Region, the cities of Red Wing and Lake City are investing in ski jump

Figure 26: Regional Tourism Initiatives

Planned Olympic Ski Jump, Red Wing

Source: Lake City EDA

Ice Climbing Wall, Winona

Source: City of Winona

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[51] Explore Minnesota, 2017

facilities; Lake City estimates that upon completion, the jump will draw an estimated 100,000 annual visitors. The City of Winona also recently completed an ice climbing wall, which the City hopes will be an economic driver for the county.

2.2.4. Labor Force Participation

The Region had more than 280,000 available workers in 2016, which was an increase of just over 2,400 from the previous year.[52] Aligned with the Region's overall population gain, Southeast Minnesota added almost 20,000 new entrants to the workforce between 2000 to 2016, increasing from 260,000 available workers to 280,000 workers. In 2016, the Region had approximately 9,600 unemployed workers who reported actively seeking work, which was less than half the number reported in 2009. The Region's labor force participation rate dropped from 74% to 70% between 2001 and 2016, with the male rate of participation decreasing by 6%, from 81% to 75%, and the female participation rate declining by just 3%, from 68% to 65%. The Region has consistently reported lower unemployment rates than Minnesota and the nation.

While the Region's labor force overall is growing, and unemployment remains low, the State of Minnesota is experiencing a general talent mismatch, unable to connect skilled workers to optimal job opportunities. This mismatch is especially apparent in the Southeast Region, with more than 10,000 unfilled jobs.[53] As the population continues to age, and experienced baby boomers leave the workforce, there is a concern that this challenge will become more extreme.

Across the Region, communities cite labor shortages as a significant constraint to future economic growth and business attraction and expansion. Driven by many factors, communities cited the availability and affordability of daycare and childcare providers, and in some areas low wages offered by employers, as particular burdens on the availability of labor. In addition to these challenges impacting the ability to attract labor, communities noted that workforce retention is an additional challenge, especially for quality workers. In response to these issues, a number of communities are making efforts to grow the labor supply through childcare and business-led solutions.

Adding to the burden of a lack of affordable child care is the Region's limited public transportation system and reliance on private vehicles. Half of all workers in Minnesota commute to a different county for work, and in 2015, approximately 40% of jobs in Rochester were filled by workers living outside of the City of Rochester.[54,55] The average commute time in the Region is 20 minutes, though residents in Wabasha, Goodhue, Dodge, and Fillmore Counties contend with longer average commute times, ranging from 24 to 26 minutes.[56] As Rochester continues to grow as a regional employment center with the expansion of the DMC, and with the growth of smaller job centers throughout the Region, the gap in commute times between Olmsted County and perimeter communities will likely increase, increasing demand for a robust transportation system. Regional transportation and quality connectivity will enable the Region to address both its housing and labor supply challenges, connecting workers to jobs and housing opportunities.

As seen in Figure 27, the majority of the Region's residents live and work within the Region, while 30,700 workers commute into the Region for work, and 36,600 residents who live within the Region commute outside the Region for work. This represents significant demand for a regional transportation system, as these workers and residents seek viable transportation options within the Region and between adjacent counties and states.

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[52] DEED, Regional Profile: Local Area Unemployment Statistics
[53] DEED, Southeast Minnesota Economic Development Summit
[54] MnDOT, Southeast Minnesota Travel Study, 2016
[55] ROCOG Long Range Transportation Plan, 2015
[56] ACS 2016, 5-Year Average

Long-term, as the number of residents and employees within the Region grows, a cohesive transportation system will be critical to support the flow of workers both within the Region and beyond.

Demand for a regional transportation system is compounded by the cost and accessibility of car ownership. Today, approximately 9,200 households in the Region do not own a car. Employment opportunities for single-car households with multiple potential wage earners are limited.[57]

Figure 27: Inflow and Outflow of Employees in the Region, 2015

Source: LEHD On the Map

2.3. KEY ECONOMIC DRIVERS

This Study identifies a series of key economic drivers facing the Southeast Region that informed the demographic and economic modelling undertaken. While each county within the Region is diverse, with nuanced local strengths and challenges, there are common threads throughout the Region that will affect growth and change in the Region in the future. These common strengths and challenges are the impetus behind the development of local initiatives already underway in some municipalities and counties, and these regional economic drivers will continue to catalyze growth for the Region in the decades to come.

Through discussion with municipalities, counties, and regional stakeholders, in addition to a thorough review of existing initiatives and economic development strategies, this report identifies the primary drivers for economic and population change in the Region in the next 25 years. Due diligence included a review of materials received from 26 municipalities, representing all eight counties, and conversations with approximately 25 counties and municipalities, including the City of LaCrosse and LaCrosse County, well as regional organizations including the Southern Minnesota Initiative Foundation, Southeast Minnesota Together, Journey to Growth, and the Seven Rivers Alliance. Findings from this review informed which initiatives were modeled as part of the long-range demographic and economic forecast. The trends and initiatives chosen include:

- **A growing need for housing** to meet the needs of a growing and diversifying population. As the Region's population continues to grow, the Southeast Minnesota's existing housing gap will be exacerbated. Communities expressed that residents seek a broad range of housing typologies with varied price points that are located throughout the Region. The Region's growing senior population seeks housing that will allow them to age-in-place, while young professionals, unable to afford home ownership, seek viable rental alternatives. A lack of appropriate housing to meet the needs of the Region's growing work force will reduce the Region's ability to attract skilled workers, reducing the Region's economic competitiveness.
- **Labor supply shortages**, which are a significant constraint to future economic growth and business attraction and expansion. Driven by many factors, communities cited the availability and

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[57] ACS 2016, 5-Year Average

affordability of daycare and childcare providers, and in some areas low wages offered by employers, as particular burdens on the availability of labor. In addition to these challenges impacting the Region's ability to attract labor, communities noted that workforce retention is a compounding issue, especially apparent in businesses' ability to retain skilled workers.

- **Demand for regional transportation** to support the growth of employment and population centers throughout the Region. Nearly 90% of working residents in the Southeast Region commute to work by private vehicle, while just 3% commute by public transportation, as the Region is not currently served by a cohesive transportation system.[58] Currently, there are more than 10,000 unfilled jobs throughout the Region, due in large part to the inability of employers to reach skilled workers, an issue that is heightened with a lack of adequate transportation options.

- **International migration** to the Region, which historically has been a significant population driver. Today, the State of Minnesota is home to the highest number of refugees per capita nationwide, with 2% of the nation's population but 13% of its refugees. The Region's share of immigrants is increasing, growing from a 4.2% share of the population in 2000 to 6.4% in 2016.[59] Increasing the rate of international immigration will increase the Region's long-term economic growth, particularly by providing an endogenous source of new labor supply and opportunities for innovation.

- **Growth of tourism and recreation** throughout the Region, driven by major attractions including Wabasha's National Eagle Center, Treasure Island Resort & Casino, and the B&B capital of Minnesota, the City of Lanesboro. Annual sales at leisure and hospitality businesses throughout the State of Minnesota grew by 41% between 2005 and 2015, from $10.2 billion to $14.4 billion per year, creating $930 million in state sales tax revenues and supporting almost 260,000 full- and part-time jobs.[60] In the Southeast Region alone, the leisure and hospitality industry supports more than 16,000 jobs and with national tourism trends and local initiatives there is potential for this figure to increase.

- **Changing employment trends**, including diversification from the Region's historically dominant industries. While agriculture is central to the culture of the Southeast Region, and historically a leading industry in the Region, it is not a significant employer today. Due to the historical and cultural significance of the agricultural industry, however, the preservation of agricultural jobs is noted as a primary concern in many cities' planning documents. Manufacturing is one of the largest industries in the Region, with 13% of all jobs in the Region concentrated in manufacturing. While regional trends indicate that the manufacturing industry is stable, increasing by 600 jobs or 2% since 2009, there is significant clustering of manufacturing employment in certain counties, such as in Goodhue and Winona. The clustering of manufacturing jobs makes matching skilled workers and employers increasingly important.

To understand the impacts of these trends, this Study establishes a Baseline Forecast of the Region's projected growth over the next 20 years, informed by existing regional forecasts. This Study subsequently models the projected impact of these major regional trends and initiatives to understand how this projected growth could change depending on the implementation of regional policies and plans.

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[58] ACS 2016, 5-Year Average
[59] ACS 2016, 5-Year Average
[60] Explore Minnesota, 2017

3. BASELINE MODEL AND FORECAST

3.1. INTRODUCTION

This Study uses REMI Policy Insight ("REMI" or "REMI Software") to create a baseline scenario of projected growth in the Region. REMI is considered the industry-standard of economic forecasting, widely used by local and regional governments across the country. REMI's dynamic modeling capability enables it to construct comprehensive forecasts of economic and demographic characteristics; it is frequently used as a simulation tool to help regional policymakers understand the long-term consequences of socioeconomic trends and policy decisions.

REMI Software uses historical data from the Bureau of Economic Analysis, U.S. Census, and other publicly available datasets to forecast employment, population, labor, productivity, migrant flows, etc. The model is dynamic: forecasts and simulations are generated on an annual basis and incorporate consumer, employer, and migrant responses to wage, price, and other economic factors.

The REMI Software comes with an "out-of-the-box" regional forecast based on extrapolated local and national historical demographic and economic trends. It is common practice to adjust this forecast to account for granular information on local and regional trends or initiatives that the REMI "out-of-the-box" forecast does not capture.

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast ("Baseline Forecast") for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate baseline is important to understand the projected net new impacts of proposed or existing economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region.

The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level projections and forecasts completed by the Minnesota State Demographic Center, as well as other local forecasts and economic activity underway. With the implementation of regional initiatives, there is significant new growth anticipated in the Region. The Baseline Forecast's projected growth above the SDC Forecast is attributable to a number of regional initiatives, including investment in the DMC.

3.2. REMI SOFTWARE

REMI Policy Insight is a structural economic forecasting and policy analysis model that integrates traditional input-output, general equilibrium, econometric, and economic geography methodologies. The model is dynamic, with forecasts and simulations generated on an annual basis with behavioral responses to wage, price, and other economic factors. Unlike static models (such as RIMS II or IMPLAN), REMI tracks the effects of an economic event over multiple time periods, calculating the interrelated impacts as the local and regional economies adapt to the initial change. For example, an increase in wages in a particular area might result in migration of workers over a period of time to that region, leading to population growth, new demand for housing and increased competition for existing jobs. The REMI Software forecasts changes across a wide range of demographic and economic variable, which can then be used to predict possible impacts.

The REMI Software consists of thousands of simultaneous equations that use data from a variety of sources, including the Bureau of Labor Analysis and the U.S. Census. The model is multi-regional to the county-level, and is based on a comprehensive model of the national economy, developed and maintained by Regional Economic Models, Inc. It is a proprietary software system, available on a contractual basis, and is used by

public and private agencies around the country and across Minnesota, including DEED, to provide reliable strategic decision support.

3.3. REVIEW OF EXISTING FORECASTS

HR&A reviewed existing forecasts for the Southeast Minnesota region, which focus on employment and population trends. The Minnesota State Demographic Center develops a detailed population forecast by county, age cohort, and gender. Most counties in the Region do not have existing forecasts aside from the population forecasts developed by the State Demographic Center. Existing and available forecasts reviewed in this Study are outlined in Figure 28: Existing Forecasts Reviewed for this Study.

Figure 28: Existing Forecasts Reviewed for this Study

FORECAST	EMPLOYMENT	POPULATION
Dodge County		
Dodge County Comprehensive Water Plan (2006)		X
Goodhue County		
Red Wing Housing Needs County Projection (2014)	X	X
Goodhue County Transportation Plan (2004)		X
Olmsted County		
ROCOG Integrated Baseline Studies (2014)	X	X
Winona County		
Winona County Water Plan (2010)		X
State of Minnesota		
State Demographic Center (2015)		X

3.4. SDC FORECAST

The Minnesota State Demographic Center's forecast ("State Population Projection') is the only recent forecast for the Region that contains population and age cohort estimates for all eight counties from 2015-2050. The State Population Projection is widely recognized across Minnesota and used by many Southeastern counties as the basis of their regional planning efforts. The State Population Projection methodology is based on the "cohort-component" method[61] and uses State of Minnesota Department of Health information on existing births/deaths ratios for sex and age cohorts to estimate future population based on current trends. The State Population Projection assumes that historical economic migration patterns will continue in the future.

This Study used the State Population Projection as an input into the REMI Software, which in turn generated resulting employment projections based upon this population input. Inputting the State Population Projection into the REMI Software results in population and employment projections for the Region, or the "SDC Forecast." The SDC Forecast is based upon historical growth trends, recent birth/death rates, and migration patterns, and does not account for planned development or growth initiatives in its projections.

As shown in Figure 29 and Figure 31, the SDC Forecast projects largely stagnant population and implies minimal employment growth for the Region, with some growth in Olmsted and Goodhue counties. It projects that the Region's population will increase by only about 13,950 between 2016 and 2040, while jobs are forecasted to increase by approximately 11,220 during the same period.

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[61] More information on the methodology of the Minnesota State Demographic Center can be found at the following link: https://mn.gov/admin/assets/methodology-2015-2050-mn-counties-projections-by-age-sex-msdc-march2017_tcm36-284991.pdf

Figure 29: State Population Projection, 2016-2040

State Population Projection
2016-2040
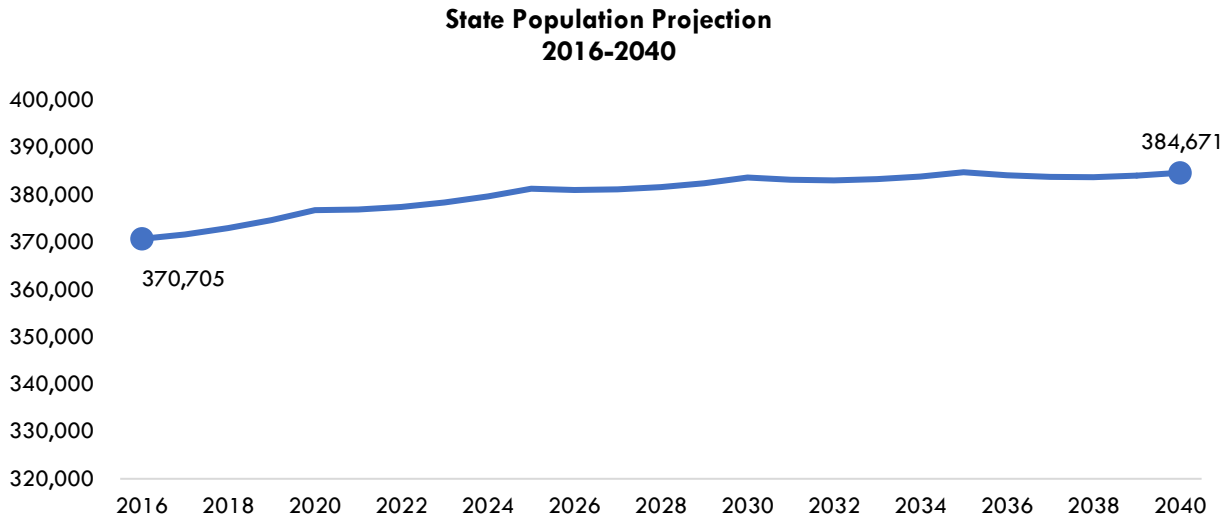
Source: Minnesota State Demographic Center

Figure 30: State Population Projection by County, 2016-2040

County	2016	2040	Change, 2016-2040	Annual Growth
Dodge	20,420	20,500	80	0.02%
Fillmore	20,590	18,600	-1,990	-0.42%
Goodhue	46,530	51,750	5,220	0.44%
Houston	18,610	17,100	-1,510	-0.35%
Mower	39,170	36,840	-2,330	-0.26%
Olmsted	153,370	173,680	20,310	0.52%
Wabasha	21,270	19,790	-1,480	-0.30%
Winona	50,760	46,410	-4,350	-0.37%
Region	**370,720**	**384,670**	**13,950**	**0.15%**

Source: Minnesota State Demographic Center, HR&A Analysis

The SDC Forecast was developed using the State Population Projection as an input in the REMI Software, which in turn generated employment projections. The SDC Forecast finds that employment in the Region is expected to grow in Olmsted County, driven by expansion of healthcare, services, and retail in Rochester.[62] Elsewhere, employment is expected to stagnate as the labor force shrinks due to the aging of the population and expected improvements in productivity. In particular, Goodhue and Winona are expected to see the sharpest declines in employment.

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[62] The SDC Forecast does not include the ongoing Destination Medical Center initiative

Figure 31: SDC Forecast Employment Growth, 2016-2040

Regional Employment Projection
2001-2040
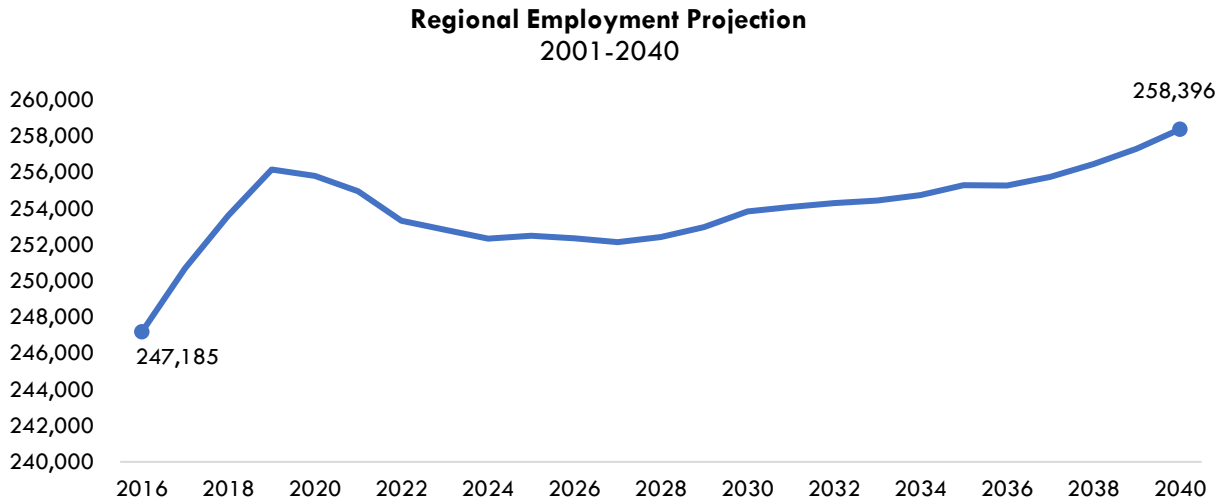
Source: REMI, HR&A Analysis

Figure 32: SDC Forecast Employment Change by County, 2016-2040

County	2016	2040	Change, 2016-2040	Annual Growth
Dodge	9,400	9,730	330	0.14%
Fillmore	11,420	10,590	-830	-0.31%
Goodhue	30,060	29,460	-600	-0.08%
Houston	9,000	8,530	-470	-0.22%
Mower	22,380	21,770	-610	-0.12%
Olmsted	120,460	136,560	16,100	0.52%
Wabasha	11,190	10,730	-460	-0.17%
Winona	33,270	31,030	-2,240	-0.29%
Region	**247,180**	**258,400**	**11,220**	**0.19%**

Source: REMI, HR&A Analysis

This Study considers the State Population Projection, and by extension the SDC Forecast, to be very conservative estimates for the Region, as they only account for existing aging and migration patterns and do not consider ongoing regional initiatives for economic development and population growth. Given this conclusion, this Study creates a new Baseline Forecast that includes adjustments for a number of ongoing regional initiatives.

3.5. BASELINE FORECAST INCORPORATING REGIONAL INTIATIVES

There is significant new growth anticipated in the Region as a result of the implementation of regional initiatives. The Baseline Forecast's projected growth above the SDC Forecast is attributable to a number of regional initiatives, including investment in the DMC, growth in manufacturing in Mower and Goodhue Counties, and other trends. While the DMC's work is focused on Downtown Rochester, spinoff activity outside of Rochester is likely to occur as this regional hub develops. The DMC presents a tremendous opportunity for economic development throughout the entire Southeast Region. By adjusting the Baseline Forecast to account for the DMC, as well as accounting for existing localized regional projections (such as the Goodhue Housing Study forecast), ensures that this study adequately addresses existing regional and local economic activity and population trends, which will affect a number of factors, such as labor supply and housing needs.

Significant new growth is anticipated in the Region, in part driven by the investment in the Destination Medical Center. While the DMC's work has been focused on Downtown Rochester, spinoff activity outside of Rochester is likely to occur as this regional medical and life sciences hub develops. This activity may include increased demand for specialized office space, new workforce development program opportunities, and new housing markets throughout the Region. The DMC presents a tremendous opportunity for economic development of the Southeast region. Led by the State of Minnesota, the DMC launched in 2013. Overall, DMC plans for a 20-year, $5.6 billion initiative centered around making Rochester a global destination for health and wellness as well as a hotbed of innovation in biotech and other scientific research. The plan envisions the development of nearly 7 million SF of healthcare space, 1.3 million SF of bio-med-tech and office space, 1,380 hotel rooms, approximately 3,000 residential units and 320,000 SF of retail dining and entertainment. This will have significant ramifications for new jobs. The DMC Master Plan envisions that by full build-out in 2034, the DMC will support over 28,000 direct jobs and 10,000 to 15,000 multiplier jobs that will be distributed throughout the Region and the State.

Figure 33: DMC Job Growth Projections, DMC Master Plan

Industries	2015	2016	2017	2018	2019	2024	2034
Bio Med Tech Research	110	230	340	460	510	1,050	3,230
Education						270	450
Health	670	1,330	2,000	2,670	3,330	8,060	18,890
Hotel	60	170	360	430	430	570	790
Office						190	1,180
Restaurant	10	30	40	50	60	210	430
Retail	50	90	140	180	220	670	1,180
Visitor Amenities	100	180	610	770	800	1,230	2,330
Total	**1,000**	**2,030**	**3,490**	**4,560**	**5,352**	**12,250**	**28,480**

Source: DMC

The DMC investment is already beginning to see results. As of March 2017, the DMC attracted over $300 million of private investment, which is being matched by $585 million in public funding from the State.[63] Since 2014, the DMC added 3,300 jobs in Rochester and discussions with economic development officials indicate that there is sufficient momentum to meet these job and investment targets.[64] In response to these impacts, government entities, including the City of Rochester and Olmsted County, are beginning to shape long-term plans assuming the full build out of DMC. A comprehensive understanding of regional impacts is necessary

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[63] Star Tribune (March 2017). "With almost $300 million in private funds, Rochester's DMC project set to get $585M in public money"
[64] Post Bulletin (March 2018), "Clarke: DMC job creation is on track, growing stronger."

to inform these long-term plans and ensure that there are opportunities for equitable growth to occur throughout the Region.

Figure 34: Discovery Square, DMC

Construction crews preparing for construction at Discovery Square, which will host "a hub for bio-medicine, research and technology innovation." (Source: Post Bulletin, April 2018)

The DMC is anticipated to drive significant regional growth, and, therefore, should inform how the Region's counties and municipalities prepare for change. Municipalities must equip themselves with a sound understanding of how these economic changes will impact their communities in order to make informed decisions regarding infrastructure investments, policies, and land use plans needed to best position themselves for future growth. This Study creates a Baseline Forecast that accounts for the new jobs, investment, and spinoff activity that the DMC is likely to create, in addition to other regional initiatives. The Baseline Forecast serves as the analytical foundation, on top of which all other initiatives are analyzed.

