

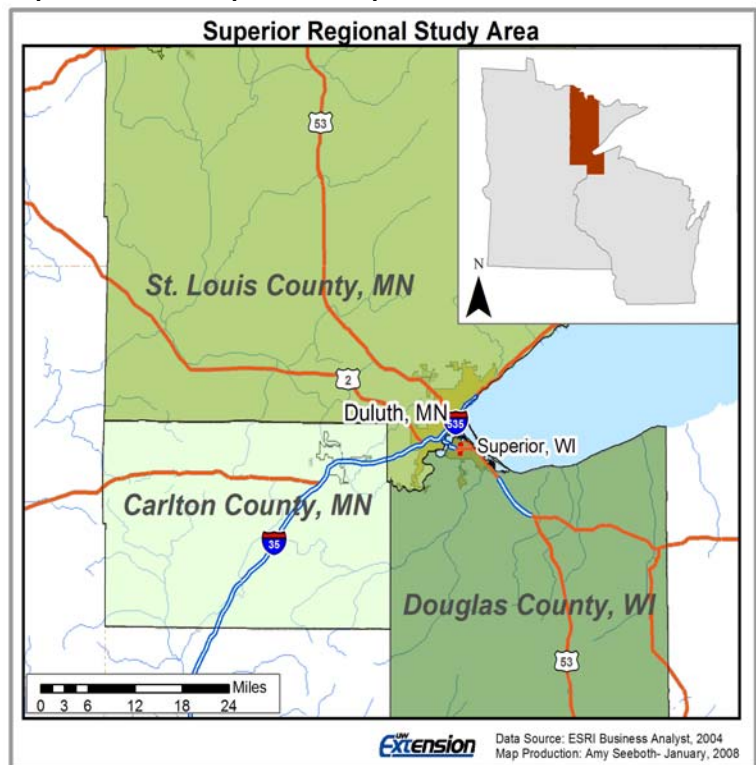
Superior BID's Relationship to the Regional Economy

Opportunities and challenges facing the Superior BID are influenced by broader regional economic conditions. Understanding regional economic characteristics and trends provides context for the Market Analysis and supplies insight into possible development strategies that could be employed in the Superior BID.

Superior is part of a broader regional economy called the Twin Ports that includes Duluth, MN (population 87,000). The Twin Ports is located at the western edge of Lake Superior (the westernmost of North America's Great Lakes). The cities and seaports are connected to the Atlantic Ocean through the Great Lakes and the St. Lawrence Seaway. The Twin Ports are at the core of the "Duluth-Superior Metropolitan Statistical Area (MSA)," which includes all of Douglas County, Wisconsin and Carlton and St. Louis counties in Minnesota.

While the Twin Ports and the Duluth-Superior MSA economy have an influence on much of Northwest Wisconsin and Northeast Minnesota, the precise geographic boundaries used to define this region vary. Analyses in this section often focus on Douglas County or the three counties that comprise the Duluth-Superior MSA. To provide context, a number of analyses in this section examine conditions in the Duluth-Superior MSA relative to Wisconsin and the Nation. In addition, some analyses are based on a region that includes numerous other counties in Northeast Minnesota and Northwest Wisconsin (as presented by Northland Connections and the Area Partnership for Economic Expansion - APEX).

Map 4.1 – Duluth-Superior Metropolitan Statistical Area



Economic Characteristics Impacting the Superior BID

The characteristics and economic health of the Twin Ports and the broader Duluth-Superior MSA can provide valuable background information for examining new business opportunities in the Superior BID. Economic data can help point to competitive advantages of the BID from a variety of human, social, industrial and geographic factors. Understanding these factors may allow development of a competitive advantage that can help the BID develop its position and

service to the regional economy. Accordingly, this section examines the regional and local economy around the Superior BID from five angles:

1. *Industry Concentrations and Employers* – industry clusters and component businesses that differentiate the area/region’s economy from competitors.
2. *Physical Infrastructure* – transportation networks and communication infrastructure that facilitate commerce.
3. *Labor Force* – knowledge and skills of the labor force and the systems, institutions and relationships that support employee and business development.
4. *Educational Institutions and Networks that Support Business Development* – organizations that support a “knowledge economy” and contribute local economic impacts.
5. *Quality of Life and Tourism Activity* – businesses and organizations that help visitors and residents enjoy the natural, industrial and cultural assets of the area while contributing to a more diversified local economy.

Using these categories, this section examines the economy of the Duluth-Superior MSA to explore possible development strategies that could be employed in the Superior BID. The information in this section can be used as background for economic development efforts and to make information available to existing and prospective businesses.

