

Economic Base and Community Development

The City of Scandia is a rural and ex-urban community with a small but growing economic base. The City, until very recently a township, has an economic base quite typical of rural communities near metropolitan areas. The primary economic industry, when viewed as a land use, is agriculture. Scandia has a town center in the historic village area, and a small amount of industrial activity in several locations. As development accelerated in and around Scandia over the last 20 years, additional commercial investment occurred in and near the village area and in areas where increased road traffic was sufficient to support traffic-oriented businesses.

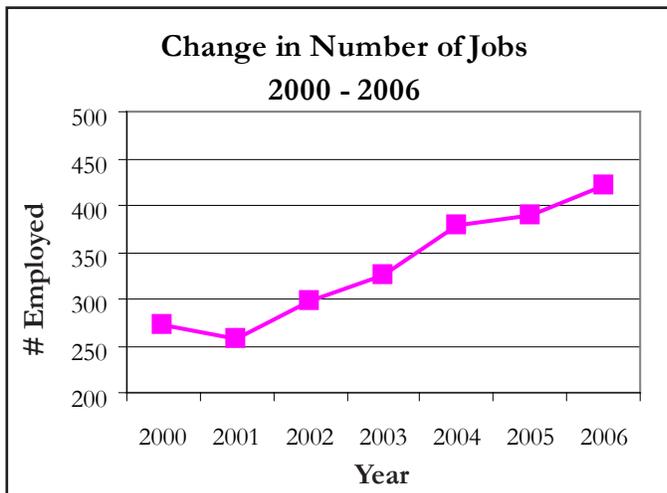
As development continues to occur, the opportunity for certain types of new economic-oriented investment will also grow. The dramatic rise in the number of households in northern Washington County and Chisago County has created a boom in retail and service industry investment both where the new households are located and along the highways used by those households. This trend is forecast to continue (barring unforeseen long-term economic downturns) and consequently raises the necessity of setting goals for the preferred locations, types, and scope of commercial and industrial community development in Scandia.

This section identifies:

- Recent trends in Scandia’s economic base
- Economic assets that could provide focus for community development goals
- Tradeoffs associated with development pattern choices

Employment and Wages

Figure 10 - Jobs in Scandia 2000 to 2006



Source: QCEW

Employment (excluding self-employment) in Scandia is on the increase. As Figure 10 - *Jobs in Scandia 2000 to 2006* indicates, data from the Quarterly Census of Employment and Wages (QCEW) shows that the number of jobs located in Scandia between 2000 and 2006 has increased from 258 in 2001 to 421 in 2006, or 148 jobs (a 54% increase).¹ This rate of increase is significantly higher than most other communities in the area. The number of businesses with employees, however, did not increase at the same rate. Scandia had 63 businesses with employees in 2000, and 84 in 2006, an increase of 33%.

¹ QCEW data is compiled from unemployment insurance filings by businesses, and includes (statewide) approximately 98 percent of all jobs. The data exclude self employment and other job categories not covered by unemployment insurance.

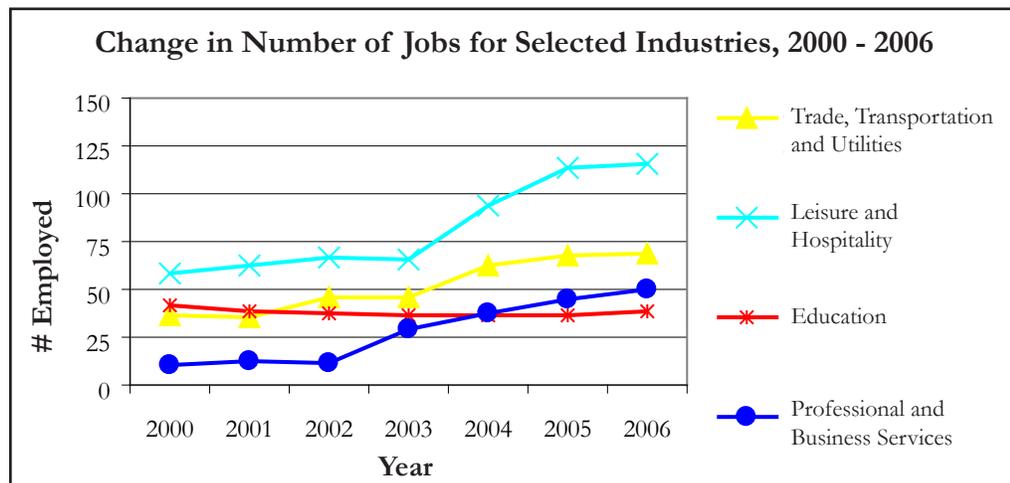
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A key component of understanding the way that Scandia's economic base is changing is to look at how economic sectors are adding jobs or new businesses. Given Scandia's relatively small size, the QCEW data on different economic sectors are not complete. The State of Minnesota suppresses data when release of the data would reveal information about a specific business.