3.6. BASELINE FORECAST

The Baseline Forecast, a calibrated baseline projection assuming the full DMC build-out and integrating Goodhue County housing forecast, serves as a valuable resource for ongoing planning efforts, including statewide, regional, and local planning entities. For this study, the Baseline Forecast is used as a baseline projection on which alternative growth scenarios are layered.

Calibration of the SDC Forecast to develop the Baseline Forecast included two adjustments, due to the availability of data and in order to reflect planned initiatives. First, based on the Red Wing Housing Needs Plan from 2014, the Study adjusted Goodhue County population projections to reflect the Housing Need Plan's forecasted population for Goodhue County through 2025. Using these forecasts, this Study extrapolated projected growth through to 2040, based on projected growth rates through 2025, and included the results as inputs into the REMI Software.

Following the Goodhue County population projection adjustments, this Study adjusted the SDC Forecast to appropriately reflect the future impact of the DMC. Using job growth projections from the DMC Master Plan, this Study determined the number of net new jobs anticipated in Olmsted County as a result of DMC build-

out. From these employment projections, this Study also found the projected net new population change that will result from the net new DMC jobs. Finally, this Study applied existing regional commuting patterns to the projected net new population growth.

As is typical for long-range economic forecasts, the Baseline Forecast includes the following assumptions:

- **Economic policy stability**, including no large-scale changes to the United States and Minnesota economic regime. REMI Software includes updated economic assumptions incorporating the changes as a result of the Tax Cuts and Jobs Act of 2017.
- **No large-scale economic events**, including economic disruptions like a recession or sustained depression. REMI Software accounts for standard business cycle events, but not for large-scale, unforeseen economic challenges.
- **No changes to immigration policy.** The model assumes current levels of immigration to the U.S. will be sustained, and there will not be drastic cuts in international migration to the Region.

As shown in Figure 35 in the Baseline Forecast, the DMC and the Goodhue County housing forecast have substantial positive effects for the Region, contrasting the trends forecasted in the SDC Forecast. As such, the Baseline Forecast's growth expectations are higher than the SDC Forecast, reflecting an influx of jobs and residents to the Region as a result of the implementation of the DMC and growth in Goodhue County. Overall, the Baseline Forecast projects that the Region will see growth of 50,200 residents between 2015 and 2040, up to 419,200 total residents. This represents an annual growth rate of 0.51% from 2015-2040, similar to the 0.62% annualized growth seen from 2000-2015 in the Region.

Figure 35: Regional Population Growth, SDC Forecast vs. Baseline Forecast (2010-2040)
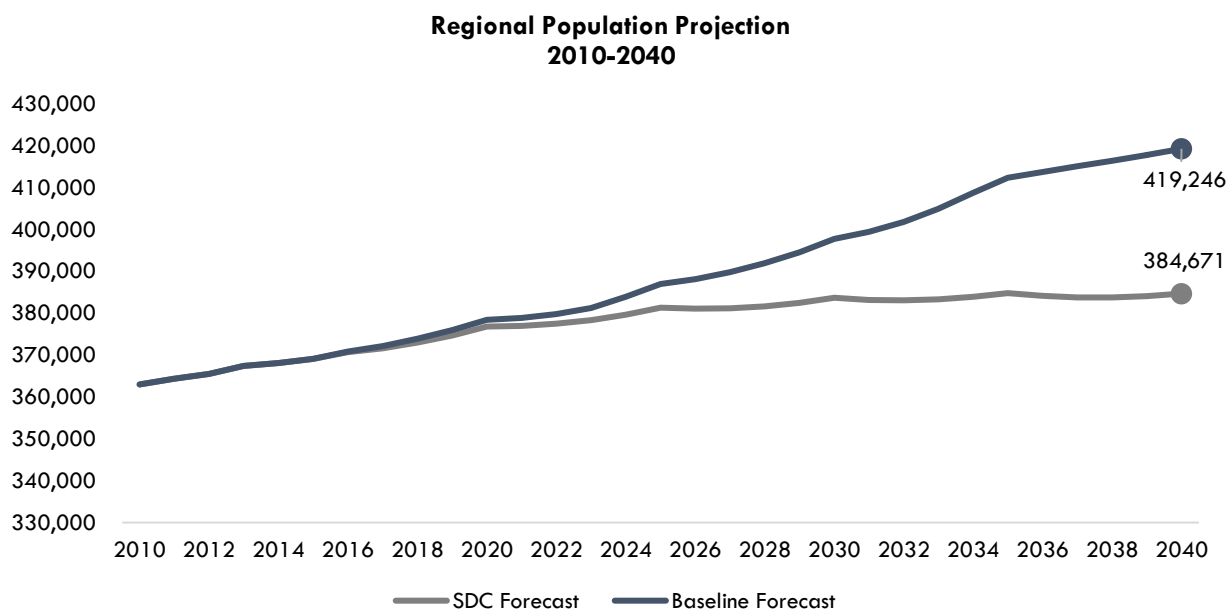
Source: REMI, HR&A Analysis

The Baseline Forecast projects a total population increase of 34,570 people over the SDC Forecast.

Population	2040
SDC Forecast	384,670
Baseline Forecast	419,240
Difference	**34,570**

Source: REMI, HR&A Analysis

Employment in Southeast Minnesota will similarly grow, as the Region is expected to add more than 44,000 jobs over the next 25 years. Most of this growth will be in Olmsted County, though there will be job growth in all counties in the Region, which differs from the SDC Forecast. The Baseline Forecast projects that there will be 7,660 annual spin off jobs in the Region as a result of the DMC. Most of these spinoff jobs are concentrated in the construction, accommodation and food services, and retail trade industries.

Figure 37: Regional Employment Growth, SDC Forecast vs. Baseline Forecast (2010-2040)

**Employment Projection
2010-2040**
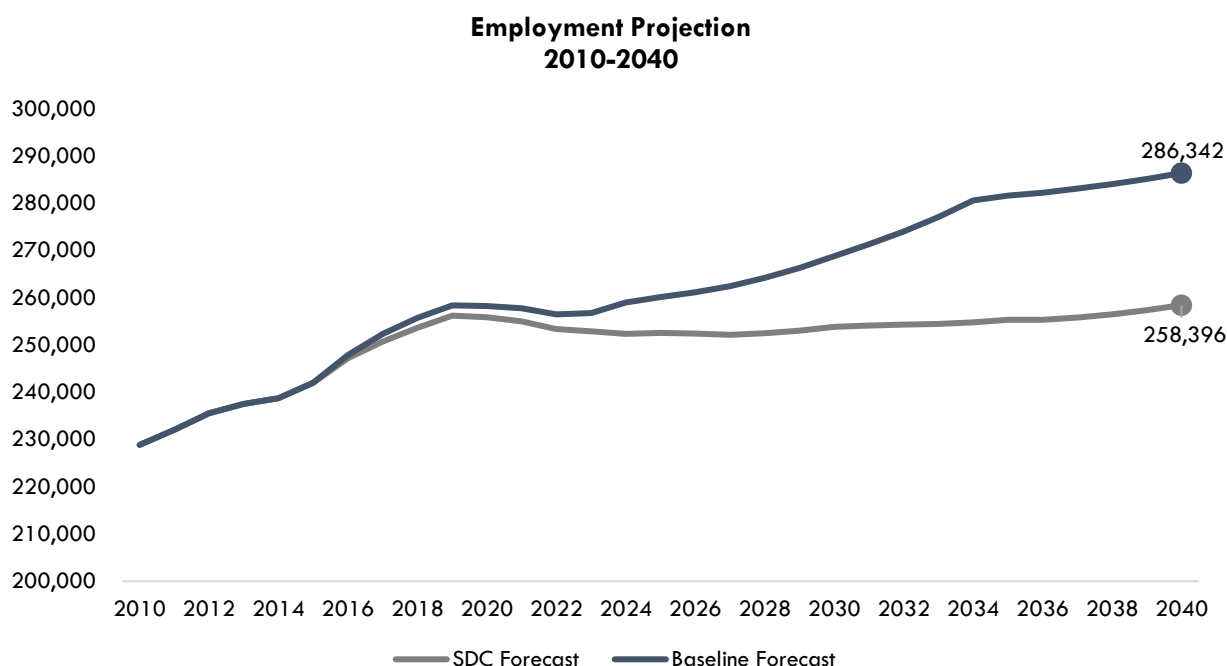
Source: REMI, HR&A Analysis

Figure 38: Regional Employment Change by County, SDC Forecast versus Baseline Forecast (2015-2040)

Employment	2040
SDC Forecast	258,400
Baseline Forecast	286,340
Difference	**27,940**

Source: REMI, HR&A Analysis

4. REGIONAL INITIATIVES

This Study identifies a series of key economic drivers facing the Southeast Region that informed the demographic and economic modelling undertaken. While each county within the Region is diverse, with

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[65] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

nuanced local strengths and challenges, there are common threads throughout the Region that will affect growth and change in the Region in the future. These common strengths and challenges are the impetus behind the development of local initiatives already underway in some municipalities and counties, and these regional economic drivers will continue to catalyze growth for the Region in the decades to come.

Through discussion with municipalities, counties, and regional stakeholders, in addition to a thorough review of existing initiatives and economic development strategies, this report identifies the primary drivers for economic and population change in the Region in the next 25 years. Due diligence included a review of materials received from 26 municipalities, representing all eight counties, and conversations with approximately 25 counties and municipalities, including the City and County of LaCrosse, as well as regional organizations including the Southern Minnesota Initiative Foundation, Southeast Minnesota Together, Seven Rivers Alliance, and Journey to Growth. Findings from this review informed which initiatives were modeled as part of the long-range demographic and economic forecast. The trends and initiatives chosen through this deliberate engagement process include: a growing need for housing, labor supply shortage, increased demand for regional transportation, international migration, the growth of tourism and recreation, and the trends impacting the Region's historically dominant industries – agriculture and manufacturing.

4.1. GROWING NEED FOR HOUSING

Historically, the Region has seen a proportionately limited supply of new housing when compared to the Region's population growth. Between 2009 and 2016, the Region saw a net increase of 3,600 housing units, while the population grew by more than 13,700 during the same period.[66] Given the average household size of 2.5 people in the Region, this population growth should have required 5,500 total housing units, which exceeded new construction by 1,900 units. The lack of new housing supply to keep up with demand is likely due to a confluence of factors including rising land prices and construction costs and restrictive zoning regulations. Slowly increasing wages in the Region prevents the potential for higher rents or sales prices to support new housing demand, further constricting the housing market. As the Region's population continues to grow, this housing gap will be exacerbated. A lack of appropriate housing to meet the needs of the Region's growing work force will reduce the Region's ability to attract skilled workers, inhibiting the Region's economic competitiveness and potential growth.

Figure 39: Housing Demand, 2009-2016

	2009	2016	Change, 2009-2016
Population	355,000	368,000	13,700
Housing Units	153,250	156,750	3,600
Average Household Size	2.5	2.5	-
Gross Housing Demand, 2009-2016	-	-	5,500
Unmet Demand, 2009-2016	**-**	**-**	**1,900**

Source: American Community Survey

In addition to the need for more housing, communities expressed that residents seek a broad range of housing typologies with varied price points that are located throughout the Region. The Region's growing senior population seeks housing that will allow them to age-in-place, while young professionals, often unable to afford traditional home ownership, seek viable alternatives in walkable, amenitized downtowns. However, given high labor and construction costs, traditional multifamily development is often infeasible relative to achievable rents. Rochester faces an additional burden as concerns over land speculation have driven development costs even higher. In some communities, including in cities in Houston, Fillmore, and Mower counties, developers face issues obtaining financing for development as many of these markets are untested and unproven.

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[66] ACS 2016, 5-Year Average

As seen in Figure 40, with projected population and employment growth in the Region, and assuming continued historical rates of housing production, the net housing gap throughout the Region is anticipated to grow to 14,100 units by 2040.

Figure 40: Projected Housing Demand, 2016-2040

	Population, 2040	Housing Need, 2040	Housing Supply, 2040	Projected Housing Gap, 2040
Region	419,200	182,350	168,250	14,100

Source: American Community Survey; HR&A Analysis

Communities throughout the Region understand the need for increased housing supply. The DMC Development Plan recommends that in order to sustain a livable community the DMC Development District must include a range of housing options, with units varying in size, tenure, and affordability. The Development Plan proposes the construction and phasing of approximately 3,000 residential units as part of its development program, though this alone will not meet the Region-wide need for housing. Through updates to the city's zoning ordinance, the City of Lanesboro is allowing infill residential development, and a number of communities offer tax rebate and incentive programs, such as the City of Austin, to encourage new residential development.

4.1.1. Model Findings & Implications

If municipalities and counties within the Region do not implement any initiatives to support the creation of new housing stock at a faster rate than historical trends, there will be significant adverse economic and demographic impacts. Without the necessary supply of 14,100 new units throughout the Region by 2040, the Region's population will be unable to accommodate new households and hence employment growth, which will stifle spinoff impacts on the regional economy.

Assuming about 1.34 to 1.48 workers per household by County, this housing gap would reduce the Region's population by about 25,200 residents from the Baseline Forecast. Overall, the Region will see a loss of economic output of $4.14 billion. Employment would also decrease by 20,700 jobs, and total earnings would decrease by $1.14 billion. Understanding existing and projected demographic trends, the forecasted housing need will have an outsized impact on the Region's senior population. This age cohort, the fastest growing in the Region, will benefit from a range of housing options that allow them to age-in-place, including close proximity to urban amenities and health and social services. Without sufficient housing options, the Region will also face challenges attracting young and highly skilled residents that seek vibrant and highly-amenitized downtowns and neighborhoods.

Through a combination of initiatives, such as increasing allowable density in key downtowns while encouraging placemaking initiatives to draw new residents, and establishing new ADU policies, municipalities and counties have an opportunity to support the Region's need to solve for the identified housing gap. While converting existing agricultural land for residential uses has the potential to further solve for this gap, this Study assumes that the negative economic consequences related to a loss of key agricultural jobs and land for environmental preservation outweigh the potential housing benefits.

4.1.2. Approach

To address the growing demand for diversified and affordable housing within the Southeast Region, communities can explore various options to help fill the housing gap, including policy changes at different regulatory levels. There is no singular solution to address the housing gap in the Region, and these policy decisions are determined at the local-level, this Study recommends that Southeast Minnesota municipalities and counties consider the following three approaches:

Multifamily Growth

More than 75% of all housing units in the Region are single-family homes, and the share of multi-family units, defined as five or more units, has seen minor growth since 2010 (1.2% annual growth, equal to 1,400 units). With increased supply of multi-family product to meet the needs of the growing senior population and young professionals, additional single-family homes will become available to meet the needs of young families. Multifamily infill development in key downtowns throughout the Region creates an opportunity to generate additional housing units for growing demographic submarkets while contributing to the character and vibrancy of the Region's downtowns.

Existing downtown population density in the Region ranges from 5,400 people per square mile in downtown Rochester and Austin, to 1,100 people per square mile in central Byron to 530 people per square mile in Stewartville. The high-end of the Region's density is comparable to some of the leading small downtowns nationwide.

> ### Precedents
>
> **Bend, Oregon,** has successfully marketed itself as an outdoor recreation destination, and coupled with a 2006 City Ordinance allowing vertical mixed-use within commercial districts, the City has effectively increased residential uses downtown. Downtown population density in Bend, OR, is 3,500 people per square mile as a result of the increased density allowances in the city's amenity-rich areas.
>
> **Douglas, GA** leveraged outside funding sources and the national Main Streets Program to enliven the city's downtown core, growing downtown businesses and increasing interest in downtown residential living. Today, downtown Douglas has 2,000 people per square mile.
>
> In **Mount Morris, NY,** a downtown development program gave private developers an inventory of all buildings downtown, with information to encourage private investment, including buildings' physical characteristics, rental rates, ownership, and identification of tax-delinquent properties and those near foreclosure. Mount Morris' downtown development program has led to downtown residential density of 1,200 people per square mile downtown.

Higher density residential can be supported by the market with increased access to public and community amenities, including transit, open space, and walkable retail. Locally-driven downtown placemaking initiatives, such as the City of Red Wing's recent $1.7 million investment in decorative lights in the city's historic downtown, and a "flower committee" in the City of St. Charles, seek to grow interest in the Region's downtowns through low-cost aesthetic improvements. With continued placemaking initiatives combined with local land use changes, this Study assumes that the Region can increase the production of multifamily housing by a conservative 2%, 0.8% above the Region's existing growth rate. Assuming a 2% growth rate, based on a review of national literature on increasing multifamily development, and benchmarked against the Region's existing rate of growth, the Region can add 6,900 housing units by 2040, accounting for nearly 50% of the Region's forecasted housing gap.

Figure 41: Existing Population Density in Select Regional Downtowns

City	Population Density per Sq. Mile
Rochester	5,500
Austin	5,500
Red Wing	2,200
Lake City	1,400
Byron	1,100
Kasson	800
Stewartville	500

Source: American Community Survey, 2016

Accessory Dwelling Units

Accessory Dwelling Units ("ADUs") are modest apartments or cottages integrated into single-family properties that are physically attached to the main house or detached in a structure separate from the single-family house on the same lot. ADUs are generally moderately affordable to construct and offer a housing

option in single-family neighborhoods for residents who may not otherwise be able to afford a single-family house. Colloquially known as "granny flats", ADUs are also a viable housing option for multigenerational families, providing families opportunities to age-in-place. In addition to providing a housing alternative for an aging population, ADUs are well-suited for young children, as they tend to be large relative to other rental options, provide direct access to outdoor yards, and are often located in neighborhoods well-served by schools and parks.

Figure 42: Types of Accessory Dwelling Units

Attached   Free Standing   Above / Below

Source: Municipal Research and Services Center

Developed in single-family neighborhoods, ADUs are an opportunity for a gentle increase in density throughout the Southeast Region. The Study assessed the share of ADUs in national precedents to understand a reasonable share of ADUs in single-family areas throughout the Region. Drawing on these national precedents, municipalities in the Region could adopt ADU policies to increase affordable housing production and create product for its aging population. As shown in Figure 43, this Study assumes that if ADU policies are adopted, the Region

> **Precedents**
> **Seattle, WA, Portland, OR**, and **Santa Cruz, CA** have had ADU policies in place for a number of years. All three national precedents have specific design guidelines but are otherwise not prescriptive with maximum allowable ADUs per neighborhood or by lot type, such as the **City of Boulder, CO**'s maximum of 10% ADUs per neighborhood or the **City of Vancouver, WA**'s restriction based on a lot's access to alleyways. The share of ADUs on all single-family lots among the selected national precedents ranges from 0.8% to 1.9%. More locally, the **Eagan, MN** introduced a policy allowing ADUs in 2016, which has already led to 0.3% of all single-family properties adding ADUs.

could see an increase in housing units. Specifically, if Southeast Minnesota follows local and national precedents and conservatively 0.5% of the Region's households living in single-family homes add an accessory unit over the next ten years, this could result in the development of nearly 600 additional residential units throughout the Region. Recognizing the City of Eagan's early success in adopting an ADU policy, if this share increases to the average of ADUs in national precedents assessed of 1.0% by 2040, there is an opportunity for approximately 1,700 new housing units in the form of ADUs throughout the Region. Combined, ADUs can meet nearly 15% of the Region's projected housing need. However, it is important to note that these changes will come from local municipalities and will reflect the preferences of these individual cities within the broader Region.

Figure 43: Precedent and Assumed ADU Shares

City	Policy Year	# of Detached ADUs	# of Attached ADUs	Single Family Lots	Share
Seattle, WA	2010	212	1,184	124,397	1.1%
Portland, OR	2010	720	580	153,000	0.8%
Santa Cruz, CA	1984	N/A	340	18,000	1.9%
Eagan, MN	2016	N/A	63	19,371	0.3%

	Assumed Detached and Attached ADUs	Assumed Share of Single Family Lots
Southeast Region, 2015-2025	*600*	*0.5%*
Southeast Region, 2025-2040	*1,100*	*1.0%*
Total	*1,700*	

Sources: City of Seattle; Sightline; SmartGrowth; MinnPost

Agricultural Land Conversion

The Region has more than 2,500,000 acres of agricultural land, though this share is shrinking. Between 2007 and 2012, the percentage of land used for farming decreased by 4%, a loss of nearly 110,000 acres. Agriculture is central to the culture of the Southeast Region, and historically was the leading industry in the Region. The preservation of agricultural jobs is noted as a primary concern in many cities' planning documents, which can in part be protected through the preservation of agricultural land.

Agricultural land conversion can be used to create new single-family residential subdivisions, a land development strategy that has historically occurred in Southeast Minnesota. However, this approach may have negative economic impacts, diminishing the already reduced share of employment opportunities in the agricultural industry and geographically expanding infrastructure needs in the Region. This Study assesses the area of agricultural land necessary to support the Region's housing gap. Assuming new housing subdivisions have an average density of 5 dwelling units per acre ("DU/ac"),[67] 2,820 acres of the Region's agricultural land would need to be converted over the next 20 years to meet the Region's housing need.

Figure 44: Agricultural Land Conversions

	Housing Gap, 2016-2040	Subdivision Density	Agricultural Land Required, 2016-2040
Region	14,100	5 DU/ac	2,820 acs.

Sources: University of Idaho

Single-family subdivisions are often not the highest-and-best-use residential form, and may not support the Region's broader economic development and environmental sustainability goals. Communities throughout the Region expressed concern over farmland conversions to residential subdivisions, recognizing the Region's decreasing share of agricultural land. The City of Cannon Falls, in Goodhue County, is concerned about balancing sustainable growth and preserving the city's historic character and economy. In Fillmore County, Protected Agriculture Zoning Districts in Rushford Village have helped stabilize

> **Precedents**
> Many regions have implemented urban growth strategies that direct development to urban areas that are equipped to accommodate development and preserve rural lands for resource and other non-urban uses. **Portland, OR** has an urban growth boundary that preserves the city's proximity to nature and local farm products while encouraging urban infill. In the Growth Management Plan for **Winston-Salem, NC**, agricultural areas adjacent to urban areas are preserved to promote agricultural tourism and recreation. **Toronto, ON**'s Greenbelt preserves agricultural land adjacent to the urban core while creating new tourism opportunities, including more than 300 miles of cycling trails and numerous food and wine tours.

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[67] University of Idaho, Density and Human Scale

agricultural employment in the county, growing by 2% since 2009, even while agricultural land was reduced by 5% between 2007 and 2012.

4.2. LABOR SUPPLY

As the Southeast Minnesota economy continues to grow, and as unemployment reaches record lows, employers have noted a labor shortage impacting the Region. DEED estimates that this shortage is equivalent to approximately 10,000 jobs throughout the Region.[68] As demand for labor increases, however, participation in the workforce continues to decline, with the labor participation rate for persons aged 25-64 decreasing from 81.0% in 2001 to 75.4% in 2016. Despite this decline, the participation rate in the Region is higher than the national average of 72.1%.[69] Across the Region, communities highlight labor shortages as a significant constraint to future economic growth and business attraction and expansion. A key barrier identified to increasing labor participation in the Region is a lack of family-friendly work policies, including affordable childcare options and more flexible shift-times.

Without affordable and accessible childcare, employment options for the Region's workforce are limited, which in turn restricts the Region's economic development potential. This burden disproportionately impacts manufacturing and agricultural industries because of the wages associated with these industries. Due to the unaffordability of childcare, there is an increasing trend in communities across the Region for one parent in two-parent households to leave the workforce to care for their children, thereby lowering labor force participation and throttling economic growth.