Area Partnership for Economic Expansion (APEX)

The Area Partnership for Economic Expansion (APEX) is a Duluth-based organization that links private sector leadership and resources to encourage business development and job creation in Northeast Minnesota and Northwest Wisconsin. While APEX serves a promotional role for the area’s economy, some of their descriptions of regional economic attributes are presented in this section to highlight the competitive advantages of the region and how it is being promoted. The following are APEX’s “Top 10” competitive advantages of the region as a place to do business:

1. Productive, competitive, loyal workforce with low turnover (usually less than 5%)
2. One of the nation’s lowest cost regions for electric energy
3. Robust telecommunications infrastructure
4. Wide selection of commercial space and tax-free building sites
5. Comprehensive training and support
6. International seaport, airport, all four national railroads and excellent highway transportation
7. Exceptional education—more than a dozen higher educational institutions, including two universities, two private colleges and multiple state and technical college campuses
8. Affordable townhouses, lakefront condos and single-family homes
9. World-class health care with nationally ranked hospitals and clinics
10. Exceptional quality of life

In addition to the APEX competitive advantages, both Superior and Duluth serve as regional economic centers for their respective in-state multi-county regions. See www.thenorthlandworks.org.

Source: APEX, <http://www.apexgetsbusiness.com/>

1. Industry Concentrations and Employers

The economy of Northwest Wisconsin and Northeast Minnesota is well-known for core mining, forest products, and transportation. However, economic development efforts have created regional competitive advantages for heavy equipment manufacturers, precision machinery and fabricating operations, aircraft and aerospace industries, and applied information companies.¹

Economic Sectors

As Advanced by the Area Partnership for Economic Expansion (APEX)

Metal Fabrication and Machinery - This region supports a vibrant base of manufacturing companies, skilled in precision machining, welding, metal fabrication, molding, stamping and die cutting. They make components used in area mining operations, manufacturing processes and other industrial applications.

Forest Products - Rich renewable resources, a well-developed transportation system, and proximity to customers and suppliers make the region ideal for forest product companies. Several international paper mills operate here, as well as oriented strand board, lumber and veneer plants, and secondary wood products manufacturers that specialize in cabinets, windows, doors, flooring and other goods.

Metallurgy/Mining - Taconite mining and processing operations in Northeast Minnesota's Iron Range generate two-thirds of the iron ore used to produce steel in the United States. Capital investments and innovative pilot projects are positioning the region for a competitive future in taconite and iron nugget production. Planning is underway for a proposed steel plant in Northeast Minnesota.

Heavy Equipment Manufacturing - Aerial lift devices, track loaders, and hydraulic shearers are examples of heavy equipment manufactured in this region. There is tremendous potential for producers of durable equipment for the mining, pulp and papermaking, construction, shipping, materials handling and energy industries. Skilled workers, reliable and affordable electricity, properly zoned sites, and multimodal transportation make this region conducive for production.

Aircraft, Aerospace & Allied Technology - The world's best selling personal transportation aircraft is produced by Cirrus Design Corporation, headquartered at the Duluth International Airport. Area suppliers provide FAA-certified components and help keep costs competitive. The region also boasts a state-of-the-art aircraft maintenance facility, a commercial airline reservation center, and software producers that specialize in aircraft maintenance solutions.

Applied Information Technology - Companies that provide data processing, accounting, and call-center customer service and support have been drawn to this region's outstanding telecommunications infrastructure, affordable real estate and available workers.

Transportation - Technology transportation is a driving force in Northeast Minnesota and Northwest Wisconsin. More than 40 trucking companies originate in the region and handle both general and specialized cargo. Four major railroads have terminals in and around the Port of Duluth-Superior and deliver commodities bound for Great Lakes shipping or for distribution across North America.

In addition to the economic sectors as advanced by APEX, others are also important. These include health care, education, tourism, recreation, entertainment, and culture.

Source: APEX Regional Profile. <http://www.apexgetsbusiness.com/>

¹ Area Partnership for Economic Expansion, www.apexgetsbusiness.com

Industry Concentrations – Duluth-Superior MSA

A location quotient (LQ) provides one measure for analyzing industry concentration and specialization in the Duluth-Superior MSA. A location quotient is calculated by comparing a given industry's share of total employment in the region to the same industry's share of overall national employment:

The critical value for a location quotient is 1.0. An LQ of 1.0 means a region has the same proportion of local employment in an industry as the nation. An LQ greater than 1.0 means the region's share of employment in a given industry is greater than its national share. Conversely, an LQ less than 1.0 means the region's employment in an industry is below the national percentage. *Due to accuracy issues with employment data, location quotients between 0.75 and 1.25 are generally considered close enough to 1.0 not to be significantly different.*

A location quotient of 1.0 suggests the local level of demand for the good or service is satisfied by local industries and consumers (supply equals demand). Consequently, location quotients greater than 1.0 are important as they suggest a region has a specialization in a given industry. Given the assumption that local conditions and preferences are the same as those nationally, an LQ greater than 1.0 implies the industry is producing more goods or services than can be consumed locally. Subsequently, these goods and services are exported out of the region and bring outside dollars into the area (i.e. they have an export-orientation). *Industries with a location quotient greater than 1.0 can also suggest an area of regional specialization.*

Table 4.1 ranks the top 20 Duluth-Superior MSA industries in terms of location quotients. While these figures are reported for the aggregate region, employment concentrations may vary by city or county in the region.