While complete information on employment by industry is suppressed for confidentiality purposes, the data do show four major economic sectors in Scandia that comprise approximately 65% of all employment, including:

- Trade, transportation and utilities
- Education services
- Leisure and hospitality
- Professional services

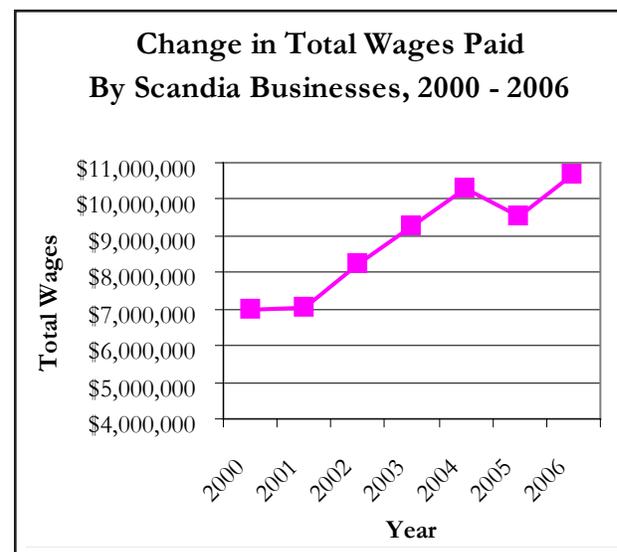
Figure 11 - Change in number of jobs for selected industries in Scandia



Source: QCEW

Figure 11 - *Change in number of jobs for selected industries in Scandia*, shows how the number of jobs in the four major economic sectors has changed over the last six years. Leisure and hospitality services have approximately doubled in the last six years, from 58 jobs to 116 jobs. The number of jobs in trade, transportation and utilities increased from 36 jobs in 2000 to 69 jobs in 2006. Professional and business services increased from employing 10 people in 2000 to employing 50 people in 2006. The number of people employed in education jobs has held steady, ranging between 42 jobs in 2000 and 36 jobs in 2003.

Figure 12 - Wages paid in Scandia



Source: QCEW

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Looking at the number of jobs tells only part of the story of Scandia's economic base. The amount of wages paid by Scandia businesses also sheds light on the kind of economic growth that is occurring in the City. Total wages paid increased by 53% from 2000 to 2006. Figure 12 - *Wages paid in Scandia*, shows the pattern of change in total wages paid. If, however, wages are adjusted for inflation, the increase is considerably smaller – approximately 31%. The rate of increase is still quite significant, but is also noticeably slower than the rate of increase in the number of jobs.

The difference in the rate of increase between the number of jobs versus real wages paid indicates that economic growth may be occurring either at the lower end of the wage scale or for seasonal businesses. The leisure and hospitality industry was the sector (of the sectors for which data are available) that showed the largest growth in number of jobs from 2000 to 2006. This industry is typically seasonal and also tends to pay in the lower end of the wage scale.

Geographic Distribution of Jobs and Economic Forecast

Forecasting economic growth for a community economy as small as Scandia is quite difficult and likely to be inaccurate. A single large employer coming into the City or leaving the City will dramatically change the result. Washington County does, however, forecast changes in the number of jobs for transportation planning purposes based on the six Traffic Analysis Zones (TAZs) in Scandia. Washington County predicts that retail employment will remain constant in most areas of Scandia. The village and the southwest quadrant are forecast to lose a few retail employment (two jobs lost in the village and five in the southwest area).