As the economy and society have evolved in recent decades, two-parent worker households are increasingly common. In 2015, more than 60% of households across the country with two parents had both parents engaged in the workforce, up from 40% in 1968.[70] As more women enter the workforce, with greater opportunities for more equitable roles, roles within home and workplace structures have shifted. Higher labor force participation among women has benefitted the national economy, causing average household incomes to rise.[71]

Peer nations recognize the power of family-friendly policies to encourage additional labor force participation. The United States' lower rates of labor participation, and in particular among women, who bear a disproportionate share of child-rearing responsibilities, is an anomaly among peer nations. In 2017, the labor participation rate of women between 15 and 64 in the U.S. was only 68%, substantially lower than other peer nations, including Canada, Germany, the U.K., and northern European countries where nearly 75% of women or more are in the labor market.[72] A key difference noted in the academic literature is the lack of guaranteed paid-family leave, maternity benefits, and childcare subsidies for many U.S. workers.[73]

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[68] DEED, 2018
[69] REMI Policy Insight, 2018. Data from BEA.
[70] The Economics of Family-Friendly Workplace Policies, The White House, 2015. Statistics from BLS and CEA.
[71] The Economics of Family-Friendly Workplace Policies, The White House, 2015
[72] OECD.stat, 2018
[73] Brookings Institute, *Removing Barriers to Women's Participation in the Labor Force, 2017*

Figure 45: Female Labor Participation in the U.S. and Peer Countries, 1985 - 2017
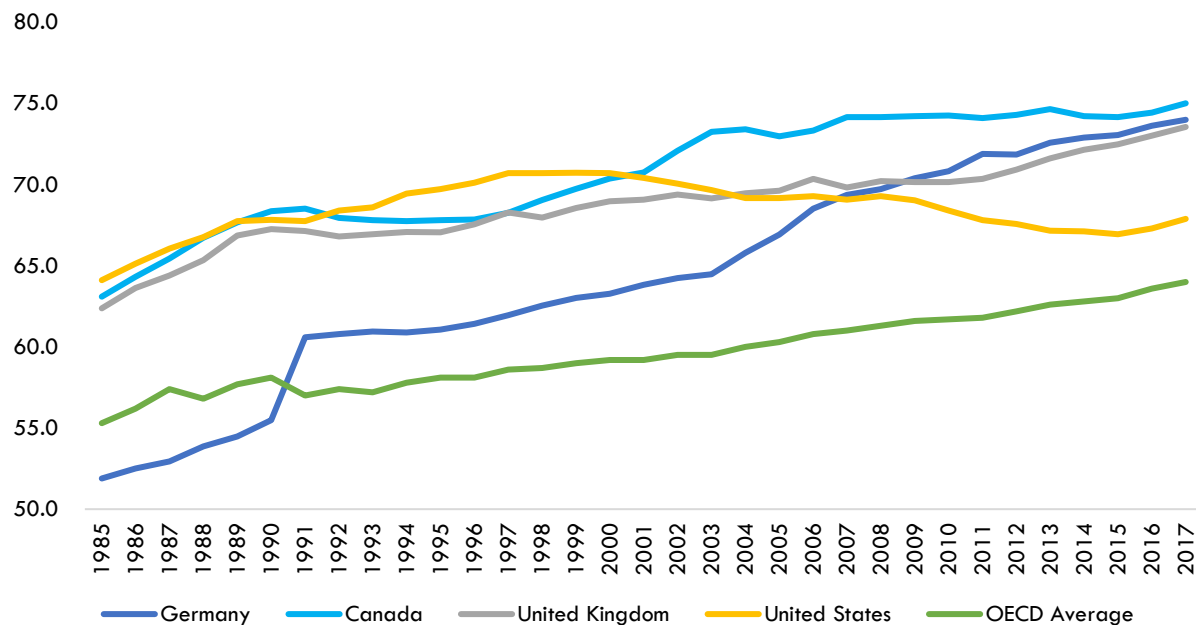
Source: OECD

4.2.1. Approach

Empirical data from peer countries and academic studies points to the potential effectiveness of increasing labor participation rates by reducing childcare costs. A University of Kentucky review of eleven studies on the issue assessed the elasticities of childcare subsidies on employment and labor force participation for women.[74] The study concluded that a 10% to 25% reduction in the price of childcare in Kentucky could increase the employment of single mothers by 3 to 4 percent.[75] In the same literature review, a study by Anderson and Levine indicated that the elasticities for labor force participation and childcare were between -0.35 and -0.47 for married and single mothers respectively, or -0.36 for all women. This implies that a 10% to 25% decrease in childcare costs would increase labor force participation by about 3.6%.[76,77] There is limited literature on the topic for the effects on men, but papers reviewed for this Study indicate a small effect. In the Netherlands, the Law on Childcare of 2005 effectively reduced the childcare burden by 50% on families, which only resulted in 0.3% increase in labor force participation by men.[78] It is important to note that the studies referenced above discuss the difficulty of quantifying the precise effect of childcare subsidies on other family-friendly work policies. Overall, however, it is clear that a comprehensive regulatory and

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[74] Elasticity helps to measure a variable's sensitivity to a change in another variable. Commonly used in economic papers, elasticity allows researchers to standardize the effects of a single variable. For example, if one paper studied the effects of a policy resulting in a 5% reduction in childcare costs and a second study studied the effects of a program resulting in a 25% reduction, elasticities can be used to compare the studies directly.

[75] Ziliak, J. "Childcare Subsidies and the Economic Well-Being of Recipient Families: A Survey and Implications for Kentucky," 2008

[76] Anderson, P., and Levine, P. (1999). "Childcare and mothers' employment decisions." National Bureau of Economic Research Working Paper 7058.

[77] Other international literature reviews pointed to a similar range of potential increases in labor force participation rates, between 1% to 8% over the study period. See Table 8, "Childcare subsidies and labour supply — Evidence from a large Dutch reform." L.J.H Bettendorf in Labour Economics (2015).

[78] L.J.H. Bettendorf et al. (2015). "Childcare subsidies and labour supply — Evidence from a large Dutch reform." Labour Economics.

policy framework that benefits families can help increase workforce participation, therefore growing the economy.

Communities throughout the Region recognize the importance of accessible child care. The City of Stewartville is commencing construction in 2018 on a 7,500 square foot daycare in the Schumann Business Park that will accommodate 99 children, which is approximately 20% of the city's under-five population.[79] The City of Spring Valley is currently working to attract a child-care operator; once they secure one, the City intends to support child-care center development. The City of Winona is currently constructing a Montessori with extended hours and scholarships available for children from lower-income families.

In addition to interest in reduced childcare costs, communities

> **Precedents**
> **Patagonia**, one of the first companies in the U.S. to launch a corporate-sponsored on-site childcare center, believes that benefits outweigh the costs of this service. Through tax credits, and employee retention and engagement, Patagonia supports working families and with an estimated return on investment of 115%-125%. **Akamai Technologies**, a global information technology company with U.S. headquarters in New York City, supports employees with children with paid parental leave, discounts at childcare centers, and flexible working arrangements including a flexible time-off policy. By offering these services, Akamai is able to offer a competitive benefit package for employees while supporting firm-wide recruitment and retention strategies. In Oklahoma, a new **e-Childcare** program that creates administrative efficiencies combined with policy changes has led to a decrease in childcare program costs by 10%. Throughout the country, **Shared Services Alliances** create partnerships among childcare providers to share costs and deliver services in a streamlined and efficient way, which creates reductions in the cost of providing services, which can translate into cost savings for parents. In the Netherlands, the **Childcare Act** introduced in 2005 stipulated that 33% of childcare costs be reimbursed by employers, with the remaining share split by the federal government and parents.

throughout the Region expressed interest in increased flexibility for shift workers as a potential means to allow more families to access employment. In the City of Winona, companies are experimenting with increasing wages and offering alternative shift times and atypical employee schedules to facilitate greater access to childcare for workers and to allow for Winona's student population to work. Much of the current academic literature on the topic discusses the potential pitfalls of this approach – namely the potential lack of fixed shift times that make it almost impossible to schedule childcare or other commitments or the practice by certain employers to use limited shift workers to reduce overall compensation by making certain workers ineligible for benefits.[80] Employers should be encouraged to allow for shift times at more flexible hours (such as the evening or late morning) to allow for childcare arrangements; however, a lack of stable work hours is likely to discourage labor participation from parents with children and is likely to have other negative, non-economic effects.

4.2.2. Findings
Empirical and anecdotal evidence indicates that increasing the supply of childcare will reduce the cost of childcare, which will in turn increase labor force participation within the Southeast Region. Current estimates from DEED indicate that there are more than 10,000 unfilled jobs in the Region, suggesting that increased labor participation can help fill those jobs. This Study alters the labor force participation rate variable in the REMI Policy Insight for both men and women in the Region. Adjusting the labor force participation variable simulates the potential economic impact of increased labor force participation and a higher quality of life due to such benefits. To understand the impact of increased supply of childcare, the simulation assumed

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[79] ACS 5 Year, 2016; 484 children aged under-five.
[80] McMenamin, 2007 and Lafranch et all 1999

a gradual 25% decrease in the cost of childcare by 2040, based on literature review findings and the modeled reductions in childcare costs from precedent studies. This reduction in the cost of childcare results in a 8.95% increase in labor force participation by women ages 25-54 and a 0.15% increase in labor force participation by men ages 25-54 by year 2040, also based on literature review findings. Given the large number of unfilled jobs in the Region, it is also assumed that new entrants to the labor force are able to fill those jobs.

Figure 46: Labor Force Participation Input for REMI Policy Insight

Increased Labor Force Participation *Assuming an effective 25% Decrease in The Cost of Childcare*	**Labor Force Participation Percentage Increase**
Women, Ages 25-54	8.95%
Men, Ages 25-54	0.15%

Source: REMI Policy Insight; HR&A Analysis

4.2.3. Model Findings & Implications

The economic simulation suggests that a reduction of childcare costs would have substantial benefits for the Southeast Region. Indeed, a small increase in labor force participation would have wide-ranging and positive effects for the Region, the net impact of which is quantified by calculating the difference in economic measures between the Baseline Forecast and this simulation. In particular, the increase in labor participation rate of women will lead an additional 6,000 women to join the workplace, a third of which are from the 35 to 44 age cohort. Overall, the impacts include:

- An increase of 5,000 people in the labor force in 2040, an additional 2.2% compared to the Baseline Forecast;
- An increase in labor participation of women by 6% above the Baseline Forecast;
- $1.14 billion in increased output in 2040, an additional 2.0% compared to the Baseline Forecast;
- 5,900 new jobs in 2040, an additional 2.1% compared to the Baseline Forecast;
- $282 million increase in wages, an additional 2.4% compared to the Baseline Forecast;
- A net decrease of 3,000 residents by 2040, given that fewer economic migrants are required to fill jobs in the Region. Increasing the labor force participation of residents of the Region would also allow for more jobs to be filled by people within the Region. Today, 15% of jobs in the Region are currently filled by residents outside the Region; increasing the regional labor force participation would allow for more of the wealth being generated within Southeast Minnesota to stay here.

To realize these benefits, employers throughout the Region can consider investing in corporate-sponsored childcare policies, which could be supported by state tax incentives. The State can also work to align state- and county-level childcare regulations, to ease the licensing process. Combined, these efforts can lead to increased labor force participation, allowing for more of the Region's existing unfilled jobs to be filled.

4.3. DEMAND FOR REGIONAL TRANSPORTATION

Half of all workers in Minnesota commute to a different county for work, and in 2015, approximately 32% of jobs in Rochester were filled by workers living outside of Olmsted County.[81,82] The average commute time in the Region is 20 minutes, though residents in Wabasha, Goodhue, Dodge, and Fillmore Counties contend with longer average commute times, ranging from 24 to 26 minutes.[83] With the large number of existing

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[81] MnDOT, Southeast Minnesota Travel Study, 2016
[82] ROCOG Long Range Transportation Plan, 2015
[83] ACS 2016, 5-Year Average

unfilled jobs in the Region, a number that is projected to grow over the next 25 years with the growth of smaller job centers throughout the Region, commute times within the Region will likely increase. As commute times increase throughout the Region, demand for a robust transportation system will also increase. Regional transportation and quality connectivity will allow the Region to address both housing and labor supply challenges, connecting workers to jobs and diverse housing opportunities.

Nearly 90% of working residents in the Southeast Region commute to work by private vehicle, while just 3% commute by public transportation.[84] As shown in Figure 48, the Region is currently served by a limited public transportation network that suffers from a lack of coordination between multiple existing service providers. The network mapped in Figure 48 is supplemented by additional local services, such as the LeRoy City Lines commuter bus service. While no comprehensive regional transportation plan exists, preliminary findings from a MnDOT study that assessed Southeast Minnesota's travel preferences identified specific opportunities and corridors for regional transit service expansion.[85] Potential corridors for service expansion include express and local routes along US-52, along US-14, between Rochester and Austin, Red Wing, and Plainview, and between La Crosse and Winona, and Red Wing and the Twin Cities. The DMC has also undertaken transportation studies to assess how the influx of new jobs will necessitate additional transit use. By 2040, the DMC envisions that nearly 30% of workers will commute via bus to work in Rochester, up from approximately 10% today.

Demand for a regional transportation system is compounded by the cost and accessibility of car ownership. Within the Region, 94% of households own cars, with 9,200 households that do not own a car. Regionwide, 35% of households own one or no cars.[86] Employment opportunities for single-car households with multiple potential wage earners are limited, and with a growing regional renter population, this split will be exacerbated.[87]

In Minnesota, the cost of car ownership is approximately $4,000 per year.[88] Given that "affordable" car ownership is equivalent to expending less than 10% of gross income on car-related expenses, this suggests that those earning less than $40,000 annually, or 32% of the Region's households, are "car-burdened" or cannot afford a car.[89] Due in part, potentially, to the high cost of car ownership, ownership rates in the Region have been in decline for the last decade, dropping by 50 basis points between 2009 and 2016.[90]

Source: Southeast Minnesota Travel Study

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[84] ACS 2016, 5-Year Average
[85] MnDOT, Southeast Minnesota Travel Study, 2016
[86] ACS 2016, 5-Year Average
[87] ACS 2016, 5-Year Average
[88] GOBanking Rates, 2016
[89] ACS 2016, 5-Year Average. This represents the proportion of households earning less than $85,000 annually.
[90] ACS 2016, 5-Year Average

Figure 47: Existing Transit Services within the Region
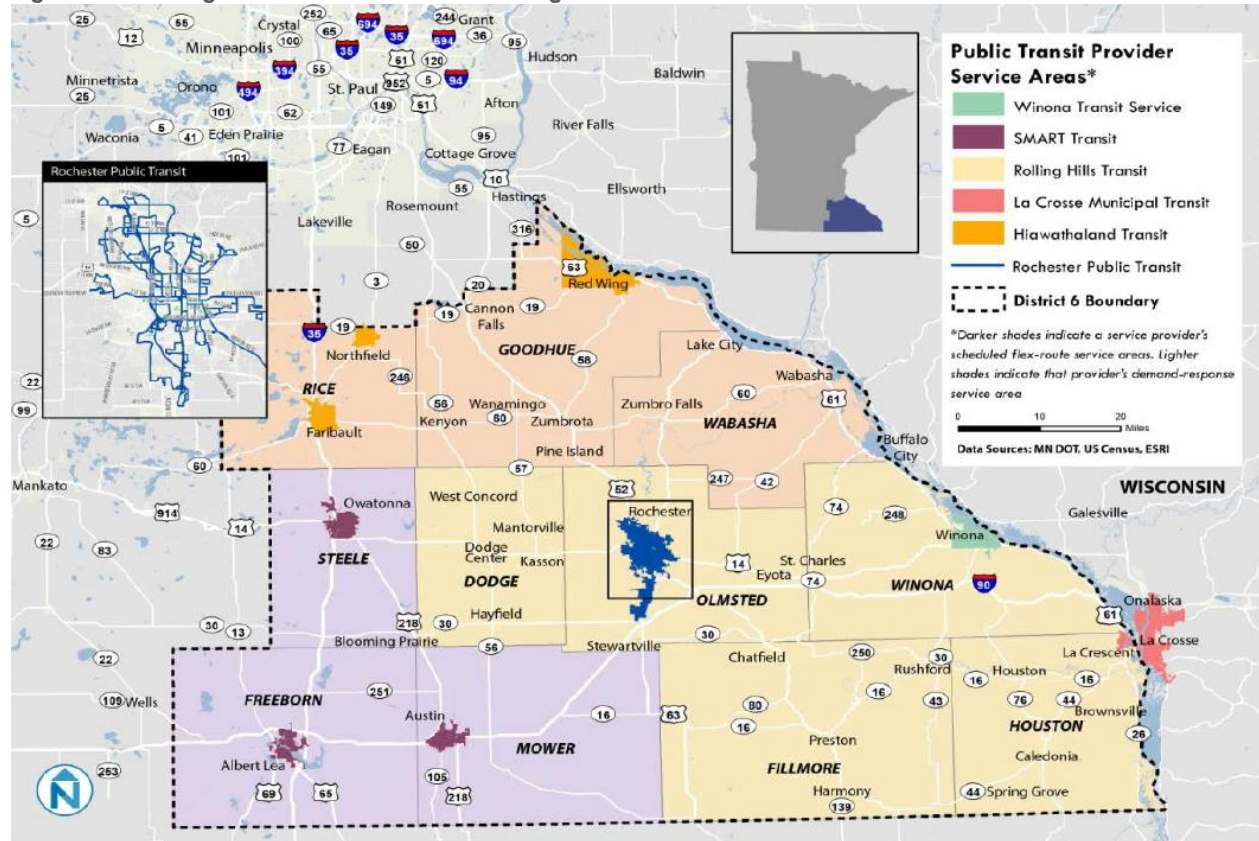
Source: Southeast Minnesota Travel Study

4.3.1. Approach

Throughout the country, the number of public transit agencies in rural areas and small towns has increased over the past two decades to approximately 1,400 agencies. While rural populations across the country are declining, rural ridership is increasing (growing by 8% between 2007 and 2015 (urban ridership increased by 2% in the same period).[91] Shifting rural demographics suggest that this growth will continue. Seniors make up 17% of rural populations, compared to 13% in urban areas, an age cohort that relies on transit to access social and health services. Additionally, rural public transit systems can reduce the risk of road accidents, as rural areas make up approximately 19% of the population but account for 49% of traffic fatalities.[92] Rural regions throughout the country have implemented successful regional transportation systems to the benefit of local residents and the economy.

The primary benefit of better transportation access is higher workforce accessibility. By improving connectivity between employment centers, downtowns, and bedroom communities and providing additional transportation options for workers with and without personal automobiles, better transit effectively increases the size of the labor force available to Southeast Minnesota employers. The Region therefore benefits from enhanced productivity as employers are able to reach workers with more relevant skills. Given the lack of existing cost estimates for regional transportation system improvements, however, this Study does not account for the potentially significant one-time construction spending impacts on the regional economy.

In the absence of a concrete regional transportation plan, this Study quantifies the potential regional economic effects of a more robust transportation system. Given that the Region does not have a concrete

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[91] American Public Transportation Association, "Public Transit's Impact on Rural and Small Towns"
[92] American Public Transportation Association, "Public Transit's Impact on Rural and Small Towns"

plan or construction cost estimates, this Study assumes that these hypothetical future improvements will increase labor force access throughout the Region, as a proxy for better transit.

This Study utilizes REMI Policy Insight to evaluate the effects of increased connectivity by adjusting the Labor Force Accessibility Index ("LFAI"), which represents the travel time needed to reach Southeast Minnesota from everywhere within commuting range of the Region.[93] To evaluate the appropriate change in the LFAI, the Study calculates the net new number of public transportation users that will result from transit investment in the Region to understand increased labor force access. The percentage improvement in LFAI is estimated as the difference in LFAI between a baseline scenario without new transportation investment and a scenario with better transit in place. The improvement in LFAI reflects the degree to which the improved transit service will increase the likelihood that the regional work force will travel to and between Southeast Minnesota job locations and accounts for better matching between employees and employers to boost productivity and output.

To determine the improvement in LFAI with transit investment, the Study assesses existing mode splits to understand current transit ridership (see Figure 48) and origin-destination patterns (see Figure 49). The DMC Transportation Study's current targets of 30% bus utilization for workers to Rochester, understanding current public transit use regionwide is 3.2% (see Figure 48), these targets are conservative estimates of the potential ridership of new transportation in the Region. With a more robust public transit system, this Study assumes that 15% of workers commuting to Olmsted County will use public transit, up from the current 2%, and that 5% of the Region's remaining workers will use public transit, up from the current 0.75%. Based on an assessment of precedents, these modeled increases are also considered conservative estimates of projected increases in rural ridership with new regional transit systems. The Canadian Urban Transportation Associate (CUTA) established ridership targets for 2040 that are 67% above current small community transit ridership rates.[94] In King County, Washington, transit ridership increased by 35% along routes where bus rapid transit was implemented, compared to routes that maintained conventional bus service, signifying the demand for coordinated and efficient regional transit options.[95]

Figure 48: Existing Resident Commuting Patterns by County

County	Drove	Carpool	Transit	Bike/Ped	Other	WFH*
Dodge	80.00%	9.10%	1.10%	1.90%	0.80%	7.10%
Fillmore	72.20%	11.90%	2.30%	4.80%	1.20%	7.70%
Goodhue	79.80%	8.50%	1.20%	4.40%	0.90%	5.20%
Houston	81.30%	7.00%	0.40%	3.70%	1.60%	6.00%
Mower	78.40%	10.90%	2.00%	4.20%	1.50%	3.10%
Olmsted	74.00%	11.80%	5.30%	4.30%	0.70%	3.80%
Wabasha	77.40%	9.90%	2.10%	4.70%	0.60%	5.20%
Winona	75.70%	10.10%	2.20%	7.20%	0.70%	4.10%
Total	**76.20%**	**10.60%**	**3.20%**	**4.60%**	**0.90%**	**4.60%**

Work from Home

Source: ACS 2016, 5-Year Averages

Figure 49: Existing Worker Destination by County

Worker Place of Residence (Origin)

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[93] The increase in regional labor force accessibility to job locations that results from better transit is calculated as the percentage improvement in the LFAI. As Prud'homme and Lee (1998) state, "This effective size of the labor market — the number of jobs that can, on average, be reached in less than X minutes — is in turn a major explanation of labor productivity…A larger effective labor market makes it easier for enterprises to find the skills they need, and for workers to find the jobs they want."
[94] American Public Transportation Association, "Public Transit's Impact on Rural and Small Towns" (2017).
[95] Stewart, O, et al, "The Causal Effect of Bus Rapid Transit on Changes in Transit Ridership" (2017).

		Dodge	Fillmore	Goodhue	Houston	Mower	Olmsted	Wabasha	Winona
Worker Place of Work (Destination)	**Dodge**	28.0%	0.5%	0.7%	0.1%	2.6%	1.9%	0.5%	0.1%
	Fillmore	0.2%	37.8%	0.1%	2.9%	0.8%	0.8%	0.5%	1.4%
	Goodhue	2.2%	0.8%	45.4%	0.6%	0.3%	1.3%	10.8%	0.8%
	Houston	0.0%	2.6%	0.0%	33.1%	0.0%	0.1%	0.2%	1.2%
	Mower	2.2%	1.5%	0.2%	0.2%	60.5%	0.8%	0.2%	0.3%
	Olmsted	43.9%	33.1%	11.9%	3.0%	12.3%	79.5%	31.5%	10.4%
	Wabasha	0.1%	0.4%	2.8%	0.1%	0.1%	0.6%	39.5%	1.2%
	Winona	0.5%	7.6%	0.2%	6.9%	0.5%	1.9%	4.0%	66.0%

Source: LEHD, 2015

In general, public transit is more effective at connecting workers to dense employment hubs rather than sparsely populated centers. This Study assumes that 80% of public transit riders will be from mode shift, transitioning from single-passenger vehicles to transit, and 20% of the riders will be net-new based on literature review findings. This change in labor access is assumed to persist for all years following implementation of the improved transportation system, beginning in 2020. The REMI Policy Insight model translates this labor access improvement into productivity gains for each occupation.[96] Regions with robust transit access are often able to attract more and higher-skilled workers given the desirability of car-light environments.