Table 4.1 - Top Industries in the Duluth-Superior MSA (with available data), 2006

NAICS Category and Description	Location Quotient	Total Employment
486 Pipeline transportation	4.07	140
113 Forestry and logging	3.85	234
623 Nursing and residential care facilities	3.01	7,709
114 Fishing, hunting and trapping	2.96	23
487 Scenic and sightseeing transportation	2.76	67
447 Gasoline stations	2.20	1,684
622 Hospitals	1.83	7,115
813 Membership associations and organizations	1.52	1,768
485 Transit and ground passenger transportation	1.48	515
721 Accommodation	1.45	2,353
621 Ambulatory health care services	1.32	6,202
316 Leather and allied product manufacturing	1.29	42
444 Building material and garden supply stores	1.28	1,501
511 Publishing industries, except Internet	1.21	963
722 Food services and drinking places	1.20	9,875
484 Truck transportation	1.19	1,502
315 Apparel manufacturing	1.15	244
453 Miscellaneous store retailers	1.15	908
454 Non-store retailers	1.15	437
524 Insurance carriers and related activities	1.13	2,158

Source: US Department of Labor, Bureau of Labor Statistics, 2006

Note: Note that differences in local demand compared to national demand, or the efficiency of an industry within a region have the potential to skew the results of a location quotient analysis. Furthermore, the Duluth-Superior Region should not seek to satisfy all local demand with local industries. Certain industries are best suited for other locations and are not feasible for the region. Nonetheless, location quotients serve as a basis for examining export industries and areas of specialization in the region.

Several observations can be drawn from the location quotients shown in Table 4.1:

- Pipeline transportation and forestry/logging have the largest location quotients in the Duluth-Superior MSA. With few employees, these categories do not contribute greatly to total local employment but are still very important specializations in the region.
- Nursing/residential care facilities, hospitals and ambulatory health care services all have both a high location quotient and high level of employment. The export orientation of these industries combined with their high employment levels highlights the importance of these services on the regional economy.
- Transportation and Warehousing (NAICS 48) accounts for four of the top twenty location quotients in the Duluth-Superior MSA. While these industries collectively employ fewer than other industries in the region, they pay higher wages.
- The hospitality industry (lodging and food service) employs over 12,200 in the MSA.

Table 4.2 indicates the major employers in the Duluth-Superior MSA located minutes from Superior, in Duluth (health, government, and education), while the natural-resource-based industries are located in mid to northern St. Louis County.

Table 4.2 - Top 10 Employers in Duluth-Superior MSA, 2007

Establishment	Product or Service	# of Employees
St. Mary's/Duluth Clinic	Offices of Physicians	3500-3900
US Steel Minnesota Ore	Iron Ore Mining	1500-1999
Duluth Public Schools-ISD#709	Elementary & Secondary Schools	1500-1999
St. Louis, County of	Executive, Legislative, & Other Gen. Govt. Support	1500-1999
USX	Support Activities for Mining	1500-1999
University of Minnesota-Duluth	Colleges, Universities, & Professional Schools	1500-1999
Fond Du Lac Indian Reservation	Executive, Legislative, & Other Gen. Govt. Support	1000-1499
St. Luke's Hospital	General Medical & Surgical Hospitals	1000-1499
Duluth, City of	Executive, Legislative, & Other Gen. Govt. Support	1000-1499
Hibbing Taconite Co	Metal Ore Mining	1000-1499

Source: Minnesota Dept of Employment and Economic Development, 2008

Major Employers – Douglas County

While historically the largest employing industries in Douglas County have been trade, transportation and utilities, in recent years, the school system, government, and medical care industries have increasingly become the county's biggest employers.² Table 4.3 shows education, government and medical services as comprising six of the top ten employers in the County. Also prominent is the shipping and transportation industry.