The County forecasts Scandia to gain a total of 222 additional non-retail jobs by 2030 (see Table 26 - Scandia Growth Forecasts, page 92). Non-retail employment is expected to grow in three of Scandia's TAZs while the other four TAZs experience no growth. The northwest quadrant and the southwest quadrant will each gain 50 non-retail jobs. The village itself is expected to gain 122 non-retail jobs.

Labor Force Characteristics²

In 2000, Scandia's labor force included 2,050 people. Of these, 2,001 people were employed. Forty-nine people, or 1.7 % of people 16 or over, were unemployed. In Washington County, 1.9% of people 16 or over were unemployed. In Chisago County, 2.5% of people 16 or over were unemployed in 2000.

Of Scandia's workforce in the year 2000, 80.4% commuted to work by driving alone, 12.5% carpooled, and 6.9% worked at home. The average commute time was 32.7 minutes. In Washington County, 83.7% of the workforce drove alone to work, 9.4% carpooled and 3.8% worked at home. The average commute time for Washington County was 24.6 minutes. In Chisago County, 81% of the workforce drove to work alone, 12.6% carpooled and 4.2% worked at home. The average commute time was 31.9 minutes.

² All labor force information is from the 2000 U.S. Census.

Occupations

The most common occupations in Scandia in 2000 were management, professional and related occupations. Thirty-six percent (722 individuals) of the employed civilian population was involved in these occupations. The next most common occupations were sales and office occupations, which accounted for 28.5% (570 people) of the employed population. Only 219 people were involved in service occupations, 10.9% of the employed population.

In Washington County, management, professional and related occupations were also the most common occupations in 2000, involving 41% of the employed population. The next most common occupations were sales and office occupations, which involved 28.2% of the employed population. Service occupations employed 11.6% of employed people.

In Chisago County, management, professional and related occupations were also the most common occupations in 2000, involving 28.9% of the employed population. The next most common occupations were sales and office occupations, which involved 25.1% of the employed population. Service occupations employed 13.8% of employed people.

Industries Employing Residents

In Scandia, the education, health & social services industry employed the greatest number of residents – 377 people or 18.8% of employed people. The next largest employers of Scandia residents were manufacturing and construction, which employed 16.2% and 13.4% of the employed labor force, respectively.

The biggest employer of Washington County workers, the education, health and social services category, accounted for 18.2 % of the employed labor force. The next largest industry was manufacturing, which provided jobs for 17.6% of the County labor force, followed by the retail trade, which employed 11.4%.

For Chisago County workers, education, health and social services employed the same portion of employed labor force as manufacturing did – 19.2%. The next largest industry was the retail trade, employing 11.9% of the employed population.

Self-Employed Workers

Scandia had a smaller proportion of private wage and salary workers than either Washington or Chisago County in 2000 (see Table 24 - *Types of workers*). However, Scandia had a notably higher percentage of self-employed workers – 10.4 % in Scandia as compared to 5% and 6.8% in Washington and Chisago Counties, respectively.

Table 24 - Types of workers

CLASS OF WORKER	Scandia		Washington County		Chisago County	
	#	%	#	%	#	%
Private wage and salary workers	1,498	74.9	88,283	81.1	16,810	79.7
Government workers	292	14.6	14,950	13.7	2,779	13.2
Self-employed workers in own not incorporated business	209	10.4	5,461	5	1,441	6.8
Unpaid family workers	2	0.1	128	0.1	54	0.3