The Study assumes increases in LFAI by county, outlined in Figure 50. Differences in LFAI increases are due to the existing share of workers commuting to Olmsted County, as the Study assumes a higher share of commuters to Olmsted County will use the new transit investment. The majority of workers in Dodge, Fillmore, Olmsted, and Wabasha Counties commute to Olmsted, resulting in higher LFAI increases.

Figure 50: Modeled Increase in Labor Force Access, 2020-2040

County	Increase in Labor Force Access Index
Dodge	1.42%
Fillmore	1.05%
Goodhue	0.61%
Houston	0.44%
Mower	0.61%
Olmsted	1.40%
Wabasha	1.07%
Winona	0.58%

Source: REMI, HR&A Analysis

The extent to which improved labor access increases productivity varies by industry depending on the relative importance of specialized skills to the occupations that comprise that industry. Improving the match between

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[96] Given the large number of unfilled jobs in the Region, it is also assumed that increases in productivity do not negatively affect the job long-term job forecast for the Region, as employees who would have otherwise gained employment in an industry that is seeing productivity gains do not lose employment overall, but rather transition to a different job within the same industry or a different industry.

specialized workers and jobs significantly improves productivity, as these workers offer differentiated skills, compared to the lower increases in productivity seen in general skills industries.

This Study also assumes a small, conservative, 0.5% increase in the Region's differential coefficient, which measures the Region's attractiveness and quality of life relative to other jurisdictions to account for increased desirability of the Region. The differential coefficient also can help account for the fact that transportation improvements allow a region to absorb more residents given that each new resident has a lower impact on the existing transportation system and congestion.

4.3.2. Model Findings & Implications

Increasing transportation access has significant positive impacts on the Region's economic output. Regionally, the impacts of stronger transit and transportation amounts to:

- $460 million in additional output in 2040, an additional 0.8% compared to the Baseline Forecast;
- 1,100 new people in 2040, an additional 0.3% compared to the Baseline Forecast;
- 380 new jobs in 2040, an additional 0.1% compared to the Baseline Forecast;
- $43 million in additional wages in 2040, an increase of 0.4% compared to the Baseline Forecast.

To realize these benefits, the municipalities and counties can coordinate efforts across jurisdictions to advocate for a cohesive transportation system, leveraging existing work conducted by regional transportation groups. Quality downtown bus locations paired with land use changes that allow for multifamily housing product near transit can help minimize the number of people impacted by last mile issues, while also allowing for regional growth and consistent ridership. These efforts can be supported at the state- and federal-levels, with increased funding and technical support.

Lewis County Funding Model

Lewis County, WA provides the Southeast Region with lessons learned for transit funding. Since 1998, the non-profit LEWIS Mountain Highway Transit has filled part of the gap in transit service in the more rural part of the county, creating a critical link between smaller communities and the economic and social service centers of the Region. Due to changes in state funding, the non-profit will not be able to continue past 2019. In response to this announcement, Twin Transit, the existing operator serving the cities of Centralia and Chehalis, developed a plan to add the remainder of the county to the existing transit district, funded through a 0.2% county-wide sales tax that is currently levied in the cities of Centralia and Chehalis.

Community Transportation Association of Idaho ("CTAI") Governance Model

CTAI helps distribute federal and state funds to local transit agencies, a model the Southeast Region could replicate. Agencies must have a coordinated plan to receive these funds. To meet the requirement, the state is divided into 17 local networks that meet to discuss community needs and implementation strategies. The CTAI employs a full-time mobility manager in each of the state's six transportation districts. These managers facilitate the coordinated planning process and bring together key stakeholders, elected officials and leaders from the senior center or agency on aging.

Washington State Rural Public Transit Support

The State of Washington supports rural transportation, a model that could shape the future of the Southeast Region's transportation system. In response to a declining intercity bus service, Washington State created the Travel Washington Intercity Bus Program which contracts with private companies to provide services to many rural communities, relying largely on Federal grants. The State Department of Transportation works with communities to design the program and select service providers.

Washington State also helps rural communities plan, coordinate, and fund local public transit services by providing administrative and technical assistance to regional transportation planning organizations and public transit service providers. A mix of government agencies and community transportation providers can access various federal, state and local funds. As a result of these combined resources, most rural counties in Washington State have coordinated public transit services, which provide travel to and within most communities.

4.4. INTERNATIONAL MIGRATION

The State of Minnesota has a long history of welcoming international migrants and refugees seeking better opportunities or fleeing persecution. The Region's first major immigrant groups were from Germany and Ireland, who led the Region's settlement as an agricultural economy. By the beginning of World War I, 70% of the Region's population was foreign-born or was second generation. Ensuing major waves of immigration included Hmong and Vietnamese migrants, fleeing collapsing governments and encouraged to settle in Minnesota with State Department support services. Today, the State is home to the highest number of refugees per capita nationwide, with 2% of the nation's population but 13% of its refugees.

The Region has a growing immigrant population, increasing from a 4.2% share of the population in 2000 to 6.4% in 2016.[97] The major immigrant groups in the Region are from Asia, with 38% of the total share of immigrants, and Latin America, with nearly 30% of the total share immigrants in the Region. These trends are shifting, though, with the share of immigrants from Africa increasing between 2009 and 2016, growing from a 13% share to 18%, the largest increase in continent of origin in that period. More than 70% of this growth is from an increase in immigrants from Eastern Africa.

Currently the Region is home to over 23,400 foreign-born residents.[98] Cities and counties in the Region have steadily absorbed more refugees over the last two decades, though Southeast Minnesota has attracted less than its proportional share of international immigrants overall. Of the Region's foreign-born population, about 8,500 (36% of total) moved to the country between 2000 and 2009, and if current trends continue, about 7,700 will move to the Region between 2010 and 2019.[99] About 0.05% of the U.S. foreign born population lives in the Region, which is about half of the total share of U.S. population (0.12%).[100] Nonetheless, the Region's capture of immigration has gradually increased. Between 2000 and 2009, the Region only captured 0.04% of the nationwide foreign-born population, whereas between 2000-2009, this share was nearly double at 0.07%.

While Olmsted County is home to more than two-thirds of the Region's immigrant population, as a dense employment center with services to support immigrants, Mower County's share of the Region's immigrant population increased from 12% to 13.5% between 2009 and 2016, driven largely by a nearly 50% increase in immigrants from Latin America. In particular, an initial concerted effort to attract more migrants to work in Mower County's meatpacking plants resulted in the county, and in particular the City of Austin, to gain a positive reputation as a welcoming place for refugees and immigrants. The City of Austin has implemented a number of welcoming initiatives for immigrants, including the Austin Area Minority Business Project and the release of a citywide Welcoming Report. Goodhue County also grew its immigrant population between 2009 and 2016, by nearly 70%, adding more than 500 new residents.

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[97] ACS 2016, 5-Year Average
[98] ACS 2016, 5-Year Average
[99] ACS 2016, 5-Year Average. The Region saw 4,660 new foreign born residents between 2010 and 2016. This figure assumes continued growth in this population.
[100] ACS 2016, 5-Year Average

Figure 51: Distribution of Foreign Born Population

County	Foreign Born	Share
Dodge	62	1.3%
Fillmore	119	2.6%
Goodhue	152	3.3%
Houston	35	0.8%
Mower	805	17.3%
Olmsted	3,076	66.0%
Wabasha	19	0.4%
Winona	391	8.4%
Total	**4,659**	**100.0%**

Source: ACS 2016, 5-Year Average

Increasing the rate of international immigration increases long-term economic growth by providing an exogenous source of new labor supply and innovation. A 2016 panel convened by the National Academies of Science conducted a thorough review of the existing literature on the topic and concluded that "immigration is integral to the nation's economic growth." New immigrants help increase the labor force as native-born birth rates decline, are more likely to start new businesses, and contribute to human capital through new patents and innovation.[101] Nonetheless, it is important to note that international immigrants often bring different cultures, ways of life, and varying levels of education and providing social services, education, and language lessons are crucial to ensuring the cultural and economic integration of new immigrants.

Numerous Southeast Minnesota businesses and industries already rely on international immigrant labor to fill jobs and sustain current levels of output. As the economy continues to strengthen, spurred by high government spending and continued tax cuts, and the unemployment rate continues to reach record lows, tapping into new immigration will help Southeast Minnesota grow and thrive. With new immigration, the Region creates an opportunity to potentially fill unfilled jobs and help employers have more access to a larger workforce.

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[101] National Academies of Sciences, Engineering, and Medicine. 2017. The Economic and Fiscal Consequences of Immigration. Washington, DC: The National Academies Press.

4.4.1. Approach

This Study assesses the economic impact of increased international immigration to the Region. Even as national immigration flows may slow in the near-term due to changes in federal policy, this Study assumes that the Region can capture higher rates of international migrants. Higher rates of international migrants in the Region will be dependent on shifts in federal immigration policy, as well as the continued success and expansion of existing local initiatives that present municipalities and counties throughout the Region as welcoming communities. Using REMI Policy Insight, this Study evaluates the impact of a higher regional immigration capture rate, in addition to the Baseline Forecast level of international immigration that is already assumed in the model.

> **Precedents**
>
> To meet the needs of the Region's growing immigrant population, many communities have implemented immigrant support services, directed at workforce development and community integration programs. In the **City of Austin**, a non-profit operates the Welcome Center, a space that serves the city's growing Hispanic population by increasing access to opportunity through community-building. Austin and Winona are also member communities of Welcome America, a national organization of approximately 100 members that offers a platform for participating members to share ideas and tools for transforming communities into more welcoming places. A satellite Immigrant Law Center of Minnesota also operates in Austin, offering pro bono legal services to the immigrant community. Project FINE (*Focus on Integrating Newcomers through Education*) operates throughout **Winona County**, providing foreign language interpreters and education opportunities for immigrants and refugees.

The Baseline Forecast assumes that existing national immigration patterns remain steady over the next twenty-five years (see Figure 52). This Study uses REMI Software's projected national growth rate of immigration, of an approximate average of 0.8% per year between 2016 and 2040 and applies it to the Region. As a share of the national international immigration population, the amount of immigration to the Region will remain between 0.056% to 0.064%.

Figure 52: International Immigration to the Region, Baseline Forecast

International Immigration	2016-2020	2020-2030	2030-2040
Average Annual Immigration to the U.S.	1,174,100	1,220,800	1,350,800
Average Annual Immigration to the Region	750	790	860
Share of U.S. International Immigration (Adjusted)[102]	0.064%	0.064%	0.064%

Source: ACS 2016, 5-Yr Average, REMI Policy Insight

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[102] The national projection for international immigration was adjusted to reflect current national trends and outlook regarding immigration. Given current federal government policies and outlook on immigration, we assumed that total national immigration would grow by half its current rate of growth (or about 0.4% per year) until 2023. Following this correction, international immigration would grow at 1% per year.

Precedents

While the majority of the United States' nearly three million refugees are settled in urban areas, a 2017 ethnographic study concluded that rural resettlement may be more effective for refugee populations to achieve self-sufficiency while adding value to rural economies. A 2017 study looked at the settlement of **Karen refugees in Sandville, GA**, a rural community in northeastern Georgia. The Karen are an ethnic minority from rural and traditionally agrarian communities in Burma and Thailand. Sandville has a non-denominational Christian community organization that works with the area's resettled refugees that has been critical in encouraging Karen settlement in Sandville. Newly arrived refugees are given housing, support with English language classes, childcare, transportation, and classes on American culture. The community organization also has close ties with local churches that provide continued support for refugees to find employment, buy land, rent housing, and provide transportation.

Aligned with the results of previous studies, the ethnographic case study analysis of the Karen in Sandville found that rural resettlement can have positive outcomes for the host community. The Karen of Sandville are filling empty employment niches, buying and renting vacant homes, paying taxes, and creating diversity in rural communities. The study also found that rural communities offer refugees a less traumatic entry-point to the United States. By maintaining cultural practices, adult refugees can more easily make the transition into their new lives and can help mitigate against some of the generational divide that often exists with immigrant families. Key considerations for rural resettlement include: consultation with prospective communities, to engage the local governments, school districts, and residents; the availability of employment opportunities and housing options, as well as other social services, such as case workers and language classes; the availability of transportation for rural communities, to allow stay-at-home parents an opportunity to access educational opportunities, new employment, and to mitigate feelings of social isolation.

4.4.2. Model Findings & Implications

Increasing the amount of international immigration has substantial positive effects on the Region's economic output. This Study quantifies the economic effects of the increased immigration as the difference between the Baseline Forecast and the regional economic simulation with additional international immigrants. Regionally, the impacts amount to:

- $380 million in annual additional output in 2040, an additional 0.11% compared to the Baseline Forecast;
- 2,000 new jobs in 2040, an additional 0.7% compared to the Baseline Forecast;
- 5,100 additional people in 2040, an additional 1.23% compared to the Baseline Forecast. Additional population can allow the Region to also potentially fill unfilled jobs and help employers have more access to a larger workforce.

Greater international immigration enables employers to gain access to a larger, more diverse workforce to fill jobs as the economy continues to grow and the native-born population birth rates stagnate. In addition to local and regional initiatives that will continue to advance the Region's position as a welcoming place for immigrant settlement, advocacy at the federal-level can encourage continued international migration to Minnesota. While this Study assumes that historical levels of international immigration will continue over time, and results are adjusted to incorporate near-term changes to federal policy, this Study recognizes that changes related to federal immigration policy has the potential to significantly impact the Region's economy.

4.5. GROWTH OF TOURISM AND RECREATION

Annual sales at leisure and hospitality businesses throughout the State of Minnesota grew by 41% between 2005 and 2015, from $10.2 billion to $14.4 billion per year, creating $930 million in state sales tax revenues and supporting almost 260,000 full- and part-time jobs.[103] In the Southeast Region alone, the leisure and hospitality industry supports more than 16,000 jobs and with national tourism trends and local initiatives there is potential for this figure to increase. Major attractions driving tourism in the Region include Wabasha's National Eagle Center, Treasure Island Resort & Casino, and the B&B capital of Minnesota, the City of Lanesboro. Nationally, the tourism industry is expected to continue to grow as healthy economic indicators project continued consumer spending growth and as spending patterns increasingly shift from products to experiences.[104]

In a 2005 study, the U.S. Department of Agriculture Economic Research Service compared more than 300 rural counties that it defined as "recreation counties" with counties that had fewer tourism-related activities.[105] The researchers found that during the 1990s, the recreation counties had three times the average population growth and twice the job growth of other rural counties. A rise in geotourism, an emerging sector defined as tourism that sustains or enhances the geographical character of a place being visited, has led to an increase in rural visitation with a focus on cultural, historic and natural resources.[106]

Communities throughout the Region recognize the importance of outdoor recreation for the benefit of both residents and visitors. The City of St. Charles benefits from its proximity to Whitewater State Park, which draws approximately 350,000 visitors each year, ranking it as the sixth most popular state park.[107] Many municipalities operate extensive bike and pedestrian trail networks, with the goal of expanding existing networks to better serve local communities. The Mississippi River Trail runs through the cities of Wabasha and Winona, connecting the Region to bike-tourism from Lake Itasca, Minnesota through to Venice, Louisiana. Improvements to local trail networks generates benefits for the Region, with counties in the highest quartile of quantity of parks, trails, and forests generating more than double in tourism-related sales than counties in the lowest quartile.[108] In addition to these local recreation assets, a number of communities highlighted the impact of outdoor recreation on the Region's tourism ecosystem.

Figure 53: Existing Tourism Drivers in the Region

National Eagle Center, Wabasha

Treasure Island Casino & Resort

Lanesboro

Proposed projects and initiatives
The City of Red Wing recently received state bonding and Port Assistance Funds to plan a second boat dock on the Mississippi River for seasonal tour boats, which will grow the city's tourism economy, drawing increased visitation in the summer months in particular. The cities of Red Wing and Lake City are investing in an Olympic

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[103] Explore Minnesota, 2017
[104] Deloitte, Travel and Hospitality Industry Outlook, 2018
[105] U.S. Department of Agriculture, 2005
[106] Center for Responsible Travel, 2016
[107] Minnesota State Parks Visitor Report, 2014
[108] Parks & Trails Council of Minnesota, 2014

ski jump facility; Red Wing estimates that upon completion, the jump will draw an estimated 100,000 annual visitors. The City of Winona is developing an indoor ice climbing wall, which the City hopes will be an economic driver for the county. To capture growing regional demand for the tourism market, the City of Cannon Falls recently completed a 46-room GrandStay hotel in late 2017 and the City of Red Wing opened a 68-bed hotel.

4.5.1. Approach

Understanding that the Region is a growing tourism destination, this Study analyzes the economic impacts of a Regional Tourism Initiative, as well as two illustrative tourism initiatives, a regional trail network and the development of the Olympic Ski Jump in Red Wing. The resulting impacts can be understood as representative of other future large-scale initiatives, with major impacts on both local spending patterns while also driving overall visitation to the Region.

Regional Tourism Initiative

Cities, counties, and regions across the country are using tourism as a tool for economic development and industry diversification and have developed strategic tourism plans for marketing and branding and for key investments as a way to drive new and increased tourism. Southeast Minnesota has an opportunity to expand on its existing success in tourism growth and to broaden this to a regional initiative.

To account for the potential effect of a regional tourism initiative, this Study considers the impact of an increase in net new regional tourism visitation by 2040. This Study estimates current tourism visitation by day trippers and overnight visitors using tourism spending data from the State of Minnesota and Longwoods Travel USA.

Figure 54: Existing Visitors to the Region, 2018

Visitors to the Region, 2018	Day Trippers	Overnight Visitors
Dodge	11,600	9,100
Fillmore	19,400	15,400
Goodhue	70,300	55,600
Houston	12,500	9,900
Mower	50,700	40,100
Olmsted	458,500	363,000
Wabasha	25,000	19,800
Winona	97,200	77,000
Total	745,200	589,900

Source: State of Minnesota, Longwoods Travel USA

A review of precedent regional tourism initiatives indicate that a successful such initiative could increase regional tourism by 30% above expected growth by 2040 (based on historical data). This would result in net new visitation of 720,000 day-trip and 570,000 overnight visitors to the Region annually and result in over $216 million in net new tourism visitor spending by 2040.

Figure 55: Net New Visitor Spending with Regional Tourism Strategy

Visitors to the Region, 2018	Day Tripper Spending	Overnight Visitor Spending
Dodge	$637,000	$2,717,000
Fillmore	$1,070,000	$4,561,000
Goodhue	$3,876,000	$16,526,000
Houston	$687,000	$2,931,000
Mower	$2,795,000	$11,917,000
Olmsted	$25,286,000	$107,818,000
Wabasha	$1,380,000	$5,884,000
Winona	$5,361,000	$22,857,000
Total Spending	$41,092,000	$175,212,000
Day Tripper and Overnight Visitor Spending	**$216,303,000**	

Precedents

Stratford Perth Culinary Tourism, Ontario

Stratford Perth County is an excellent example of how an agricultural region has built on its agriculture and farming heritage to create a modern and successful tourism experience centered on food. The Stratford Perth County region in Southwestern Ontario is one of Ontario's hot spots for food and culinary tourism. The region has a long history of agriculture, being home to Ontario's oldest farmers markets operating since 1855.

New initiatives within the past 20 years have built on the region's agricultural heritage and significant live theatre industry, helping define Stratford Perth County as a leader in the culinary tourism world. Key to this region's success was the launch of the *Savour Stratford Perth County Culinary Festival*, an annual weekend festival celebrating local cuisine, talented chefs, and passionate food producers, attracting 25,000-30,000 people annually and generating an estimated $4.2 million for the local economy over the course of the two-day event. The festival builds on other significant culinary developments in the region, including a world-renowned training program at the Stratford Chef's School, access to local farm and agricultural experiences, and a national reputation for culinary creativity represented by some of the finest restaurants in Canada. Stratford Perth County continues to grow culinary tourism with plans for a new local brewery, walking and farm tour experiences (one of which integrates artistic creations using agricultural products such as hay), a new chefs' collective, and a harvest festival.

Post-Industrial Tourism in the Ruhr, Germany

The Ruhr region, in Western Germany, is an example of a region leveraging historical capital to develop a regional tourism strategy that is supported by numerous local initiatives. The Ruhr region was once the center of coal mining in all of Europe. Globalization in the second half of the 20th century led to the closure of the mines in the Ruhr and the surrounding manufacturing industries. Since these closures, the Ruhr regional government transformed the decaying industrial legacy of the area into leading European cultural attractions, converting obsolete blast furnaces and coal mines into monuments and artistic spaces. Some of the initiatives created include converting the giant Gasometer at Oberhausen into one of Europe's most unusual exhibition spaces, reinvigorating the Zollverein coal mine in the town of Essen to be classified a UNESCO World Heritage Site, and is now known as "the most beautiful coal mine in the world", and re-imagining the massive former blast furnace Duisburg-Nord to become a 'landscape park' with outdoor activities such as rock climbing, mountain bike trails, and an after dark light show. The Ruhr region was selected as the "European Capital of Culture" by the European Union in 2010, representing the first time an industrial region, rather than a city, was awarded that title. The Ruhr region has seen a 10% year-over-year tourism growth in bed nights in recent years, and a 49% tourism growth from 2000-2010, well above the German average of 29% for the same period.

Overnight Tourism in Asheville, NC

Asheville levies a 4% destination marketing fee ("DMF") on all overnight room stays to generate funds for destination marketing and other tourism related responsibilities. From this 4% DMF, 1% is reserved for a Tourism Product Development Fund ("TPDF"), which is used for the sole purpose of driving more overnight patronage in the city and county. The TPDF is available to both for profit and not-for-profit organizations, with the goal of increasing overnight patronage being the most important criteria for successful funding distribution. Since its beginnings in 2001, the TPDF has generated almost $15 million in funding that has gone to support 16 community projects that have contributed to increasing the patronage of accommodations in the County. The results from the TPDF and marketing efforts in the County have played a significant role in the upward trend for overnight stays in accommodations in the Asheville area. Room demand rose 3% between 2012 and 2011, while occupancy rates increased from 62.8% to 64.4% in the same period. Total accommodation spending in Asheville increased by 8.4% between 2011 and 2012.

Today, the Region has more than 150 miles of existing paved trail, according to the Minnesota Department of Natural Resources. In addition to the existing trail network, there are 250 miles of authorized but unbuilt trails throughout the Region. Once funded and constructed, this network of trails will stretch more than 400 miles long, crisscrossing and connecting all eight counties within the Region. This Study estimates the economic impacts of constructing and operating the regional trail network and ongoing visitor spending impacts of both initiatives to 2040, drawing on local and national precedents to inform cost and spending assumptions.

Figure 56: Southeast Minnesota Trails Network, 2018
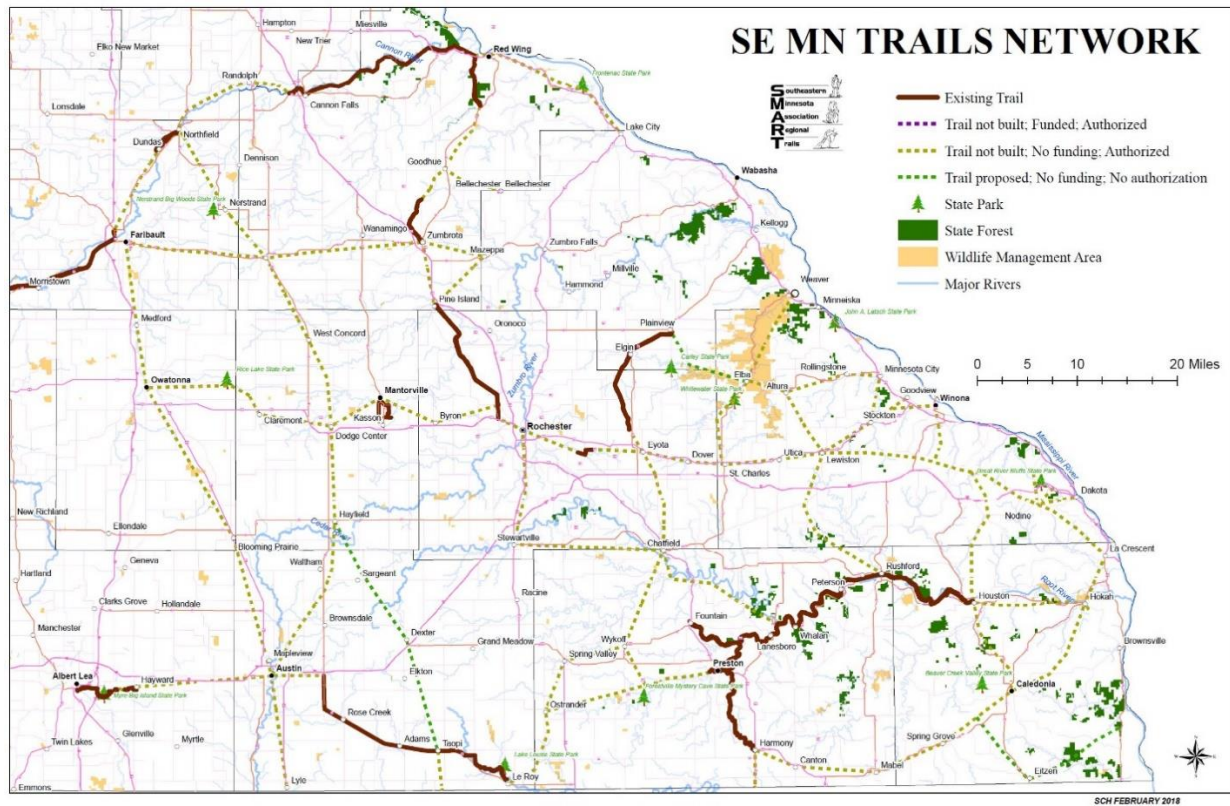
Source: Southeastern Minnesota Association of Regional Trails

Assuming the segments of newly constructed trail use a combination of construction materials, that range in cost, this Study estimates that the total construction cost of implementing the new segments is approximately $40,000,000.[109] Construction cost assumptions are drawn from the 2017 Recreation Trail Master Plan developed in Isanti County, Minnesota. This Master Plan also informed ongoing operations and maintenance cost and resource assumptions. At stabilized operation, this Study assumes that ongoing operation and maintenance of the regional trail network will generate impacts equal to $1,770,000 per year and will support seven full-time equivalent employees.

The trail network will also drive increased regional visitation and visitor spending. This Study draws on existing tourism spending habits in the State of Minnesota to extrapolate the share of visitation to the Region of total visitation to the state. Building on that assumption, this Study assumes a conservative escalation of the share of statewide annual trips for which the primary purpose of the trip is an outdoor attraction. From this calculation, the Study finds that net new annual spending resulting from implementation of the new trail network will be approximately $1,320,000, with an annual 2,100 net new overnight trips and 10,000 net

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[109] Construction cost assumptions are based on 240 miles of new trail, 50% constructed with aggregate materials ($100,000 per mile) and 25% each of asphalt ($160,000 per mile) and concrete ($300,000 per mile).

new day trips. Based on existing trail usage by county, this Study estimates that more than a third (35%) of new tourist spending will be generated in Fillmore County, and with 18% generated in Olmsted County and 14% generated in Mower County.[110]

Red Wing Ski Jump

To understand the impact of a major tourism destination and driver of event visitation, this Study assesses the one-time and on-going impacts of the proposed ski jump in Red Wing. The Olympic-sized ski jump will host ski jumping and other winter sport events, including cross-country skiing, tubing, and ski lifts, as well as cultural and musical events in the project's later phases of implementation.[111] The St. Cloud Times reported that construction of the jump will cost approximately $18,000,000. Drawing on the economic impact analysis conducted by Downtown Main St. Red Wing, using the National Association of Sports Commissions Economic Impact Calculator, it is assumed that the ski jump will generate more than $8,600,000 in annual spending at the full implementation, attributable to both hotel and direct spending.[112]

Figure 57: Olympic Ski Jump at Mount Frontenac, Red Wing

Source: Hastings Star Gazette

The Red Wing Ski Jump and the Regional Trail represent components of a potential future regional tourism initiative.

4.5.2. Model Findings & Implications

To encourage continued growth in Southeast Minnesota's tourism industry, the Region has an opportunity to develop a strong regional brand that will form the foundation of a regional tourism strategy. Throughout the Region, municipalities already recognize the importance of investment in recreation and tourism assets, evidenced by cities' investments in local and regional trail networks, as well as larger-scale investments in major tourism drivers, such as the ski jump in Red Wing. While some counties market local tourism efforts, there is an opportunity for greater coordination between counties to advance both tourism marketing and investment efforts. By coordinating trail investments across county borders, there is an opportunity to create new connections within the Region, with greater collective impacts than possibly achieved through individual local investments. Tourism strategy development at the regional scale will be supplemented by local initiatives and investments that will work collectively to support the regional brand.

Tourism initiatives can have substantial positive effects on economic growth. New tourism infrastructure helps generate construction and spin off employment, while new spending to the Region helps sustain new, permanent jobs. This Study forecasts the impacts of a regional tourism strategy:

- 1,200 new permanent jobs by 2040, more than 50% of which will be in retail and accommodations;
- $123 million of additional regional output per year by 2040, compared to the Baseline Forecast.

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[110] MN Department of Natural Resources
[111] Baldy 125 Economic Impact Report, 2018
[112] Assumes visitors to the Red Wing Ski Jump are non-residents, per Downtown Red Wing study; spending escalated by 3% per year to account for inflation

4.6. HEALTHCARE INSURANCE COSTS

The Southeast Region has comparatively high healthcare costs relative to the state and the nation. On the individual market, for an average family of four living in Area 1, the premium rating area containing Southeast Minnesota, as well as Steele and Freeborn counties (see Figure 58), will pay more than $960 per month in premiums for medical care. In comparison, in Area 8, the rating area containing the Twin Cities, the same benchmark plan costs $730 in monthly premiums.[113] This represents an additional burden of approximately 30% on residents in the Southeast Region. For the small group market, the cost of premiums in Area 1 index approximately 21% above the average cost of plans in the other eight rating areas of the state.[114]

These high costs are a challenge for the Region when attracting and retaining businesses, as the cost of providing insurance is prohibitive for employers and individuals purchasing insurance from the individual market. The majority of Southeast residents are covered by employer-based plans (see Figure 59). While small group and individual plans cover a small share of the state's population, these markets have seen some of the most extreme rate increases statewide and within the Region in recent years. Though coverage in rural areas may contribute to higher insurance costs, with the passage of the Affordable Care Act (ACA), the share of uninsured rural Minnesotans dropped by 7%, a larger shift than in the state's urban areas, which dropped by 5%.[115] This Study did not complete an economic forecast for healthcare costs in the Region, but the following section discusses potential impacts related to this trend.

Figure 58: Minnesota Rating Areas
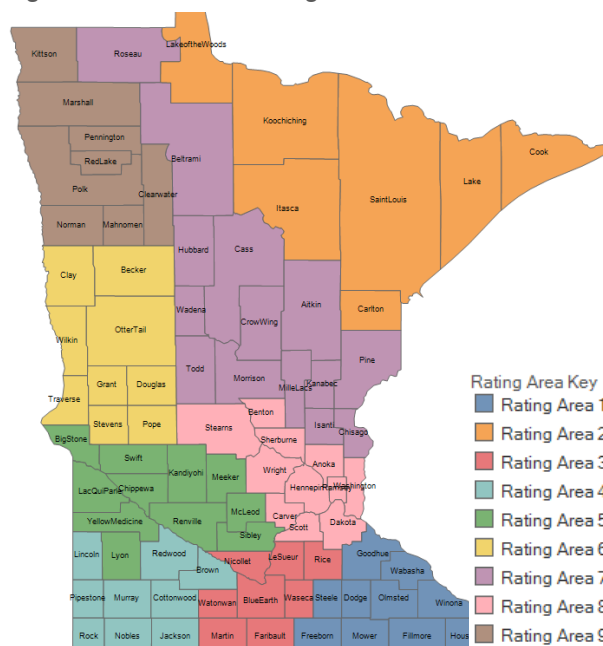
Source: State of Minnesota, Department of Commerce

The cause of the Region's higher healthcare premium costs is multifaceted, related to:

- The small market of insurers in the Region;
- Higher than average care costs;
- Smaller rating areas established with the ACA; and
- Regional demographics and population density.

In early 2017, the individual and small group markets diversified to include a second insurer, Medica.[116] The individual and small group market, while just a 5% share of the state's insurance users, provides for self-employed residents and others not covered by an employer or government program. Prior to Medica's entry into the individual and small group markets, the only provider was BlueCross BlueShield, which did not include coverage for all doctors and hospitals in the Region. The lack of competition among insurers is responsible, in part, for driving premium costs up in the Region.

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[113] MNsure, 2018 Plan and Premium Scenarios
[114] BlueCross BlueShield Minnesota, Regional Rating Area Map: Small Group Market (2018)
[115] MN Department of Health, "Rural Minnesotans saw biggest insurance gains from Affordable Care Act"
[116] Snowbeck, C., "Medica's return to individual market means second option for Minnesota counties" *StarTribune* (2017).

As the Region's primary care facility is the Mayo Clinic, a sophisticated academic medical center that draws patients internationally, the cost of care in the Region is higher than elsewhere in the state. The average cost per patient per month in Southeast Minnesota was $601 in 2016, 23% higher than the state's average of $490.[117] While this is not the sole reason for the Region's high premiums, Mayo's average cost of care, coupled with higher "shadow prices" set by other providers in the Region, contributes to the rating area's higher premiums. This includes the Region's secondary care provider,

Figure 59: Healthcare by Source, State of Minnesota

- Uninsured
- Employer, Self Insured
- Employer, Fully Insured
- Medicare
- Medical Assistance/MnCare
- Small Group
- Individual

Source: State of Minnesota, Department of Commerce

Olmsted Medical Center. The cost of care at Olmsted Medical Center aligns with, or depending on the type of care, can exceed, costs incurred at the Mayo Clinic.
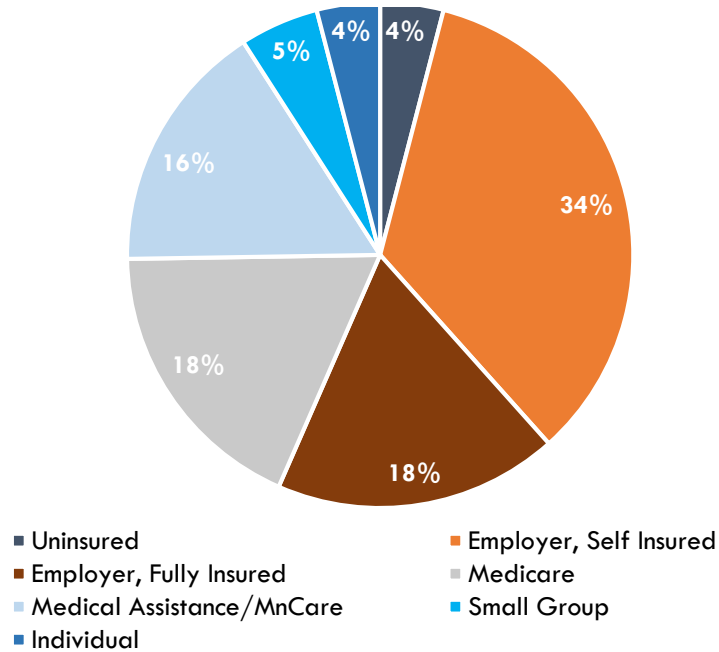
The passage of the ACA in 2010 standardized premium rating areas across the state to establish standardized rates within each rating area offered by insurers. As the rating areas are smaller than rating areas previously established by individual insurers, and premiums in each rating area are based on the projected cost of care within the rating area, these structural changes may contribute to increased insurance costs in the Southeast Region.

Finally, the prevalence of rural communities is noted by the National Academy for State Health Policy as a factor that drives health care costs up, and as a result, the cost of premiums.[118] This is compounded in areas with large senior populations, as the cost of care for seniors is higher than for lower-risk populations.

Higher insurance costs in the Region creates challenges for businesses in the Region to compete with businesses located elsewhere in the state, as employers are not able to offer competitive benefits packages. In Cannon Falls, located on the northern edge of Goodhue County, city officials noted the challenge in attracting employers to locate in the city, due in part to the high cost of premiums and the city's proximity to Dakota County, which falls within premium rating Area 8.

Approach

Changes to federal health policy threatens continued price escalation in the Region, and throughout the state more broadly. Strategies to address underlying care cost growth may be effective at stabilizing or reducing insurance costs in the Region, and residents eligible for tax credits through MNsure can leverage the program to reduce individual expenditures. Statewide efforts to establish capacity limits for policies and premium relief programs may create additional opportunities to temper the Region's high cost of premiums, including reinsurance programs.

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[117] MN Community Measurement, Cost & Utilization Report (2016)
[118] NASHP, "Health Care is Local: Impact of Income and Geography on Premiums and Premium Support," (2017).

The state-based reinsurance program, called the Minnesota Premium Security Plan, is designed to stabilize premiums in the individual market by partially reimbursing insurers for high-cost claims.[119] The 2017 state law legislating the reinsurance plan authorized up to $271 million in annual contributions to the program through 2019, which also seeks to secure partial federal funding. With the program, Minnesota consumers in the individual market are able to realize savings of approximately 20%, compared to the cost of insurance without the reinsurance program.

4.7.   OTHER INITIATIVES: AGRICULTURE AND MANUFACTURING

While this Study outlines the impacts of critical initiatives identified by communities throughout the Region, the scope of trends and initiatives in the preceding sections is not comprehensive. Another trend identified is the Region's shifting employment-base. This Study did not complete an economic forecast for, but the following section discusses potential impacts related to this trend.

4.7.1. Agriculture

Employment trends in the Region are changing, diversifying from the Region's previously dominant industries. While agriculture is central to the culture of the Southeast Region, and historically a leading industry in the Region, it is not a significant employer today. Even as late as 1970, farm employment constituted nearly 14% of the regional employment (about 17,000 jobs); today farm jobs make up less than 2% of total employment (about 10,000 jobs). Due to the historical and cultural significance of the agricultural industry, however, the preservation of agricultural jobs is noted as a primary concern in many cities' planning documents.

Approach

While the agricultural industry is not a major employer, and is unlikely to experience significant future growth, it has historical and cultural significance throughout the Region. In coordination with the Region's concerted tourism and branding strategy, there is an opportunity to reframe the Region's agricultural industry to meet the needs of current and future residents, fostering small-scale efforts and leveraging the farm-to-table and slow food movements. Increased momentum for local foods and products made from local ingredients in the Region will support some growth in the agricultural industry. Agricultural employment in Houston County increased by 10% since 2009, buoyed in part by a local farmer's market that recently opened in Houston, MN, supported by young farmers moving into the area. RockFilter Distillery opened in Spring Grove, a local business that makes whiskey from grains grown, milled, and distilled within several miles of Spring Grove. The distillery is set to start distribution this year and is already winning awards for the product. Feast! Local Foods Marketplace, an annual tradeshow and festival highlights local food production from the Region, attracted 2,000 visitors in 2015, and represents the Region's growing interest in local food, which in turn supports the small-scale agricultural economy.[120]

Goodhue County recently assessed the current role of agriculture in the county's economy, establishing a series of objectives for various agricultural uses to foster continued agricultural industry strength.[121] Objectives include: supporting new and innovative agricultural products, such as vineyards, orchards, bee production; ensuring residential development is compact and designed to preserve prime farmland for agricultural uses; allowing for agricultural tourism opportunities to support economic diversification; among a series of additional objectives. Another opportunity to continue to grow agriculture industry opportunities in the Region is through the continued adoption and support of technologies, such as the Southern Minnesota Initiative Foundation's (SMIF) investment in Aker Technologies. Aker, formerly Leading Edge Technology, uses drones to provide growers, crop consultants, and agricultural retailers detailed crop monitoring services, to help the industry increase yields for sustained success. Implemented with success elsewhere in Minnesota, the

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[119] MN Commerce Department, Section 1331 State Innovation Waiver
[120] https://www.downtownrochestermn.com/do/feast-local-foods-marketplace1
[121] Goodhue County Comprehensive Plan, "Element 1: Agriculture" (2018).

Region has an opportunity to establish "agripreneur" training programs to connect immigrants with resources to join the agriculture industry, while supporting growing local food trends.[122] Such programs have been established in Rice and Dakota counties, supporting 45 new farmers to learn the business of agricultural production in a changing market.

Though agricultural employment is not as critical to the Region as it historically has been, cities and the Region should advocate to preserve communities' historic character by protecting farmland against conversions for residential subdivisions. Single-family subdivisions are not a highest-and-best-use residential form, and do not support the Region's broader economic development goals. Instead, such communities can support residential growth through moderate growth of their downtowns.

4.7.2. Manufacturing
Manufacturing is one of the largest industries in the Region, with 13% of all jobs in the Region concentrated in manufacturing. While regional trends indicate that the manufacturing industry is relatively steady, increasing by 600 jobs or 2% since 2009, there is significant clustering and growth of manufacturing activity in Goodhue County. Manufacturing employment in Red Wing has increased by nearly 30% since 2009, adding almost 1,000 jobs in the same period, buoyed by strong local manufacturers like Red Wing Shoes and BIC Graphic. Local manufacturers are struggling to find employees, though. To combat this challenge, the City of Red Wing is beginning to work with high schools and colleges in Red Wing to better match local employer needs with education and training. Similarly, to increase the City of Winona's competitiveness with Rochester for the Region's workforce, companies are experimenting with increasing wages and offering alternative shift times and atypical employee schedules to facilitate greater access to childcare for workers and to allow for Winona's student population to work.

Approach
Throughout the Region, communities and businesses emphasized challenges faced in attracting and retaining skilled workers, specifically in the manufacturing industry. There is an opportunity to increase access to manufacturing jobs for skilled workers throughout the Region by solving for other challenges impacting labor force access, including by providing affordable childcare, increasing flexibility in shift times, developing viable regional transportation options, increasing settlement of international migrants, and growing diverse housing opportunities.

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[122] Walljasper, J., "Reinvigorating the Agricultural Economy in Southeast Minnesota," *Minnesota Post* (2015).

5. AGGREGATE IMPACT OF ALL INITIATIVES

As discussed in Section 4, implementation of the initiatives will require cooperation and coordination among many levels of government as well as regional groups and non-profits. Southeast Minnesota stands to significantly gain if it is able to address its key challenges, as discussed in this Study, and more so if all initiatives are implemented. Conversely, the Region will face significant economic challenges, including a shortage of housing and labor, should it not work to address these challenges.

To understand the overall benefit to the Region of these initiatives, this Study uses REMI to aggregate the various inputs from the above described methodologies into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today and the housing needed for the population projected by the State Demographer is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the Region's economic growth will be solving for the housing gap and labor participation rates. Overall, the Region will see substantial growth over the SDC Forecast if all initiatives described in the preceding sections are met and will be more economically competitive with a higher quality of life. The impacts include:

- An increase of 38,680 residents, or 10.8% above the SDC Forecast;
- A 5% increase in the number of residents aged 0-19, an 8% increase in the share of people aged 35-64 years old, and a 1% decrease in the share of people aged 65-84;
- 37,350 net jobs by 2040, or 12.6% above the SDC Forecast;
- $6.14 billion in increased output in 2040, an additional 10.3% compared to the SDC Forecast;
- $1.87 billion in increased wages in 2040, an additional 15.6% compared to the SDC Forecast.

Figure 58: Net New Population, All Initiatives vs. SDC Forecast

POPULATION	2015	2020	2025	2030	2035	2040
Dodge	-	110	340	780	1,480	1,780
Fillmore	-	80	260	550	1,010	1,190
Goodhue	-	90	310	640	1,080	1,200
Houston	-	10	20	10	(10)	(120)
Mower	-	200	610	1,050	1,550	1,730
Olmsted	-	1,840	5,940	13,330	24,540	30,260
Wabasha	-	70	230	540	1,030	1,230
Winona	-	140	430	780	1,230	1,410
TOTAL	-	2,540	8,140	17,680	31,910	38,680

Source: REMI, HR&A Analysis

Figure 59: Net New Employment, All Initiatives vs. SDC Forecast

EMPLOYMENT	2015	2020	2025	2030	2035	2040
Dodge	-	50	120	230	430	560
Fillmore	-	50	110	210	390	530
Goodhue	-	100	250	450	770	1,090
Houston	-	20	40	60	110	200
Mower	-	100	340	520	770	990
Olmsted	-	2,630	8,200	16,040	28,310	32,160
Wabasha	-	50	110	220	420	570
Winona	-	110	300	510	850	1,250
TOTAL	-	3,110	9,470	18,240	32,050	37,350

Source: REMI, HR&A Analysis

Figure 60: Net New Output, All Initiatives vs. SDC Forecast

OUTPUT	2015	2020	2025	2030	2035	2040
Dodge	-	$0.01B	$0.02B	$0.04B	$0.07B	$0.10B
Fillmore	-	$0.01B	$0.02B	$0.04B	$0.07B	$0.11B
Goodhue	-	$0.02B	$0.05B	$0.09B	$0.16B	$0.26B
Houston	-	$0.00B	$0.01B	$0.01B	$0.02B	$0.03B
Mower	-	$0.01B	$0.06B	$0.09B	$0.14B	$0.20B
Olmsted	-	$0.26B	$1.04B	$2.21B	$4.21B	$5.14B
Wabasha	-	$0.01B	$0.02B	$0.03B	$0.06B	$0.09B
Winona	-	$0.02B	$0.05B	$0.08B	$0.14B	$0.22B
TOTAL	-	$0.32B	$1.25B	$2.59B	$4.86B	$6.14B

Source: REMI, HR&A Analysis

Figure 61: Net New Income, All Initiatives vs. SDC Forecast

PERSONAL INCOME	2015	2020	2025	2030	2035	2040
Dodge	-	$1.1M	$3.6M	$7.7M	$14.5M	$18.4M
Fillmore	-	$0.9M	$2.6M	$5.1M	$9.3M	$12.3M
Goodhue	-	$2.7M	$9.0M	$17.3M	$28.8M	$40.1M
Houston	-	$0.4M	$1.0M	$1.6M	$2.7M	$4.4M
Mower	-	$3.1M	$13.9M	$23.7M	$35.8M	$46.1M
Olmsted	-	$73.2M	$331.8M	$747.0M	$1,432.1M	$1,685.3M
Wabasha	-	$0.8M	$2.5M	$5.5M	$10.6M	$14.7M
Winona	-	$3.6M	$10.3M	$18.1M	$30.0M	$45.0M
TOTAL	-	$85.7M	$374.7M	$826.0M	$1,563.8M	$1,866.3M

Source: REMI, HR&A Analysis

Figure 62: Net New Population by Age Cohort, All Initiatives vs. SDC Forecast

Population by Age Cohort	2040
Ages 0-4	3,600
Ages 5-19	14,040
Ages 20-24	(4,360)
Ages 25-34	820
Ages 35-44	8,240
Ages 45-64	23,860
Ages 65-74	(120)
Ages 75+	(360)

Source: REMI, HR&A Analysis

6. IMPLICATIONS OF STUDY RESULTS

This Study provides a summary of the baseline economic future of Southeast Minnesota, while also analyzing the long-term impacts of key economic drivers and issues facing the Region. While the Region is composed of diverse communities with distinct challenges and opportunities, there is value in understanding both the economic future of individual municipalities and counties and the compound impacts of key economic drivers on the Region. Assessing a multi-county region creates opportunities for coordination across jurisdictions to plan for growth, leveraging knowledge, resources, and multiple scales of implementation capacity. By working together as a region, communities throughout the Southeast can address issues collaboratively to ensure the entire Region is served effectively. For issues requiring input from larger governing entities, operating as a region will be more effective for voicing issues that have collective consequences, maximizing political leverage.