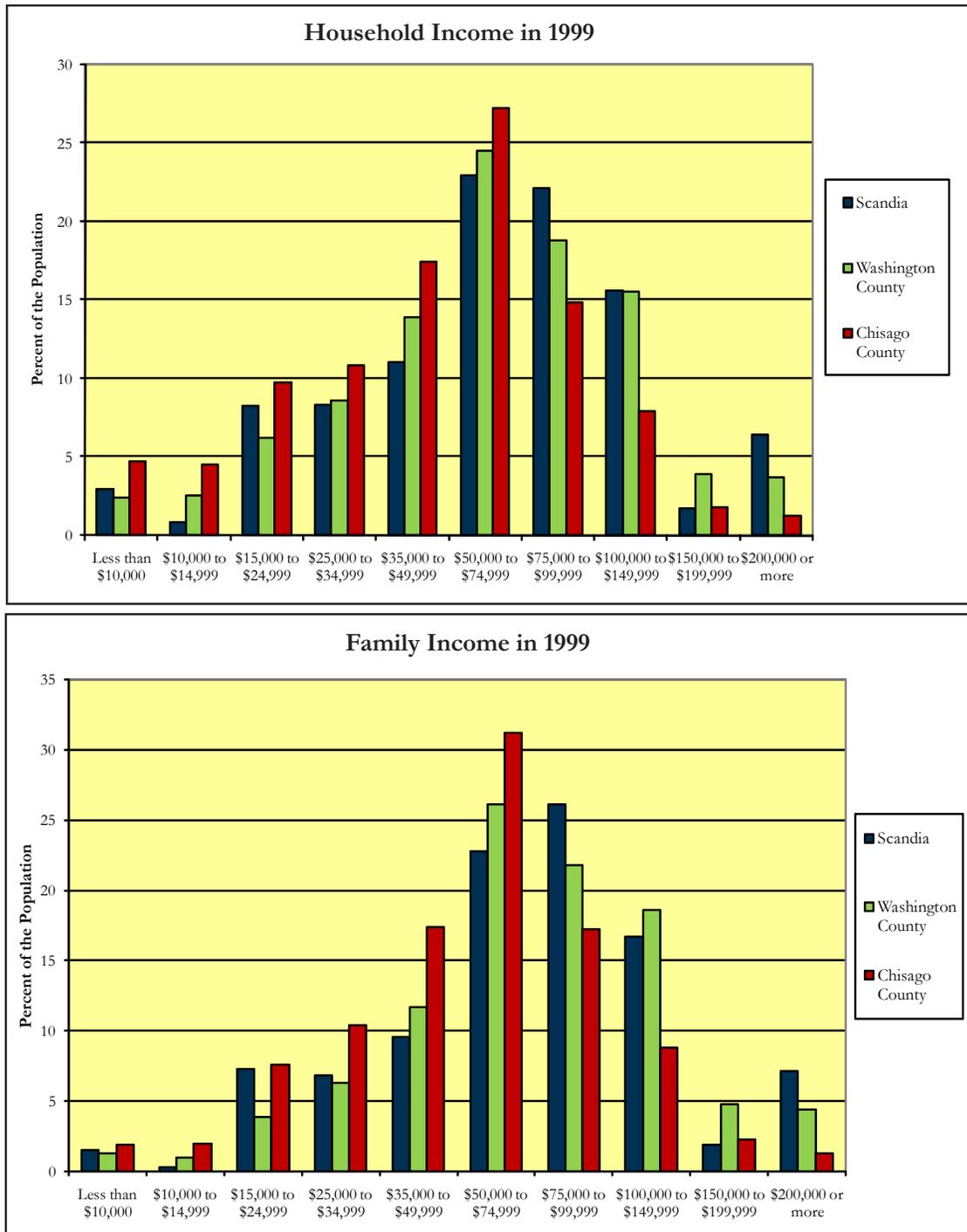
Source: U.S. Census 2000



Income and Poverty

The median household income in Scandia in 1999 was \$68,036. This was higher than the 1999 median household income in Washington County (\$66,305) and in Chisago County (\$52,012). Figure 13 - *Income*, shows the income distribution of all three locations in 1999. Scandia's population is more skewed towards the high end of the income brackets than Washington or Chisago County.

Figure 13 - Income



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The median family income in Scandia in 1999 was \$76,389. In Washington County the median income was \$74,576, and in Chisago County it was \$57,335 in 1999. Figure 13 - *Income*, shows the family income distribution for Scandia, Washington County and Chisago County. Scandia and Washington County both have a greater percentage of the population in the higher income brackets than Chisago County.

In Scandia, 2% of families and 2.3% of individuals were below the poverty line in 1999, while in Washington County, 2% of families and 2.9% of individuals were below the poverty line. In Chisago County, 3.2% of families and 5.1% of individuals were below the poverty line.

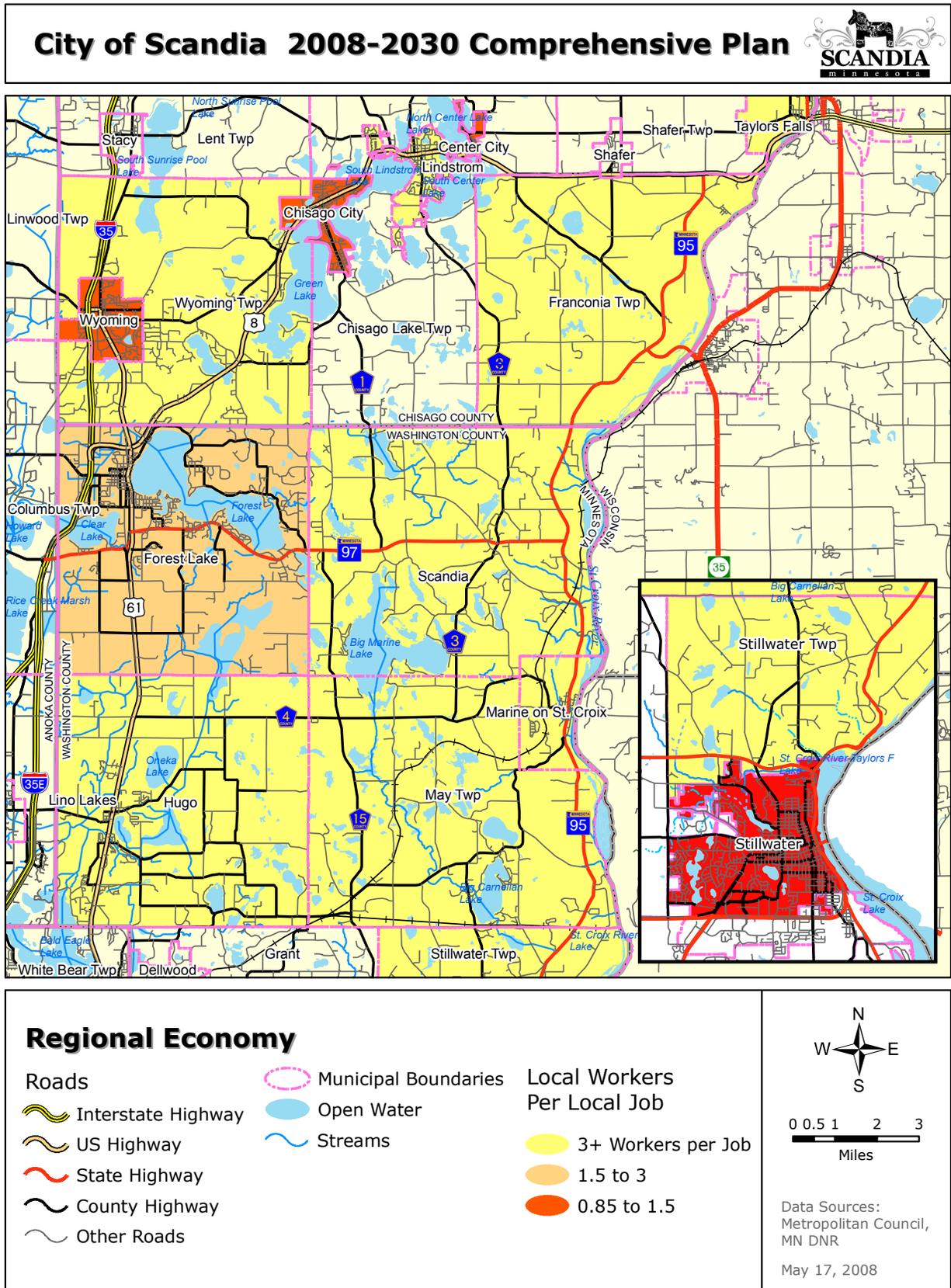
Employment in Surrounding Communities

One of the most significant factors affecting Scandia's long term economic growth prospects is the place that Scandia occupies within the immediate economic region. Map 18 - *Regional Economy*, shows Scandia's regional context. Scandia is within a few miles of a number of established communities with significant economic bases of their own. The presence of these other communities can have a positive or negative effect on the economic sustainability of Scandia businesses. Retail businesses that are in or could locate in Scandia would be competing with retail businesses in surrounding communities. Big box stores, for instance, generally have a much more significant dampening effect on smaller retail establishments in neighboring communities than in the community where the big box is located. In contrast, niche retail or destination service businesses may actually benefit from nearby retail centers, as people who are already nearby will be more likely to go a little farther to shop at a specialty store. Two niche clusters in neighboring communities will support one another to an even greater degree.

In 2006, communities surrounding Scandia had between 59 (Franconia Township) and 11,155 (Stillwater) jobs. As measured by the number of jobs, five communities economically dominate the immediate area around Scandia: Stillwater, Forest Lake, Chisago City, Hugo, and Wyoming. Stillwater is by far the largest local economic influence, but the other four communities also have much more established economic bases than Scandia. Map 18 - *Regional Economy*, shows the number of local workers per local job (covered employment only) for each neighboring community.

Furthermore, while Scandia is experiencing fairly rapid increases in employment, the cities of Forest Lake, Wyoming, and Stillwater had more than twice the number of new jobs created, and real wages increased at a pace consistent with job creation. All of these neighboring cities, furthermore, are located along major transportation corridors (Interstate 35, State Highway 36) and will see continued economic investment simply by virtue of proximity to these corridors.

Map 18 - Regional Economy



Dynamics of the Local Economy