6.1. FEDERAL

As a major manufacturing center, leader in health care innovation, and an agricultural hub, many of the challenges facing the Southeast Region are part of national policy discourse. A number of elected officials work to represent the interests of the Region at the federal-level, and there are many federal programs and grants that will be relevant to the long-term growth of the Region.

- Regional representatives can advocate for national legislation that supports **funding for a regional transit system,** and there are funding and financing programs, such as BUILD Discretionary Grants, for which the Region may be eligible to apply. As seen with the Community Transportation Association of Idaho and the Washington State Rural Public Transit initiatives, there is an opportunity to leverage federal funding to support local, and predominantly rural, transportation initiatives. Informed by these precedents, federal representatives can work to support federal funding for transit investment, and local governments and non-profits can advocate and apply to receive discretionary funding.

- The federal government sets important policies and provides funding for key **affordable housing programs**, such as Low-Income Housing Tax Credits, which are used throughout Minnesota for the development of below market-rate housing. As the Region continues to grow and seeks to fill unfilled jobs, it will be critical for the area to supply housing at a diversity of price points.

- **National immigration policy** has the potential to significantly impact the Region's economy, as the Region's economic growth is contingent on access to a growing and diversifying work force to fill jobs, and native-born population birth rates stagnate. Rural settlement of international migrants is beneficial for migrant integration, while contributing to rural economies, as seen with the Karen refugees in Sandville, GA. Representatives of the Region can advocate at the federal-level to encourage reasonable federal immigration policy, to ensure that the Region is able to continue to attract immigrants and a workforce.

- With a coordinated regional approach, the Region's representatives can also lobby for federal policies that are favorable to **farming and the preservation of existing agricultural land** in the Region, including policies that impact the import and export of critical goods for the Region.

6.2. STATE

There are a number of funding programs issued by the State of Minnesota for which developments and initiatives within the Region can apply. Additionally, state electeds work to represent the Southeastern Minnesota League of Municipalities and communities within the Region, identifying and securing funding sources for regional initiatives and studies. State representatives can continue to advocate for the Southeast Region with the advancement of key economic development initiatives.

- There is a significant opportunity for state-level advocacy to secure **funding for a coordinated regional tourism campaign and investment.** The State of Minnesota's tourism industry is strong, and the Region, working collectively with counties, municipalities, and regional groups, can position itself to capture a larger share of the State's tourism spending. Through targeted tourism campaigns focusing on the assets of the Southeast Region, groups within Southeast Minnesota can work to develop a regional tourism strategy that aligns with and benefits from State funding. State-level efforts will secure funding, and state representatives can work closely with existing or new regional groups for the distribution of funds for a locally-led tourism campaign and potentially targeted tourism investments.

- Today, **daycare costs** are one of the inhibitors to labor access in the Region. Today, daycare licensing takes place at either the county-level or state-level, depending upon the size of the daycare. Understanding that safety regulations are critical and should not be compromised, streamlining of state and county regulatory processes could help new and more daycare operators enter the market and help to decrease daycare costs. The State can also work closely with existing or new non-profits in the Region that provide support and resources for certain communities to become childcare providers, such as an immigrant-operated daycare to create an inclusive and accessible childcare resource.

- Today, the State of Minnesota is home to the highest number of refugees per capita nationwide. The State has a role to play in supporting the existing perception of the state as a **welcoming home for new immigrants**. This perception can be supported by state-led campaigns broadcasting the region's benefits for immigrant communities, including the economic and social opportunities afforded by rural resettlement. Resources for new immigrants can be funded at the state-level, including welcome centers, language classes, workforce development programs, and housing support.

- Given the economic benefits of a well-connected region, and due to growing demand with changing demographics in the state, the State can work to **commit funding to transit planning and the ensuing implementation** of a regional transportation plan. This effort can be supported by funding from federal sources and coordinated at the local-level with existing regional groups, counties, and municipalities.

- A **revolving loan fund** established at the state-level creates an opportunity to support multiple economic development initiatives and investments, including downtown investments, regional transportation, and the development of affordable and diverse housing options. Such a fund, similar to the Rochester special option sales tax, could distribute funding based on metrics balancing diversity in project type and geography.

6.3. COUNTIES AND MUNICIPALITIES

Local autonomy in Southern Minnesota is a critical characteristic of counties and municipalities throughout the Region, but the Region's long-term economic success will rely on close coordination across jurisdictions, as issues facing Southern Minnesota are pan-regional. Within individual **counties and municipalities**, there are a number of local policies that can be instituted to address key economic challenges and drivers facing individual municipalities, but also the Region more broadly.

- Municipalities can position themselves to **attract both visitors to the Region, as well as new young and highly skilled residents**. With highly-amenitized downtowns that promote walkability and activation through engaging open spaces, municipalities can advance both of these goals.

- Land-use policy changes can address the Region's **housing need**, by enabling contextual zoning allowing for multifamily development in key downtowns, allowing ADUs, and other downtown densification strategies. Loosening development regulations and establishing development incentives presents another opportunity for municipalities to contribute to the Region's broader housing need and meeting economic development goals.

- Quality downtown bus locations paired with land use changes that allow for **multifamily housing product near transit** can help minimize the number of people impacted by last mile issues, while also allowing for regional growth and consistent ridership.

- Counties and municipalities can include inclusive language in comprehensive planning to encourage the **settlement of immigrants** in their jurisdictions and help to fund welcome centers to support immigrant relocation.

- This Study can inform **school districts' long-term planning**, helping entities that can use demographic and immigration forecasts to better understand anticipated public-school aged children populations.

6.4. REGIONAL GROUPS AND NON-PROFITS

Today, regional groups and non-profits advocate for and conduct policy research for Southeast Minnesota. Their participation in driving a broader conversation about and policy advocacy for these issues will continue to be critical for economic development of the Region. Existing groups include:

Southeastern Minnesota League of Municipalities
Southern Minnesota Initiative Foundation
Southeast Minnesota Together
Journey to Growth
Southeastern Minnesota Association Regional Trails
Olmsted County Strategic Housing
Immigrant welcome centers
Downtown placemaking groups

These existing groups, supported by new or expanded groups, will play a key role in advancing the initiatives discussed throughout this Study, include leading and supporting:

- State- and federal-level advocacy for immigrant-friendly policy
- A comprehensive transit plan
- A region-wide housing strategy, providing resources for municipal zoning and regulatory entities
- The development of a region-wide tourism strategy and advancing implementation of a trail network
- The streamlining of childcare regulation across jurisdictions
- A tax-sharing program that can distribute regional resources to allow for holistic growth and development throughout the Region. Developed as a revolving fund managed by a dedicated board, such a program has the potential to benefit multiple initiatives, including but not limited those outlined above.

This Study equips communities throughout the Southeast Region with comprehensive long-range population, employment, and economic forecasts at the county- and region-wide scales to equip municipalities, counties, and the Region with quality data and economic and demographic forecasts that can inform ongoing long-range planning efforts at all levels of government.

7. APPENDIX: FINDINGS BY COUNTY

7.1. DODGE COUNTY

Dodge County is situated on the western border of the Region, adjacent to Goodhue, Olmsted, and Mower Counties. Dodge County's major cities and towns include Blooming Prairie, Dodge Center, Hayfield, Kasson, and Mantorville, and it is located approximately 90 miles south of Minneapolis-St. Paul and approximately 20 miles west from Rochester. Dodge is historically agrarian, with a growing manufacturing industry.

Figure 63: Dodge County in the Region
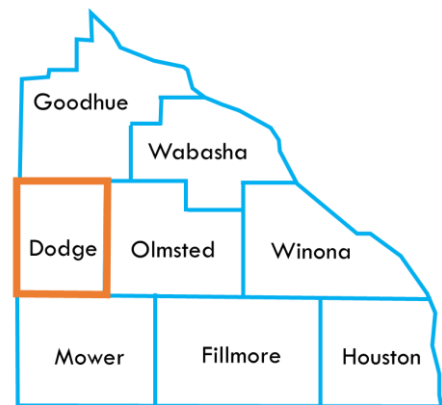
7.1.1. Existing Conditions and County-Wide Trends

Dodge is the second-least populous county in the Region and has the third-lowest number of employees. Though it is not a major population or economic center in the Region, the county's population and number of employees are growing at a faster rate than the Region as a whole. The county's population is concentrated at the poles of the age spectrum; nearly 70% are either under 18 or over 65 years old.

Population Trends

Figure 64: Dodge County Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	13,000	14,800	15,700	17,700	20,100	20,400	1.01%
Employment	5,000	6,500	7,700	7,800	8,400	9,400	1.41%

Source: Census, ACS

Figure 65: Dodge County Trends, 1970-2015

Population by Age Cohort	2015	*Share*
Ages 0-4	1,300	6.4%
Ages 5-17	4,700	23.0%
Ages 18-24	1,100	5.4%
Ages 25-34	2,300	11.3%
Ages 35-44	2,700	13.2%
Ages 45-64	5,500	27.0%
Ages 65-74	1,500	7.4%
Ages 75+	1,300	6.4%

Source: ACS

As seen in Figure 66, major industries include manufacturing and government, both of which have grown since 2001, and which together make up more than 40% of the county's jobs. Some major employers in the county include McNeilus, a manufacturer of ready-made concrete mixer trucks, garbage trucks, and related machinery, and various government entities and public service providers, including the school district and the city government. As seen in Figure 67, the county's median household income is higher than that of the Region, though it is growing more slowly.

Figure 66: All Industries, Dodge County

Industry	2001	2015	Absolute Change	Annualized Change
Manufacturing	1,130	1,570	440	2.38%
Government	1,160	1,180	20	0.12%
Construction	690	830	140	1.33%
Agriculture, Forestry, Fishing and Hunting	950	790	(160)	-1.31%
Retail Trade	850	760	(90)	-0.80%
FIRE	290	750	460	7.02%
Wholesale Trade	460	660	200	2.61%
Tourism	520	580	60	0.78%
Transportation and Warehousing	140	540	400	10.12%
Health Care and Social Assistance	290	360	70	1.56%
Professional, Scientific, and Technical Services	190	360	170	4.67%
Educational Services	380	110	(270)	-8.47%
Other[123]	830	880	50	0.42%

Source: Emsi

Median Household Income

Figure 67: Median Household Income, 2009-2016

Area	2009	2016	Change, 2009-2016
Dodge County	$62,000	$69,000	11%
Southeast Region	$52,000	$59,000	13%
Minneapolis-St. Paul MSA	$65,000	$71,000	9%
Minnesota	$57,000	$63,000	11%
United States	$51,000	$55,000	8%

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Dodge County has experienced both public and private investment in recent years, supporting continued economic strength. The county has seen a growing trend of younger business owners buying, starting, or transitioning to ownership of existing businesses, as older business owners age out of the workforce. This trend, and other economic development initiatives, have helped support population and employment growth above the Region's growth rate. Recent economic development initiatives include:

- The $146 million expansion of Al-Corn created approximately 12 FTE jobs and over 300 construction jobs. The project was nominated for "Project of the Year" by the Economic Development Association of Minnesota.
- The County partnered with Clean Energy Resource Teams to adopt PACE financing. The first project to receive PACE financing was a 40kW solar system.
- The expansion of French's Repair and Fabrication created 2 FTE jobs.
- The Con-Tech expansion, which stemmed from the MN-56 project, is projected to create 55 FTE jobs.
- The MN-56 Turn and Bypass Lanes project was selected to receive a 2017 Transportation Economic Development ("TED") award up to a maximum amount of $135,450. The project is anticipated to create 55 net FTE jobs and leverage approximately $59,336 in private capital investments in street improvements.

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

- Communities in Dodge County recognize the value of placemaking by leveraging historic assets. The City of Mantorville identified the importance of the character of old buildings in the city as a critical piece of the city's ongoing planning processes.

7.1.2. Baseline Forecast[124]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 68: Dodge County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	20,400	20,700	21,100	21,500	22,200	22,400	0.37%
Employment	9,400	9,600	9,500	9,700	9,900	10,100	0.29%

Source: REMI, HR&A Analysis

Figure 69: Dodge County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	1,289	1,231	1,383	1,499	1,478	1,356	0.20%
Ages 5-19	4,730	4,148	3,680	3,560	3,828	4,071	-0.60%
Ages 20-24	1,119	1,355	1,186	1,048	886	862	-1.04%
Ages 25-34	2,291	2,562	3,158	3,195	2,968	2,700	0.66%
Ages 35-44	2,728	2,711	2,549	2,784	3,379	3,432	0.92%
Ages 45-64	5,482	5,466	5,252	5,051	4,927	5,135	-0.26%
Ages 65-74	1,472	1,814	2,185	2,333	2,228	2,077	1.39%
Ages 75+	1,252	1,448	1,662	2,032	2,464	2,770	3.23%

Source: REMI, HR&A Analysis

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[124] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Figure 70: Dodge County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	Annualized Growth, 2015-2040
Manufacturing	1,570	1,640	1,730	1,870	2,050	2,250	1.45%
Government	1,200	1,100	1,060	1,080	1,100	1,120	-0.28%
Construction	830	900	900	930	980	980	0.67%
Retail Trade	760	810	800	800	800	820	0.30%
Tourism	580	610	600	590	570	560	-0.14%
Agriculture, Forestry, Fishing and Hunting	800	780	700	700	670	650	-0.83%
Health Care and Social Assistance	360	400	400	420	420	420	0.62%
Transportation and Warehousing	540	560	560	570	580	600	0.42%
FIRE	750	730	690	670	650	620	-0.76%
Professional, Scientific, and Technical Services	360	380	390	390	400	410	0.52%
Educational Services	110	110	110	110	110	110	0.00%
Other[125]	1,540	1,580	1,560	1,570	1,570	1,560	0.05%
Total	9,400	9,600	9,500	9,700	9,900	10,100	0.29%

Source: Source: REMI, HR&A Analysis

7.1.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model are compared to the SDC Forecast, which assumes a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 71: Dodge County All Initiatives Impact, 2015-2040

	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population, SDC Forecast	20,400	20,600	20,700	20,700	20,600	20,500	0.02%
Population, All Initiatives	20,400	20,800	21,100	21,500	22,100	22,300	0.36%
Difference	-	200	400	800	1,500	1,800	0.34%
Employment, SDC Forecast	9,400	9,500	9,400	9,500	9,600	9,700	0.13%
Employment, All Initiatives	9,400	9,600	9,600	9,700	10,000	10,300	0.37%
Difference	-	100	200	200	400	600	0.24%

Source: REMI, HR&A Analysis

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

7.2. FILLMORE COUNTY

Fillmore County is on the southern edge of Region, bordering Iowa, as well as Mower, Olmsted, Winona, and Houston Counties. The county has a long agricultural history, and at the time of Minnesota's statehood, was the most populous county in the state. Fillmore County's major cities and towns include Chatfield, Harmony, Preston, Rushford, and Spring Valley, with the county seat located in Preston.

Figure 72: Fillmore County in the Region
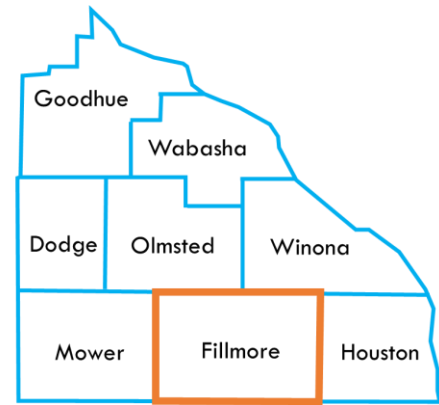
7.2.1. Existing Conditions and County-Wide Trends
The county is the third-least populous in the Region and has the second-lowest number of employees. Fillmore County's historical population change is stagnant, though employment has seen minor annual growth over the last few decades. More than a quarter of the county's population is younger than 18 years old and more than 40% of the county's residents are seniors.

Population Trends
Figure 73: Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	21,900	21,900	20,800	21,100	20,900	20,800	-0.11%
Employment	8,000	9,100	9,500	12,000	11,000	11,300	0.77%

Source: Census

Figure 74: Fillmore County Trends, 1970-2015

Population by Age Cohort	2015	Share
Ages 0-4	1,300	6.3%
Ages 5-17	4,100	19.7%
Ages 18-24	1,000	4.8%
Ages 25-34	2,100	10.1%
Ages 35-44	2,300	11.1%
Ages 45-64	5,700	27.4%
Ages 65-74	2,200	10.6%
Ages 75+	2,100	10.1%

Source: ACS

As seen in Figure 75, major industries include agriculture, forestry, fishing and hunting, and health care and social assistance, with health care and social assistance experiencing growth since 2001. Together, these two industries make up nearly 30% of the Region's jobs. Major employers in the county include the Fillmore County government, Good Samaritan Nursing Home, and other public services, such as the school district. As seen in Figure 76, the county's median household income is slightly lower than that of the Region, though growing at a faster rate.

Figure 75: All Industries, Fillmore County

Industry	2001	2015	Absolute Change	Annualized Change
Agriculture, Forestry, Fishing and Hunting	2,130	1,780	(350)	-1.27%
Health Care and Social Assistance	1,040	1,220	180	1.15%
Government	1,240	1,200	(40)	-0.23%
Retail Trade	1,310	1,150	(160)	-0.93%
FIRE	880	950	70	0.55%
Manufacturing	1,270	930	(340)	-2.20%
Tourism	830	910	80	0.66%
Construction	780	780	-	0.00%
Wholesale Trade	430	500	70	1.08%
Transportation and Warehousing	330	320	(10)	-0.22%
Professional, Scientific, and Technical Services	260	300	40	1.03%
Educational Services	30	100	70	8.98%
Other[126]	1,320	1,200	(120)	-0.68%
Total	**11,850**	**11,340**	**-510**	**-0.31%**

Source: Emsi

Median Household Income

Figure 76: Median Household Income, 2009-2016

Area	2009	2016	Change, 2009-2016
Fillmore County	$45,000	$54,000	20%
Southeast Region	$52,000	$59,000	13%
Minneapolis-St. Paul MSA	$65,000	$71,000	9%
Minnesota	$57,000	$63,000	11%
United States	$51,000	$55,000	8%

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Communities in Fillmore County have a number of recent economic development initiatives, geared largely towards attracting and retaining entrepreneurs, preserving the county's agricultural industry, and building on existing tourist attractions for greater economic benefit. The county has effectively leveraged innovative funding mechanisms to support a range of initiatives. Recent economic development initiatives include:

- The City of Chatfield recently completed a $5.3 million remodel of the Chatfield Center for the Arts, with a potential $7.9 million Phase II project.
- The City of Chatfield also operates a revolving loan fund and has four active tax increment financing ("TIF") districts and one active tax abatement district. In recent years, the city has seen an uptick in young entrepreneurs undertaking small- and medium-sized retail and/or commercial projects.
- The City of Harmony established Experience Harmony, a grassroots community feedback program created to solicit input and feedback on needed community amenities, businesses, and quality of life issues to support a sustainable and growing community.
- Since 2014, the City of Harmony has leveraged $1.3 million for economic development projects. Harmony operates a new home construction rebate program that gives a $5,000 to $12,000 cash rebate to incentivize new home construction, which has created $1.1 million in new taxable value.

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

- The City of Lanesboro is updating its zoning ordinances in an effort to modernize regulations to allow for infill residential development and to define the city's downtown commercial district.
- Lanesboro also has several recently completed and upcoming infrastructure projects, including the Highway 250/Main Street reconstruction project, which creates an opportunity to shape the future look of downtown.
- Rushford Village aims to protect agricultural land through a Protected Agriculture Zoning District, while also developing a range of housing options to meet the changing needs of new and existing residents.
- The City of Spring Valley is a participant in a rural entrepreneurship venture to attract and retain entrepreneurs and leaders and is also establishing a redevelopment TIF.

7.2.2. Baseline Forecast[127]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 77: Fillmore County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	20,800	20,400	20,100	20,000	20,000	19,800	-0.20%
Employment	11,300	11,500	11,100	11,000	11,000	10,900	-0.14%

Source: REMI, HR&A Analysis

Figure 78: Fillmore County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	1,330	1,229	1,313	1,384	1,371	1,297	-0.10%
Ages 5-19	4,086	3,828	3,618	3,477	3,584	3,713	-0.38%
Ages 20-24	1,043	1,054	957	995	871	800	-1.06%
Ages 25-34	2,121	2,188	2,543	2,472	2,426	2,319	0.36%
Ages 35-44	2,281	2,372	2,221	2,315	2,667	2,597	0.52%
Ages 45-64	5,687	5,097	4,521	4,263	4,139	4,340	-1.08%
Ages 65-74	2,172	2,439	2,644	2,504	2,081	1,786	-0.78%
Ages 75+	2,113	2,188	2,311	2,584	2,886	2,972	1.37%

Source: REMI, HR&A Analysis

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[127] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Figure 79: Fillmore County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	Annualized Growth, 2015-2040
Agriculture, Forestry, Fishing and Hunting	1,780	1,760	1,680	1,620	1,570	1,530	-0.60%
Health Care and Social Assistance	1,220	1,310	1,350	1,390	1,430	1,470	0.75%
Government	1,200	1,250	1,180	1,170	1,180	1,180	-0.07%
Retail Trade	1,150	1,200	1,140	1,130	1,130	1,130	-0.07%
FIRE	950	910	880	860	850	820	-0.59%
Manufacturing	900	900	850	830	820	820	-0.37%
Tourism	910	950	900	900	880	860	-0.23%
Construction	780	760	730	740	770	780	0.00%
Transportation and Warehousing	320	330	340	350	350	360	0.47%
Professional, Scientific, and Technical Services	300	310	300	310	320	320	0.26%
Educational Services	100	100	100	100	100	100	0.00%
Other[128]	1,690	1,720	1,650	1,600	1,600	1,530	-0.40%
Total	11,300	11,500	11,100	11,000	11,000	10,900	-0.14%

Source: Source: REMI, HR&A Analysis

7.2.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 80: Fillmore County All Initiatives Impact, 2015-2040

	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population, SDC Forecast	20,800	20,300	19,900	19,500	19,100	18,600	-0.45%
Population, All Initiatives	20,800	20,400	20,200	20,100	20,100	19,800	-0.20%
Difference	-	100	300	600	1,000	1,200	0.25%
Employment, SDC Forecast	11,300	11,500	11,100	10,900	10,700	10,600	-0.26%
Employment, All Initiatives	11,300	11,500	11,200	11,100	11,100	11,100	-0.07%
Difference	-	-	100	200	400	500	0.18%

Source: REMI, HR&A Analysis

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

7.3. GOODHUE COUNTY

Goodhue County is located in the northern portion of the Region, and is approximately 60 miles from Minneapolis-St. Paul. The county's major cities and towns include Cannon Falls, Goodhue, Kenyon, Pine Island, Lake City, Red Wing, Zumbrota, and Wanamingo. The county is home to several major regional and national manufacturers.