For comprehensive planning, it is frequently helpful to consider the community’s economic base as a single entity or process rather than a series of separate businesses. Figure 14 - *Community economy*, shows a model of how a local economy works. Dollars flow into the community, circulate within the community, and escape from the community. Dollars flowing into the community come from “export” businesses such as manufacturing, agriculture, and regional service institutions. Those dollars are circulated within the community when residents and local businesses spend money and pay taxes. The spending allows businesses to pay wages to local residents, who then buy more local goods and services, so the same dollar is spent over and over again. Dollars escape from the community when businesses and residents spend dollars in other communities for goods and services or pay wages to people who live outside the community.

In reality, the local economy is so intertwined with that of surrounding communities and the metropolitan area that one cannot expect to quantitatively measure these flows at the local level, or to economically isolate a community. This model is, however, helpful for understanding opportunities and limitations of economic development efforts. Given that perspective, opportunities to enhance the local economic base come in two forms:

- Expanding local “export” businesses and sources of residents’ wages that are outside the community, and
- Increasing the opportunities for local residents and businesses to spend locally rather than outside the community

Manufacturing and similar “export” businesses are referred to as basic industries, which export their products and import dollars into the community. PN Products, a plastic products manufacturer, is an example of a basic industry. Retail businesses are typically referred to as “non-basic,” circulating dollars within the community. Scandia has a number of examples of non-basic businesses that circulate dollars, including hair salons, a small grocery, gas stations, and convenience stores. Local government and school employment is also considered to be a circulating, rather than export, industry.

Figure 14 - Community economy



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For one key economic sector in Scandia, however, the traditional assumption about retail/service as non-basic must be re-examined. Scandia has a number of businesses in the leisure and hospitality sector that complement the natural resource and tourism assets in the community. The St. Croix (Highway 95) scenic byway, William O'Brien State Park, Big Marine Lake, and the Scandinavian tourism institutions in the village area (Gammelgården Museum) bring people into the community from other places, and thus help support retail and service businesses that have a basic, rather than non-basic, economic function. Other examples of retail businesses that have a basic function include niche or specialty retail businesses.