Figure 81: Goodhue County in the Region
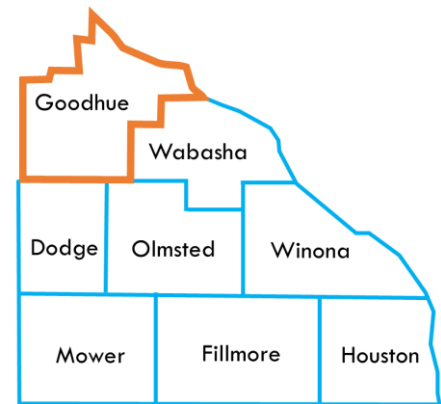
7.3.1. Existing Conditions and County-Wide Trends

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

Population Trends

Figure 82: Population Trends, 1970-2015

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

Source: Census

Figure 83: Goodhue County Trends, 1970-2015

Population by Age Cohort	2015	*Share*
Ages 0-4	2,600	5.6%
Ages 5-17	8,900	19.1%
Ages 18-24	2,400	5.2%
Ages 25-34	5,100	11.0%
Ages 35-44	5,200	11.2%
Ages 45-64	13,500	29.0%
Ages 65-74	4,700	10.1%
Ages 75+	4,100	8.8%

Source: ACS

As seen in Figure 84, major industries include government, manufacturing, and health care and social services, with health care and social services experiencing growth since 2001. Together, these two industries make up 50% of the Region's jobs. Some of the county's major employers include Treasure Island Casino, Red Wing Shoe Company, and the Prairie Island nuclear plant. As seen in Figure 85, the county's median household income is higher than that of the Region, though growing at a slower rate.

Major Industries

Figure 84: All Industries, Goodhue County

Industry	2001	2015	Absolute Change	Annualized Change
Manufacturing	4,850	4,680	(170)	-0.25%
Government	4,740	3,910	(830)	-1.37%
Health Care and Social Assistance	2,720	3,420	700	1.65%
Retail Trade	3,400	3,000	(400)	-0.89%
FIRE	1,740	2,210	470	1.72%
Tourism	2,110	2,130	20	0.07%
Agriculture, Forestry, Fishing and Hunting	2,350	1,980	(370)	-1.22%
Construction	1,290	1,370	80	0.43%
Transportation and Warehousing	880	1,030	150	1.13%
Wholesale Trade	740	870	130	1.16%
Professional, Scientific, and Technical Services	900	840	(60)	-0.49%
Educational Services	170	280	110	3.63%
Other[129]	4,050	4,190	140	0.24%

Source: Emsi

Median Household Income

Figure 85: Median Household Income, 2009-2016

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

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Recent economic development initiatives throughout Goodhue County have positioned the county well for continued growth. The use of tax incentives and other funding mechanisms, including grants, have helped support the manufacturing, utilities, and tourism industries. Communities throughout the county expressed the need for more diverse housing options, and the challenges employers face attracting skilled workers. Recent economic development initiatives include:

- The Lake City Economic Development Authority and Chamber of Commerce are partnering with the Southern Minnesota Initiative Foundation on a 3-year grant for the Rural Entrepreneurial Venture grant, which is projected to grow the city's economy with visible results in 7 to 10 years.
- Lake City and Red Wing are planning to develop an Olympic Ski Jump facility, which will attract thousands of visitors per year upon completion. For more information, see Section 4.5.1 of this report.
- The City of Cannon Falls is seeking to increase diverse housing options, including affordable housing for families and townhomes for young adults, as well as more supportive housing options for its growing senior population. The city will see the opening of Artisan Plaza in 2018, a project that will offer retail, dining, and kitchen space for entrepreneurs. Gemini Inc. also began construction on a new facility which will house engineering and additional office space.

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

- The City of Red Wing recognizes the opportunity for new multifamily residential development, as the amount of developable land for subdivisions is limited. The city's first market rental project in 25 years opened in 2017, adding 61 units.
- Between 2012 and 2017, the Prairie Island nuclear power plant increased in market value from $455 million to $1.1 billion, or nearly 145%.
- Red Wing's local manufacturers are struggling to find employees, and in response, the city is working with local high schools and colleges to better match local employer needs with education and training.
- To advance Red Wing's tourism and resident attraction strategies, it has been investing in street infrastructure replacement projects and parks and trails projects, and recently invested $1.7 million to replace decorative lights in the downtown district. The city also received state bonding and port assistance funds to plan a second boat dock on the Mississippi River for tour boats that visit Red Wing in the summer. A $1.2 million grant was recently awarded from the legacy funds for improvements to Barn Bluff, a regional park in Red Wing.
- The City of Wanamingo plans to continue to use tax increment financing ("TIF") districts to economic development initiatives. TIF has been an effective tool for fueling development for the last few decades, especially in the city's industrial park.
- The City of Kenyon is currently in the final planning stages of development of a 29-acre business/light industrial area east of town. The city is also working with a local highway commercial business seeking to relocate to a site on Highway 60, which will open up a large area for future commercial development on the east side of Kenyon.
- The City of Zumbrota Economic Development Authority continues to partner with the Southeastern Minnesota Multi-County Housing and Redevelopment Authority ("SEMMCHRA") to administer a comprehensive multi-city Small Cities Development Program grant from the Minnesota Department of Employment and Economic Development ("DEED").
- Zumbrota also operates a placemaking initiative called "Make Downtown a Destination" that seeks to improve and strengthen the appearance and sense of place of the downtown. The Comprehensive Plan proposes mixed-use zoning downtown to support this effort, and the city continues to use banners, planters and other "soft" design elements that create a sense of pedestrian activity in the downtown along Main Street.

7.3.2. Baseline Forecast[130]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 86: Goodhue County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	*Annualized Change, 2015-2040*

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[130] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Population	46,400	47,500	48,700	50,100	51,600	53,000	0.53%
Employment	29,900	30,000	29,200	29,300	29,500	29,800	-0.01%

Source: REMI, HR&A Analysis

Figure 87: Goodhue County Baseline Age Cohort Forecast, 2015-2040

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

Source: REMI, HR&A Analysis

Figure 88: Goodhue County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	Annualized Growth, 2015-2040
Manufacturing	4,680	4,070	3,350	3,100	2,950	2,880	-1.92%
Government	3,900	3,960	3,850	3,880	3,910	3,950	0.05%
Health Care and Social Assistance	3,420	3,810	3,980	4,180	4,350	4,530	1.13%
Retail Trade	3,000	3,080	3,060	3,140	3,220	3,320	0.41%
FIRE	2,200	2,150	2,080	2,000	1,970	1,920	-0.54%
Tourism	2,130	2,250	2,260	2,290	2,300	2,330	0.36%
Agriculture, Forestry, Fishing and Hunting	1,980	1,990	1,930	1,900	1,890	1,890	-0.19%
Construction	1,370	1,250	1,230	1,270	1,300	1,330	-0.12%
Transportation and Warehousing	1,030	1,050	1,080	1,130	1,170	1,210	0.65%
Professional, Scientific, and Technical Services	840	890	940	980	1,020	1,050	0.90%
Educational Services	280	300	300	300	320	320	0.54%
Other[131]	5,070	5,200	5,140	5,130	5,100	5,070	0.00%
Total	29,900	30,000	29,200	29,300	29,500	29,800	-0.01%

Source: Source: REMI, HR&A Analysis

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

7.3.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 89: Goodhue County All Initiatives Impact, 2015-2040

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

Source: REMI, HR&A Analysis

7.4. HOUSTON COUNTY

Houston County is located in the southeast corner of the Region, bordering Fillmore and Winona Counties, as well as Iowa and Wisconsin. The Mississippi River runs along the county's eastern border. Houston County's major cities and towns include Caledonia, Houston, La Crescent, and Spring Grove. Given the county's location on the Mississippi, the county has a growing tourism industry, as well as a steady base of manufacturing employers.

Figure 90: Houston County in the Region
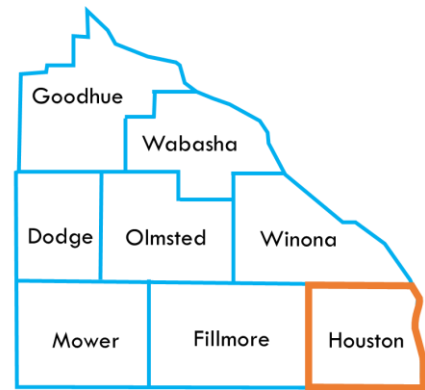
7.4.1. Existing Conditions and County-Wide Trends

The county is the least populous in the Region and has the fewest employees. While Houston County is not a major population or employment center, it has experienced moderate growth in recent years. More than a quarter of the county's population is younger than 18 years old, though nearly 40% of the county's residents are seniors.

Population Trends

Figure 91: Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	17,600	18,400	18,500	19,700	19,000	18,800	0.15%
Employment	6,700	8,000	9,000	9,100	8,600	8,900	0.63%

Source: Census

Figure 92: Houston County Trends, 1970-2015

Population by Age Cohort	2015	Share
Ages 0-4	1,000	5.3%
Ages 5-17	3,500	18.5%
Ages 18-24	1,000	5.3%
Ages 25-34	1,900	10.0%
Ages 35-44	2,100	11.1%
Ages 45-64	5,700	30.2%
Ages 65-74	2,000	10.6%
Ages 75+	1,700	9.0%

Source: ACS

As seen in Figure 93, major industries include government, health care and social services, and manufacturing, with government and health care and social services experiencing growth since 2001. Together, these two industries make up 35% of the Region's jobs. Major employers within the county include Caledonia-based employers Miken Sports, Haulers, and A.B.L.E., Inc., a residential care provider, Apple Growers in La Crescent, and Northern Engraving in Spring Grove. As seen in Figure 94, the county's median household income is just slightly lower than the Region's and is growing at a slower rate.

Figure 93: All Industries, Houston County

Industry	2001	2015	Absolute Change	Annualized Change
Government	1,020	1,110	90	0.61%
Agriculture, Forestry, Fishing and Hunting	1,240	1,010	(230)	-1.45%
Health Care and Social Assistance	1,060	980	(80)	-0.56%
FIRE	900	870	(30)	-0.24%
Retail Trade	960	800	(160)	-1.29%
Manufacturing	700	670	(30)	-0.31%
Construction	550	640	90	1.09%
Transportation and Warehousing	450	540	90	1.31%
Wholesale Trade	120	490	370	10.57%
Tourism	470	480	10	0.15%
Professional, Scientific, and Technical Services	270	300	30	0.76%
Educational Services	300	170	(130)	-3.98%
Other[132]	940	860	(80)	-0.63%

Source: Emsi

Median Household Income
Figure 94: Median Household Income, 2009-2016

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

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Houston County's Economic Development Authority is working to position the county as an attractive place to visit, live, and work. Recent economic development initiatives include:

- The Houston County Economic Development Authority is developing a new website to showcase assets that contribute to the county's high quality of life. The goal of this website is to attract more visitors, residents, and entrepreneurs. The website is anticipated to launch in the summer of 2018.
- The school districts of Houston County are working with the Economic Development Association to develop programming that will create more workforce opportunities for students, connecting students directly to businesses. This initiative is intended as a retention strategy for the county's younger population.

7.4.2. Baseline Forecast[133]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate

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[132] "Other" includes Mining, Utilities, Management of Companies and Enterprises, Administrative and Waste Management Services, Federal Civilian and Military Employment, and Other Services, except Public Administration.
[133] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 95: Houston County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	18,800	18,500	18,200	17,900	17,600	17,200	-0.36%
Employment	8,900	9,100	8,900	8,800	8,700	8,600	-0.14%

Source: REMI, HR&A Analysis

Figure 96: Houston County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	976	938	987	1,037	1,039	980	0.02%
Ages 5-19	3,457	3,118	2,797	2,635	2,722	2,823	-0.81%
Ages 20-24	1,013	916	916	839	664	657	-1.72%
Ages 25-34	1,860	1,955	2,208	2,170	2,107	1,856	-0.01%
Ages 35-44	2,072	2,091	1,902	2,038	2,277	2,248	0.33%
Ages 45-64	5,683	5,078	4,344	3,883	3,613	3,779	-1.62%
Ages 65-74	1,963	2,401	2,756	2,594	2,038	1,648	-0.70%
Ages 75+	1,749	1,967	2,270	2,682	3,117	3,242	2.50%

Source: REMI, HR&A Analysis

Figure 97: Houston County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	Annualized Growth, 2015-2040
Government	1,110	1,100	1,040	1,030	1,010	1,000	-0.42%
Agriculture, Forestry, Fishing and Hunting	1,000	1,000	940	900	900	850	-0.65%
Health Care and Social Assistance	980	1,090	1,140	1,190	1,230	1,280	1.07%
FIRE	870	840	800	780	750	730	-0.70%
Retail Trade	800	830	790	770	750	720	-0.42%
Manufacturing	670	650	600	570	550	540	-0.86%
Construction	640	650	640	650	660	670	0.18%
Transportation and Warehousing	540	560	570	590	610	620	0.55%
Tourism	480	500	490	480	460	450	-0.26%
Professional, Scientific, and Technical Services	300	310	300	300	290	290	-0.14%
Educational Services	170	180	190	190	190	180	0.23%
Other[134]	1,340	1,390	1,400	1,350	1,300	1,270	-0.21%
Total	8,900	9,100	8,900	8,800	8,700	8,600	-0.14%

Source: Source: REMI, HR&A Analysis

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

7.4.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 98: Houston County All Initiatives Impact, 2015-2040[135]

	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population, SDC Forecast	18,800	18,500	18,200	17,800	17,500	17,100	-0.38%
Population, All Initiatives	18,800	18,500	18,200	17,800	17,500	17,000	-0.40%
Difference	-	-	-	-	-	(100)	-0.02%
Employment, SDC Forecast	8,900	9,100	8,900	8,800	8,600	8,500	-0.18%
Employment, All Initiatives	8,900	9,100	8,900	8,800	8,700	8,700	-0.09%
Difference	-	-	-	-	100	200	0.09%

Source: REMI, HR&A Analysis

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[135] Due to the small sample size for some county-level projections, there is little documented change between the SDC Forecast and the All Initiatives Forecast. In addition to the small sample size impacting results, productivity improvements likely drive an increase in employment and a corresponding decline in population.

7.5. MOWER COUNTY

Mower County is located in the southwest portion of the Region, bordering Dodge, Olmsted, and Fillmore Counties, as well as Iowa to the south. Major cities in the county include Austin and Grand Meadow. Mower County is home to Hormel Foods, which has established a number of visitor and community attractions in Austin, the county-seat.

Figure 99: Mower County in the Region
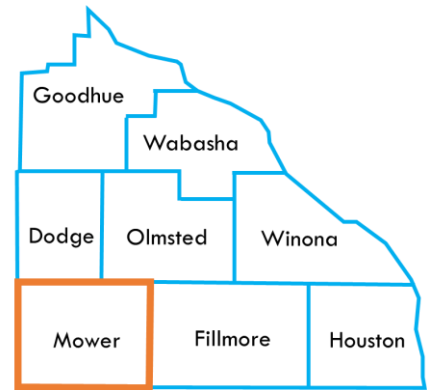
7.5.1. Existing Conditions and County-Wide Trends
The county is the fourth-most populous in the Region and ranks similarly for the total number of employees. The county's manufacturing economy and diverse cultural experiences create a strong foundational economy. More than a quarter of the county's population is younger than 18 years old, though nearly 40% of the county's residents are seniors.

Population Trends
Figure 100: Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	43,800	40,400	37,400	38,600	39,200	39,100	-0.25%
Employment	16,100	16,700	16,400	21,700	21,700	22,000	0.70%

Source: Census

Figure 101: Mower County Trends, 1970-2015

Population by Age Cohort	2015	Share
Ages 0-4	2,600	6.6%
Ages 5-17	7,800	19.9%
Ages 18-24	2,300	5.9%
Ages 25-34	4,600	11.8%
Ages 35-44	4,600	11.8%
Ages 45-64	10,200	26.1%
Ages 65-74	3,400	8.7%
Ages 75+	3,600	9.2%

Source: ACS

As seen in Figure 102, major industries include manufacturing and health care and social services, with a combination of other industries experiencing growth since 2001. Together, manufacturing and health care and social services make up 16% of the county's jobs, signifying a diversified economy. Major employers within the county include Hormel Foods and Quality Pork Processers. As seen in Figure 103, the county's median household income is lower than the Region's, though it is growing at a faster rate.

Figure 102: All Industries, Mower County

Industry	2001	2015	Absolute Change	Annualized Change
Manufacturing	3,760	3,660	(100)	-0.19%
Health Care and Social Assistance	3,730	2,880	(850)	-1.83%
Government	2,320	2,490	170	0.51%
Retail Trade	2,690	2,180	(510)	-1.49%
Tourism	1,630	1,550	(80)	-0.36%
Agriculture, Forestry, Fishing and Hunting	1,500	1,390	(110)	-0.54%
FIRE	1,210	1,370	160	0.89%
Construction	1,070	890	(180)	-1.31%
Transportation and Warehousing	590	640	50	0.58%
Wholesale Trade	460	600	140	1.92%
Professional, Scientific, and Technical Services	50	460	410	17.18%
Educational Services	30	210	180	14.91%
Other[136]	2,470	3,650	1,180	2.83%

Source: Emsi

Median Household Income

Figure 103: Median Household Income, 2009-2016

Area	2009	2016	Change, 2009-2016
Mower	$45,000	$52,000	16%
Southeast Region	$52,000	$59,000	13%
Minneapolis-St. Paul MSA	$65,000	$71,000	9%
Minnesota	$57,000	$63,000	11%
United States	$51,000	$55,000	8%

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Mower County has a number of housing, workforce development, and placemaking initiatives currently underway. Some key local initiatives include:

- The City of Austin, Mower County, and School District #492 have partnered to promote new construction of single- and multi-family homes by offering a five-year property tax abatement on 100% of any new construction value. Residents and property developers can take advantage of this policy from August 1, 2016 through December 31, 2019.

- The City of Austin seeks to establish a Small Business Incubator Plan to evaluate the development potential of an incubator space for entrepreneurial activity.

- In 2016, a newly redeveloped SPAM Museum opened in Austin that hopes to attract approximately 125,000 annual visitors.

- Vision 2020 also operates in Austin, a grassroots organization of businesses, non-profits, local government, and educational institutions that works to implement a shared vision for improving Austin's quality of life. Vision 2020 includes a number of placemaking goals and initiatives for Austin's downtown.

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

7.5.2. Baseline Forecast[137]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 104: Mower County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	39,100	39,000	38,700	38,400	38,200	37,800	-0.14%
Employment	22,000	22,600	22,100	22,000	22,000	21,900	-0.02%

Source: REMI, HR&A Analysis

Figure 105: Mower County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	2,647	2,451	2,480	2,442	2,351	2,261	-0.63%
Ages 5-19	7,770	7,467	7,108	6,755	6,593	6,531	-0.69%
Ages 20-24	2,303	2,055	1,854	1,908	1,768	1,612	-1.42%
Ages 25-34	4,594	4,948	5,080	4,583	4,458	4,395	-0.18%
Ages 35-44	4,556	4,712	4,750	5,016	5,160	4,720	0.14%
Ages 45-64	10,200	9,666	8,874	8,502	8,433	8,837	-0.57%
Ages 65-74	3,448	4,177	4,582	4,596	4,106	3,686	0.27%
Ages 75+	3,597	3,569	4,012	4,646	5,358	5,740	1.89%

Source: REMI, HR&A Analysis

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[137] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Figure 106: Mower County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	*Annualized Growth, 2015-2040*
Manufacturing	3,660	3,700	3,570	3,530	3,530	3,560	-0.11%
Health Care and Social Assistance	2,880	3,130	3,180	3,250	3,280	3,300	0.55%
Government	2,490	2,480	2,380	2,350	2,320	2,290	-0.33%
Retail Trade	2,180	2,290	2,210	2,200	2,200	2,210	0.05%
Tourism	1,550	1,630	1,590	1,550	1,520	1,490	-0.16%
Agriculture, Forestry, Fishing and Hunting	1,400	1,370	1,310	1,280	1,250	1,200	-0.61%
FIRE	1,370	1,340	1,300	1,250	1,220	1,190	-0.56%
Construction	900	900	860	880	930	940	0.17%
Transportation and Warehousing	650	670	680	700	720	750	0.57%
Professional, Scientific, and Technical Services	460	490	490	490	500	500	0.33%
Educational Services	210	200	220	230	230	230	0.36%
Other[138]	4,250	4,400	4,310	4,290	4,300	4,240	-0.01%
Total	22,000	22,600	22,100	22,000	22,000	21,900	-0.02%

Source: Source: REMI, HR&A Analysis

7.5.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 107: Mower County All Initiatives Impact, 2015-2040

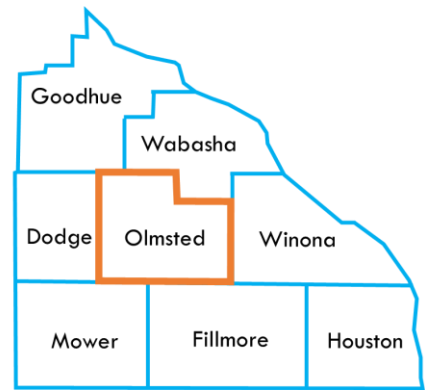|	2015	2020	2025	2030	2035	2040	**Annualized Change, 2015-2040**
Population, SDC Forecast	39,100	39,000	38,600	38,100	37,500	36,800	-0.24%
Population, All Initiatives	39,100	39,200	39,200	39,100	39,000	38,600	-0.05%
Difference	-	200	600	1,000	1,500	1,800	0.19%
Employment, SDC Forecast	22,000	22,600	22,000	21,900	21,800	21,800	-0.04%
Employment, All Initiatives	22,000	22,700	22,400	22,400	22,600	22,800	0.14%
Difference	-	100	400	500	800	1,000	0.18%

Source: REMI, HR&A Analysis

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

7.6. OLMSTED COUNTY

Olmsted County, located in the center of the Region, is bordered by nearly every other county in the Region. Rochester is the largest city and county seat. Byron, Eyota, Chatfield, Oronoco, and Stewartville are also located in the county. The county's economy is rooted in the Mayo Clinic, located in Rochester, which supports a range of other jobs and spinoff economic impacts throughout the county and Region.

7.6.1. Existing Conditions and County-Wide Trends

Olmsted County is the most populous and supports the most employees of any county in the Region. More than a quarter of the county's population is younger than 18 years old, and though Olmsted does not have as large a share of seniors, the majority of the county's population is aged 45 or above.

Figure 108: Olmsted County in the Region

Population Trends

Figure 109: Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	84,100	92,000	106,500	124,300	144,200	151,400	1.32%
Employment	35,000	47,500	57,300	100,500	108,100	116,400	2.71%

Source: Census

Figure 110: Olmsted County Trends, 1970-2015

Population by Age Cohort	2015	*Share*
Ages 0-4	10,800	7.1%
Ages 5-17	29,600	19.5%
Ages 18-24	8,600	5.7%
Ages 25-34	22,300	14.7%
Ages 35-44	19,100	12.6%
Ages 45-64	39,300	26.0%
Ages 65-74	11,600	7.7%
Ages 75+	10,100	6.7%

Source: ACS

As seen in Figure 111, major industries in Olmsted County include health care and social assistance, and supporting industries, such as retail and visitor amenities. Many industries experienced growth between 2001 and 2015, with health care and finance, insurance, information, and real estate seeing significant growth in that period. Health care and social services alone makes up 37% of the county's jobs. The Mayo Clinic is the single largest employer in the county. Additional medical services, such as the Olmsted Medical Center, and public administration organizations, are the next largest employers. As seen in Figure 112, the county's median household income is above the Region's, though is growing at a slower rate.