Goods and Services

Total employment within QCEW data is separated into two broad categories – goods-producing and service-providing. Goods-producing economic sectors include all kinds of manufacturing and related businesses that produce a tangible product for sale (other than agriculture, which is not included in QCEW data), and the construction industry. Service-providing economic sectors include all other businesses, which include education, retail, health care, professional services, governmental employment, and other service industry sectors. Unfortunately, given Scandia's relatively small economic base this data was suppressed for confidentiality reasons. Scandia has a very small number of goods-producing industries, and

Figure 15 - Scandia business inventory

Existing Businesses in Scandia	
Abrahamson Nurseries	Peterson Excavating
Am-Tec Designs	PN Products
C & B Excavating	Prairie Restorations
Cheri Cunningham Graphic Design	Prospects Restaurant
Countryside Arts	R & B Auto
Crabtree's Country Store	Scandia Café
Critical Connections Ecological Services, Inc.	Scandia Creamery
Four Seasons Energy Efficient Roofing, Inc	Scandia Elementary School
Gilbertson Farms	Scandia Family Dental
Greystone Educational Materials	Scandia Financial Services
Health Insurance Mart	Scandia Hair Design
Ironwood Golf Range	Scandia Heating & Air
Kendrick Chiropractic	Scandia Olde Towne Liquors
Lakehomes Realty	Scandia Pizza
Lakes Air Heating and Cooling	Scandia Self Storage
Landmark Surveying	Scandia Store
Leroux's All Season Lawn & Sports	Scandia Veterinary Clinic
Lindal Cedar Homes and Sunrooms	Security State Bank
Markgraf Mechanical, Inc.	Superior Land Preservation
Martin Appraisals	Todd's Home Center
Meister's Bar and Grill	Waland Excavation
Northland Chiropractic Clinic	Wilkerson Accounting

Source: City of Scandia

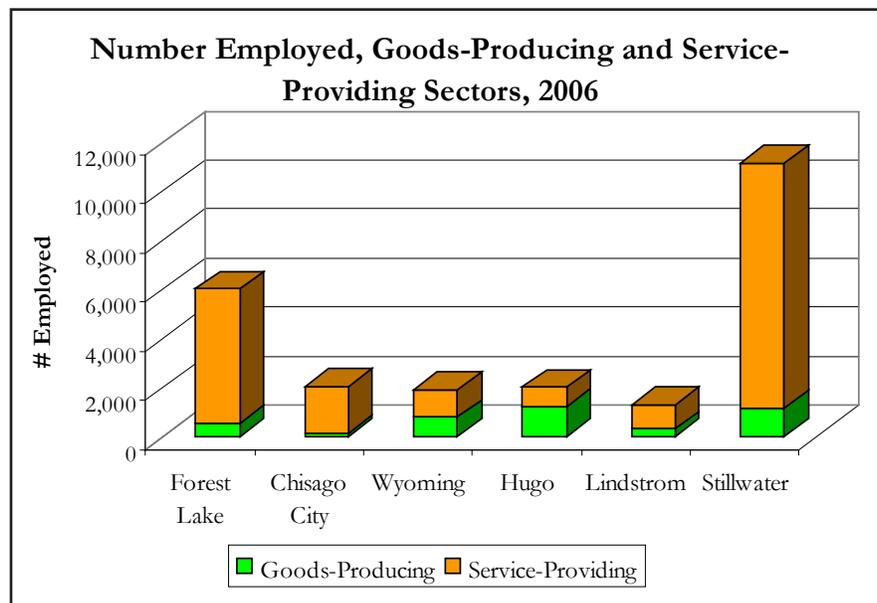
one manufacturing business (PN Products) that is a significant employer. An inventory of Scandia businesses is provided below in Figure 15 - *Scandia business inventory*.

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While the goods/services data are not available for Scandia, it is helpful to examine Scandia's potential within the regional economy. Goods-producing and service-providing job data for 2006 was available for the six largest communities immediately surrounding Scandia: Forest Lake, Chisago City, Wyoming, Hugo, Stillwater, and Lindstrom. Figure 16 - *Employment in goods-producing and service providing sectors*, shows the number of people employed in goods versus services in these six communities. Four of these communities have predominantly service-providing jobs. Stillwater has 1,138 goods production jobs, but 10,017 service providing jobs. Forest Lake has 539 jobs in goods but 5,460 service industry jobs. Chisago City has 101 goods production jobs and 1,916 service industry jobs. Lindstrom has almost one thousand service jobs to 280 good-producing jobs. The two other communities have a more balanced economic base. Wyoming is more evenly split with 751 goods production jobs and 1,150 service industry jobs. Hugo actually has more goods-producing jobs (1,221) than service jobs (778).