Figure 111: All Industries, Olmsted County

Industry	2001	2015	Absolute Change	Annualized Change
Health Care and Social Assistance	31,150	43,090	11,940	2.34%
Retail Trade	11,730	12,350	620	0.37%
Tourism	7,980	9,920	1,940	1.57%
FIRE	5,850	8,770	2,920	2.93%
Government	6,860	7,700	840	0.83%
Manufacturing	12,500	7,200	(5,300)	-3.86%
Construction	5,160	4,790	(370)	-0.53%
Professional, Scientific, and Technical Services	3,660	4,010	350	0.65%
Transportation and Warehousing	2,150	2,480	330	1.03%
Educational Services	1,110	1,860	750	3.76%
Wholesale Trade	1,700	1,780	80	0.33%
Agriculture, Forestry, Fishing and Hunting	1,930	1,540	(390)	-1.60%
Other[139]	10,080	10,950	870	0.59%

Source: Emsi

Median Household Income

Figure 112: Median Household Income, 2009-2016

Area	2009	2016	Change, 2009-2016
Olmsted	$65,000	$69,000	6%
Southeast Region	$52,000	$59,000	13%
Minneapolis-St. Paul MSA	$65,000	$71,000	9%
Minnesota	$57,000	$63,000	11%
United States	$51,000	$55,000	8%

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Olmsted County has several housing, workforce development, and placemaking initiatives currently underway. Some key local initiatives include:

- The City of Byron has had a number of small businesses locate there in recent years. The city aims to expand the current capacity of the daycare facility given the increase in first-time homeowners.
- The City of Eyota operates a Business Incentive Program. Aligned with the goals of that program, the city has a Main Street Revitalization effort that will leverage a forthcoming water main reconstruction project to gain co-benefits. Eyota has also made strides connecting the city's trail network to regional trail networks, while also improving inner-city trails.
- The City of Oronoco has experienced a significant amount of residential development in recent years, as its proximity to Rochester positions it well as a bedroom community for Rochester-area employees. With forthcoming sewer connections, Oronoco anticipates a large uptick in future commercial and residential development.
- The City of Rochester seeks to diversify the local economy and to cultivate new opportunities for non-medical industries. The singularly-focused economy presents challenges for workforce attraction and retention, and the city hopes to create regional solutions for workforce development programs, such as developing education or apprentice programs that can be offered in the Region's smaller communities that will allow easier access to students throughout the area

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

7.6.2. Baseline Forecast[140]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 113: Olmsted County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	151,400	160,800	169,500	179,900	193,200	200,500	1.13%
Employment	116,400	130,700	135,900	145,000	157,900	162,500	1.34%

Source: REMI, HR&A Analysis

Figure 114: Olmsted County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	10,762	11,154	11,343	11,709	12,325	12,532	0.61%
Ages 5-19	29,585	31,453	32,675	33,887	35,540	36,084	0.80%
Ages 20-24	8,585	9,111	10,001	10,527	11,115	11,497	1.18%
Ages 25-34	22,308	21,522	21,866	23,145	24,669	25,198	0.49%
Ages 35-44	19,129	22,734	24,131	23,641	24,415	25,281	1.12%
Ages 45-64	39,296	38,756	37,973	40,297	44,409	46,994	0.72%
Ages 65-74	11,639	14,337	17,655	19,279	18,135	16,816	1.48%
Ages 75+	10,132	11,755	13,881	17,431	22,632	26,120	3.86%

Source: REMI, HR&A Analysis

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[140] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Figure 115: Olmsted County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	*Annualized Change, 2015-2040*
Health Care and Social Assistance	43,090	50,250	54,300	59,820	66,730	70,420	1.98%
Retail Trade	12,350	13,580	13,590	14,270	15,320	15,590	0.94%
Tourism	9,920	11,690	12,400	13,150	14,150	14,550	1.54%
FIRE	8,770	8,890	8,620	8,560	8,570	8,360	-0.19%
Government	7,700	8,230	8,340	8,750	9,250	9,310	0.76%
Manufacturing	7,200	7,180	6,760	6,600	6,510	6,410	-0.46%
Construction	4,790	5,990	6,170	6,550	7,300	7,000	1.53%
Professional, Scientific, and Technical Services	4,010	5,300	6,200	7,510	9,450	10,220	3.81%
Transportation and Warehousing	2,480	2,550	2,500	2,550	2,590	2,590	0.17%
Educational Services	1,860	1,970	2,160	2,240	2,350	2,400	1.02%
Agriculture, Forestry, Fishing and Hunting	1,500	1,500	1,440	1,400	1,360	1,300	-0.57%
Other[141]	12,730	13,570	13,420	13,600	14,320	14,350	0.48%

Source: Source: REMI, HR&A Analysis

7.6.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 116: Olmsted County All Initiatives Impact, 2015-2040

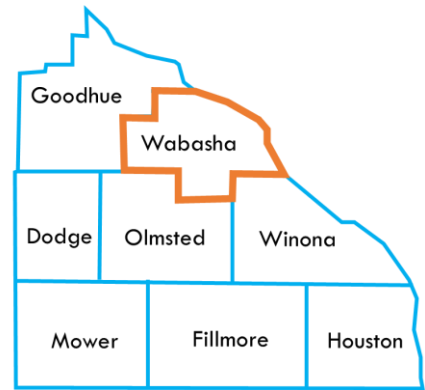|	2015	2020	2025	2030	2035	2040	**Annualized Change, 2015-2040**
Population, SDC Forecast	151,400	159,600	165,100	169,000	171,900	173,700	0.55%
Population, All Initiatives	151,400	161,400	171,100	182,300	196,400	203,900	1.20%
Difference	-	1,800	6,000	13,300	24,500	30,200	0.65%
Employment, SDC Forecast	116,400	128,400	128,800	131,000	133,300	136,600	0.64%
Employment, All Initiatives	116,400	131,100	137,000	147,000	161,600	168,700	1.50%
Difference	-	2,700	8,200	16,000	28,300	32,100	0.85%

Source: REMI, HR&A Analysis

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

7.7. WABASHA COUNTY

Wabasha County, in the northeast of the Region, is bordered by Goodhue, Winona, and Olmsted Counties, and by Wisconsin across the Mississippi River. Due to the county's location on the Mississippi River, it has a growing tourism and recreation industry. Major cities in the county include Lake City, Plainview, and Wabasha, the county seat.

7.7.1. Existing Conditions and County-Wide Trends.

Wabasha is the fifth-most populous county in the Region, with the same ranking of number of employees. More than a quarter of the county's population is younger than 18 years old, though 40% of the county's residents are seniors.

Figure 117: Wabasha County in the Region

Population Trends

Figure 118: Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	17,200	19,300	19,700	21,600	21,700	21,200	0.47%
Employment	6,300	8,200	9,200	11,400	10,700	11,000	1.25%

Source: Census

Figure 119: Wabasha County Trends, 1970-2015

Population by Age Cohort	2015	*Share*
Ages 0-4	1,300	6.1%
Ages 5-17	3,900	18.3%
Ages 18-24	1,100	5.2%
Ages 25-34	2,200	10.3%
Ages 35-44	2,400	11.3%
Ages 45-64	6,300	29.6%
Ages 65-74	2,300	10.8%
Ages 75+	1,800	8.4%

Source: ACS

As seen in Figure 120, major industries in Wabasha County include manufacturing and agriculture, though manufacturing experienced a mild decline between 2001 and 2015, and agriculture experienced a minor increase. Combined, these two industries make up 30% of the county's jobs. Major employers in manufacturing include Thomas Industries, a fabricated metal product manufacturer, Federal Mogul, a powertrain and motor parts manufacturer, and Boetler Industries, a cement and concrete product manufacturer. St. Elizabeth Hospital and Uni-Patch provide a number of health services jobs, and the County and public schools provide additional public sector and administration jobs. As seen in Figure 121, median household income in Wabasha County is aligned with the Region, increasing at the same pace.

Figure 120: All Industries, Wabasha County

Industry	2001	2015	Absolute Change	Annualized Change
Manufacturing	2,130	1,700	(430)	-1.60%
Agriculture, Forestry, Fishing and Hunting	1,360	1,440	80	0.41%
Retail Trade	1,240	1,090	(150)	-0.92%
Health Care and Social Assistance	1,210	1,030	(180)	-1.14%
Government	1,030	1,010	(20)	-0.14%
Tourism	860	950	90	0.71%
FIRE	640	770	130	1.33%
Construction	890	580	(310)	-3.01%
Transportation and Warehousing	410	580	170	2.51%
Wholesale Trade	200	380	180	4.69%
Professional, Scientific, and Technical Services	260	280	20	0.53%
Educational Services	120	120	-	0.00%
Other[142]	1,100	1,100	-	0.00%

Source: Emsi

Median Household Income

Figure 121: Median Household Income, 2009-2016

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

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Wabasha County has a number of housing, workforce development, and placemaking initiatives currently underway. Some key local initiatives include:

- The City of Plainview seeks to prioritize housing options in the city. The City hopes to achieve this through long-term planning and working collaboratively within the city government to advance this mission. In addition to creating new housing options, the City of Plainview hopes to attract new businesses. Plainview combines attributes of a "bedroom community" while maintaining a distinct, independent identity given its role in the county's and the Region's agricultural industry.

- The City of Plainview completed a housing study in 2015 that identified a general slowing of local housing starts post-Recession, with fewer market rental properties available, as well as low senior vacancy rates. The city has seen four development projects completed since 2000, with 186 new single-family homes and 29 multi-family homes built, with total valuation of $32 million.

- The City of Plainview has also implemented several funding programs to support the local business community. Plainview operates a Next Generation Revolving Loan Fund, which provides gap financing to start-ups, as well as a TIF district. Additionally, the city has established a business incubator program.

- Plainview's EDA is leading a MnDOT Roadside Landscape Partnership program project in 2018-2020, with the goal of improving the visual appearance of highways through town. Additionally,

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

the city is implementing a MnDOT Transportation Alternative Grant that will put new streetlights on Main Street, and new sidewalks from the Kwik Trip/Orchard Hills location on Hwy. 42 to the school on Hwy. 247.

- In the City of Wabasha, nearly 60% of surveyed residents identified affordable home ownership as a critical community need. The largest housing development boom occurred between 15 and 35 years ago, when nearly a third of the housing units in Wabasha were constructed. In the past five years, the city has only built 20 new housing units.
- Downtown Wabasha is a National Registered Historical Commercial District. Some of the challenges to continued downtown revitalization are maintaining the historic district's character, decreasing the vacancy rates of commercial buildings, providing more retail and entertainment opportunities, extending and potentially standardizing business hours, and exploring ways to make renting downtown buildings more affordable.
- The National Eagle Center in Wabasha County is a significant draw for tourism, but the city wants to expand its tourism potential by continuing development adjacent to the Eagle Center and working to advance historic preservation in the area.
- The Lake City Economic Development Authority and Chamber of Commerce are partnering with the Southern Minnesota Initiative Foundation on a 3-year grant for the Rural Entrepreneurial Venture, which is anticipated to grow its economy with visible results in 7 to 10 years.
- Lake City and Red Wing are planning to develop an Olympic Ski Jump facility, which will attract thousands of visitors per year upon completion. For more information, see Section 4.5.1 of this report.

7.7.2. Baseline Forecast[143]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 122: Wabasha County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	*Annualized Change, 2015-2040*
Population	21,200	21,200	21,100	21,100	21,200	21,100	-0.02%
Employment	11,000	11,400	11,100	11,100	11,100	11,100	0.04%

Source: REMI, HR&A Analysis

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[143] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Figure 123: Wabasha County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	1,259	1,129	1,237	1,312	1,314	1,253	-0.02%
Ages 5-19	3,872	3,673	3,442	3,394	3,507	3,686	-0.20%
Ages 20-24	1,122	1,099	1,019	980	951	849	-1.11%
Ages 25-34	2,189	2,352	2,660	2,606	2,523	2,440	0.44%
Ages 35-44	2,372	2,378	2,337	2,534	2,864	2,818	0.69%
Ages 45-64	6,345	5,877	5,231	4,726	4,520	4,745	-1.16%
Ages 65-74	2,297	2,704	2,827	2,841	2,553	2,127	-0.31%
Ages 75+	1,783	1,991	2,324	2,676	2,995	3,199	2.37%

Source: REMI, HR&A Analysis

Figure 124: Wabasha County Baseline Major Industry Forecast, 2015-2040

Industry	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Manufacturing	1,700	1,690	1,600	1,590	1,580	1,580	-0.29%
Agriculture, Forestry, Fishing and Hunting	1,440	1,450	1,390	1,360	1,330	1,310	-0.38%
Retail Trade	1,090	1,150	1,120	1,110	1,120	1,110	0.07%
Health Care and Social Assistance	1,030	1,160	1,200	1,250	1,290	1,330	1.03%
Government	1,010	1,000	970	960	970	1,000	-0.04%
Tourism	950	1,000	980	960	940	920	-0.13%
FIRE	750	740	700	690	660	650	-0.57%
Construction	580	630	600	620	660	660	0.52%
Transportation and Warehousing	580	600	600	630	640	660	0.52%
Professional, Scientific, and Technical Services	280	300	300	310	320	320	0.54%
Educational Services	100	130	130	130	130	130	1.05%
Other[144]	1,490	1,550	1,510	1,490	1,460	1,430	-0.16%
Total	11,000	11,400	11,100	11,100	11,100	11,100	0.04%

Source: Source: REMI, HR&A Analysis

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

7.7.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 125: Wabasha County All Initiatives Impact, 2015-2040

	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population, SDC Forecast	21,200	21,100	20,900	20,500	20,200	19,800	-0.27%
Population, All Initiatives	21,200	21,200	21,100	21,100	21,200	21,000	-0.04%
Difference	-	100	200	600	1,000	1,200	0.23%
Employment, SDC Forecast	11,000	11,400	11,100	10,900	10,800	10,700	-0.11%
Employment, All Initiatives	11,000	11,400	11,200	11,200	11,200	11,300	0.11%
Difference	-	-	100	300	400	600	0.22%

Source: REMI, HR&A Analysis

7.8. WINONA COUNTY

Winona County, in the eastern portion of the Region, is bordered by Fillmore, Houston, Olmsted, and Wabasha Counties, and across the Mississippi River, is bordered by Wisconsin. The major city in Winona County is the City of Winona, the county seat, with the cities of St. Charles and La Crescent are additional population centers within the county.

Figure 126: Winona County in the Region
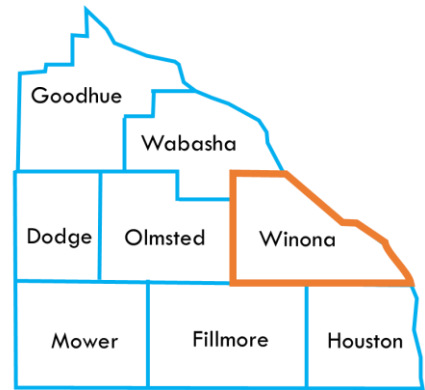
7.8.1. Existing Conditions and County-Wide Trends

The county is the second-most populous in the Region and supports the second-most employees in the Region. More than a quarter of the county's population is younger than 18 years old, though approximately 35% of the county's residents are seniors.

Population Trends

Figure 127: Population Trends, 1970-2015

	1970	1980	1990	2000	2010	2015	Annualized Growth
Population	44,400	46,300	47,800	50,000	51,500	50,900	0.30%
Employment	17,200	20,600	23,800	32,100	31,200	33,000	1.46%

Source: Census

Figure 128: Winona County Trends, 1970-2015

Population by Age Cohort	2015	*Share*
Ages 0-4	2,400	4.7%
Ages 5-17	10,100	19.8%
Ages 18-24	7,600	14.9%
Ages 25-34	5,700	11.2%
Ages 35-44	4,900	9.6%
Ages 45-64	12,400	24.3%
Ages 65-74	4,300	8.4%
Ages 75+	3,600	7.1%

Source: ACS

As seen in Figure 129, major industries in Winona County include manufacturing, government, and assorted other industries. Combined, these industries make up 30% of the county's jobs. As the major industry, a number of manufacturers are the county's largest employers. These include Fastenal, TRW Automotive Electronics, and Wincraft, an apparel accessories manufacturer. Winona State University and Winona Health are two major public-sector employers in the county. As seen in Figure 130, the county's median household income is lower than the Region's, though it is growing at a faster rate.

Figure 129: All Industries, Winona County

Industry	2001	2015	Absolute Change	Annualized Change
Manufacturing	6,740	6,310	(430)	-0.47%
Government	3,360	3,590	230	0.47%
Retail Trade	4,280	3,240	(1,040)	-1.97%
Health Care and Social Assistance	2,810	3,080	270	0.66%
Tourism	2,630	2,750	120	0.32%
FIRE	2,260	2,430	170	0.52%
Educational Services	1,330	1,780	450	2.10%
Agriculture, Forestry, Fishing and Hunting	1,760	1,600	(160)	-0.68%
Transportation and Warehousing	1,190	1,420	230	1.27%
Professional, Scientific, and Technical Services	1,200	1,280	80	0.46%
Construction	1,190	1,060	(130)	-0.82%
Wholesale Trade	760	810	50	0.46%
Other[145]	2,300	3,660	1,360	3.37%

Source: Emsi

Median Household Income

Figure 130: Median Household Income, 2009-2016

Area	2009	2016	Change, 2009-2016
Winona	$43,000	$53,000	23%
Southeast Region	$52,000	$59,000	13%
Minneapolis-St. Paul MSA	$65,000	$71,000	9%
Minnesota	$57,000	$63,000	11%
United States	$51,000	$55,000	8%

Source: ACS; Shown in 2016$

Key Trends and Initiatives

Winona County has a number of housing, workforce development, and placemaking initiatives currently underway. Some key local initiatives include:

- The City of Goodview established an EDA in 2015, which has led to the creation of TIFs, tax abatement programs, business subsidies, façade improvement programs, and a micro-loan program.
- The City of Goodview is working with a developer on the construction of an 8-unit townhome subdivision, which has sparked requests for additional townhome developments elsewhere in the city. Goodview has also received a high volume of requests from businesses to expand. Due to limited available land for development, the city is encouraging the remodeling of vacant buildings.
- Through their 2011 Comprehensive Plan, the City of St. Charles seeks to promote an appropriate balance of conservation and development.
- Residential is the single largest land use in the City of St. Charles. Residential construction boomed in the 1990s, equaling the combined total development from the previous three decades. Since 2000, construction activity has slowed significantly, and the sufficient supply of affordable residential is a growing concern.

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

7.8.2. Baseline Forecast[146]

To understand the projected growth of the Region over the next 20 years, this Study establishes a Baseline Forecast for each county within the Region. The Baseline Forecast projects employment by industry, gross regional product, income, labor force productivity, households and population, and average annual wages and compensation, taking into consideration existing forecasts for the Region. Establishing an appropriate Baseline Forecast is important to understand the projected net new impacts of proposed or underway economic initiatives. Building on the Baseline Forecast, this Study subsequently models the impact of various regional initiatives to understand how this projected growth could change depending on the implementation of policies and plans in the Region. The Baseline Forecast accounts for both historical trends and existing population and economic forecasts for the Region, including county-level forecasts and forecasts completed by the Minnesota State Demographic Center.

Figure 131: Winona County Baseline Forecast, 2015-2040

Population Change	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population	50,900	50,300	49,500	48,800	48,200	47,400	-0.28%
Employment	33,000	33,300	32,300	31,900	31,600	31,400	-0.20%

Source: REMI, HR&A Analysis

Figure 132: Winona County Baseline Age Cohort Forecast, 2015-2040

Age Cohort	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Ages 0-4	2,353	2,374	2,436	2,458	2,419	2,357	0.01%
Ages 5-19	10,111	9,591	9,237	8,960	9,033	9,020	-0.46%
Ages 20-24	7,562	6,440	6,155	6,059	5,688	5,606	-1.19%
Ages 25-34	5,664	7,009	7,326	6,183	6,055	5,788	0.09%
Ages 35-44	4,940	4,763	4,437	5,723	6,086	5,072	0.11%
Ages 45-64	12,369	11,134	10,017	9,050	8,678	9,747	-0.95%
Ages 65-74	4,297	5,181	5,608	5,306	4,520	3,876	-0.41%
Ages 75+	3,588	3,797	4,327	5,099	5,750	5,942	2.04%

Source: REMI, HR&A Analysis

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[146] It is important to note that while the Baseline Forecast for the Region is representative of this Study's overarching findings and conclusions, as geographies become smaller and sample sizes for population and employment decrease, forecast findings begin to show more statistical noise. Directionally, these findings are accurate.

Industry	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Manufacturing	6,300	5,920	5,410	5,120	4,950	4,830	-1.06%
Government	3,590	3,540	3,400	3,350	3,310	3,280	-0.36%
Retail Trade	3,240	3,330	3,220	3,180	3,150	3,120	-0.15%
Health Care and Social Assistance	3,080	3,360	3,450	3,530	3,600	3,660	0.69%
Tourism	2,750	2,840	2,760	2,700	2,620	2,550	-0.30%
FIRE	2,430	2,420	2,360	2,360	2,360	2,360	-0.12%
Educational Services	1,780	1,880	1,890	1,910	1,900	1,900	0.26%
Agriculture, Forestry, Fishing and Hunting	1,600	1,580	1,510	1,460	1,420	1,400	-0.53%
Transportation and Warehousing	1,420	1,440	1,420	1,420	1,420	1,420	0.00%
Professional, Scientific, and Technical Services	1,280	1,340	1,340	1,350	1,370	1,380	0.30%
Construction	1,060	1,020	980	1,000	1,020	1,050	-0.04%
Other[147]	4,470	4,630	4,560	4,520	4,480	4,450	-0.02%
Total	33,000	33,300	32,300	31,900	31,600	31,400	-0.20%

Source: Source: REMI, HR&A Analysis

7.8.3. Impact of Initiatives

To understand the overall benefit to the county of these initiatives, this Study uses REMI to aggregate the various inputs from initiatives and methodologies described in Section 5 into a single model simulation ("All Initiatives Model"). The results of this All Initiatives Model were compared to the SDC Forecast, which assumed a business-as-usual trend, reflecting historical population change and projecting this into the future. Important to the SDC Forecast is an implicit assumption about housing production; previous housing production in the Region generally kept pace with past population growth, and this trend and development pattern will persist in the future. However, the housing production pace seen today, and the housing needed for the population projected by the State Demographer, is significantly lower than what is anticipated under the All Initiatives Model. While these initiatives will need to be implemented in coordination for the greatest impact, the most important initiatives for the county's economic growth will be solving for the housing gap and labor participation rates.

Figure 134: Winona County All Initiatives Impact Above SDC Forecast, 2015-2040

	2015	2020	2025	2030	2035	2040	Annualized Change, 2015-2040
Population, SDC Forecast	50,900	50,200	49,400	48,400	47,400	46,400	-0.37%
Population, All Initiatives	50,900	50,400	49,800	49,200	48,700	47,800	-0.25%
Difference	-	200	400	800	1,300	1,400	0.12%
Employment, SDC Forecast	33,000	33,300	32,200	31,700	31,300	31,000	-0.25%
Employment, All Initiatives	33,000	33,400	32,500	32,200	32,200	32,300	-0.09%
Difference	-	100	300	500	900	1,300	0.16%

Source: REMI, HR&A Analysis

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