From these data we see that the immediate regional economy (Scandia and surrounding communities) has a higher percentage of service jobs than seen for the metropolitan area or for the State of Minnesota as a whole. These data demonstrate that Scandia is surrounded by fairly substantial (and growing) retail/service centers.

Figure 16 - Employment in goods-producing and service providing sectors



Source: QCEW

Community Development Issues and Land Use

Managing commercial areas

One of the community development issues facing communities in the comprehensive planning process is how to manage the location and amount of commercial land uses within the City. Several considerations are important when identifying commercial development priorities. First, a community needs to manage commercial land use decisions similarly to how a business manages inventory – finding a balance between meeting market demands while avoiding unproductive investment in unused inventory. Second, commercial busi-

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nesses generally work best in clusters, when synergies between businesses can be utilized to increase both the market share of the businesses and increase the size of the market to be tapped. Third, commercial businesses should be located to be able to build upon community assets and institutions. Natural resources that attract visitors, institutions that increase traffic, and high-volume highways that carry people through the community are all potential assets around which commercial investment has a better chance of sustaining itself over the long run.

Scandia needs to identify:

- Where are community assets that can support commercial investment?
- What is the appropriate amount of commercial land given the local and regional, and metropolitan context of the City?
- Where are the existing commercial clusters within the community that can provide opportunities for new investment?

Enhancing quality of life

Another community development issue is describing how economic activity in a community should enhance the quality of life for residents. Investment in industrial, commercial, agricultural, and other non-residential land uses should make the community better off.

Quality of life issues to consider include:

- Increasing economic opportunity for residents through job creation
- Improving the access that residents and visitors have to essential goods and services
- Increasing the diversity of (non-essential) goods and services for residents and visitors
- Maintaining the character of residential and rural areas in economic development decisions

Scandia needs to identify what quality of life issues are priorities in setting economic development goals and making community development land use choices. Does the community want to create local access to essential goods and services? If so, what are the characteristics of businesses that serve primarily local residents, and the land use patterns that support such a goal? Does the community want to move toward being a job generator and away from being a bedroom community? If so, what are the kinds of commercial or industrial investment that would be economically sustainable in Scandia, and consistent with maintaining the character of Scandia as a community?

Sustaining community services

Non-residential development (commercial, industrial, agricultural) typically generates more tax and fee revenue, and demands fewer services, than nearly all types of residential development. The pattern of land use and development will, furthermore, have an effect on the costs of providing the kind of services for which cities are responsible – supporting and maintaining infrastructure, emergency services, community institutions.

The City should consider:

- What kind of services should be provided by Scandia, and what can be provided in adjacent communities or in conjunction with adjacent communities?

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- What amount of non-residential development is appropriate for the community from both a fiscal and a character perspective?
- Where should commercial and industrial development be located in order to most efficiently provide services?

Creating new value for priority areas and assets

Strategic commercial investment will add value to non-economic assets in the community, including places that are endowed with the community character (such as historic buildings), neighborhoods that can benefit from walkable access to commercial goods or services, and even natural resources such as scenic vistas that can be connected to economic investment in order to ensure long-term maintenance. Risks are also present in regard to economic development decisions – community character, community assets, and natural resources are put at risk by nuisances associated with some types of commercial or industrial development.

The City should consider:

- How to add value to neighborhoods or priority character areas by encouraging appropriate commercial investment.
- Whether to link commercial investment to desirable natural resources (shoreland areas, scenic vistas), and if so, how to ensure long-term maintenance of the natural resources.
- The potential nuisances associated with commercial land uses (increased traffic, noise, visual impacts), and the priorities that need to be set to guide future land use decisions.