Table 4.3 - Top 10 Employers in Douglas County, 2007³

Establishment	Product or Service	# of Employees
School District of Superior	Elementary & secondary schools	500-999
UW- Superior	Colleges & universities	250-499
Wal-Mart Associates Inc	Discount department stores	250-499
Halvor Lines Inc	General freight trucking, long-distance TL	250-499
County of Douglas	Executive & legislative offices, combined	250-499
City of Superior	Executive & legislative offices, combined	250-499
School District of Maple	Elementary & secondary schools	100-249
Jeff Foster Trucking Inc	General freight trucking, long-distance TL	100-249
Super-One Foods	Supermarkets & other grocery stores	100-249
Murphy Oil USA Inc	Petroleum refineries	100-249

Source: Douglas County Workforce Profile, 2007

² Douglas County Workforce Data. State of WI, Department of Workforce Development. Dec. 2006.

³ In addition to these employers, it is estimated that Enbridge Energy Partners currently employs 300 people in Superior

Two major business developments are in various planning stages. These projects have the potential for creating significant employment and construction opportunities in the community. They are listed below:

- Enbridge Energy Partners, LP is planning a major pipeline expansion between western Canada and the Midwest. The company has roots in liquid petroleum and natural gas transportation. Shipments of syncrude oil sands from Alberta are planned, offering the potential of more stable and abundant petroleum supplies. The anticipated surge in production in Alberta would result in shipments through Superior in route to Chicago. Enbridge currently employs over 300 in Superior. The planned pipeline expansion could employ over 1,000 construction workers in Minnesota and Superior while the project is in process.⁴ For more information about the expansion projects undertaken by Enbridge Inc., go to the Liquids Pipelines expansion website at www.enbridge-expansion.com.



- Murphy Oil has initiated talks with an environmental design and permitting consultant to help plan a major expansion at the Superior refinery. The expansion would cost \$6 billion, increasing the refinery's capacity from 35,000 to 235,000 barrels per day. The project would be the most significant economic development in the region with a projected 400 additional direct jobs and 1,200 secondary jobs.⁵



⁴ Business North, May 2008

⁵ Business North, 2008 Directory of Business and Industry

2. Physical Infrastructure

The Duluth-Superior MSA physical infrastructure helps connect the region to major trade hubs. Home to the largest international port on the Great Lakes, the area contains four Class 1 rail-lines and several major road networks. This infrastructure facilitates business development throughout the MSA including the Superior BID.

Local Infrastructure As Advanced by the Area Partnership for Economic Expansion (APEX)

Industrial Property - Many readily available commercial and industrial sites that are properly zoned and fully served by utilities. Locations are in airports, industrial parks, near ports, downtown districts and are searchable online in a real estate database at www.NorthlandConnection.com.

Water - Lake Superior and thousands of smaller inland lakes, streams and natural springs guarantee fresh, clean water for residential, commercial and industrial uses, now and in the future.

Energy - A powerful supply of reliable and affordable energy is available throughout the region, including electricity, natural gas and steam. Electricity prices are among the lowest in the country. Public and private investments in new generation technologies, renewable energy sources, and expanding distribution systems ensure a bright future for energy-intensive companies.

Railways - Four Class 1 railroads serve the Port of Duluth-Superior and other regional communities, offering a cost-effective transportation option for shippers of heavy materials or large volume products.

Airports - Three airports in Northeast Minnesota and Northwest Wisconsin offer daily commercial round-trip passenger service.

Communications - High-speed telecommunications infrastructure with robust fiber optics, digital switching and built-in redundancy provide fast, dependable connections to data and world markets.

Ports – The Port of Duluth-Superior is among the world’s largest inland seaports, welcoming 1,100 vessels and handling more than 40 million metric tons of cargo each year. This western terminus of the Great Lakes and St. Lawrence Seaway connects businesses to a world of trade. Its industrial waterfront is lined with iron ore and coal docks, grain elevators, and general/specialty/heavylift cargo facilities. Four Class 1 railways and a highway system that includes Interstate 35 and U. S. Highways 2 and 53 serve the port.

Highways - Interstate 35 connects northern Minnesota to southern Texas, providing a virtual border-to border freeway route between Canada and Mexico and major communities throughout the Heartland. This key artery provides fast, efficient transportation in and out of the region. Combined with U.S. Highways 2, 53, 169, and 71, as well as numerous state and county highways, it forms an advanced highway system to accommodate transportation dependent companies.

Source: APEX Regional Profile. <http://www.apexgetsbusiness.com/>

Port of Duluth-Superior

The Port of Duluth-Superior is the westernmost terminus of the Great Lakes-St. Lawrence Seaway navigation system. Duluth-Superior is the largest tonnage port on the Great Lakes, moving 40 million metric tons of bulk and cargo. It receives more than 1,100 visits by lake carriers and oceangoing ships annually. The Port has 22 major bulk and general cargo docks

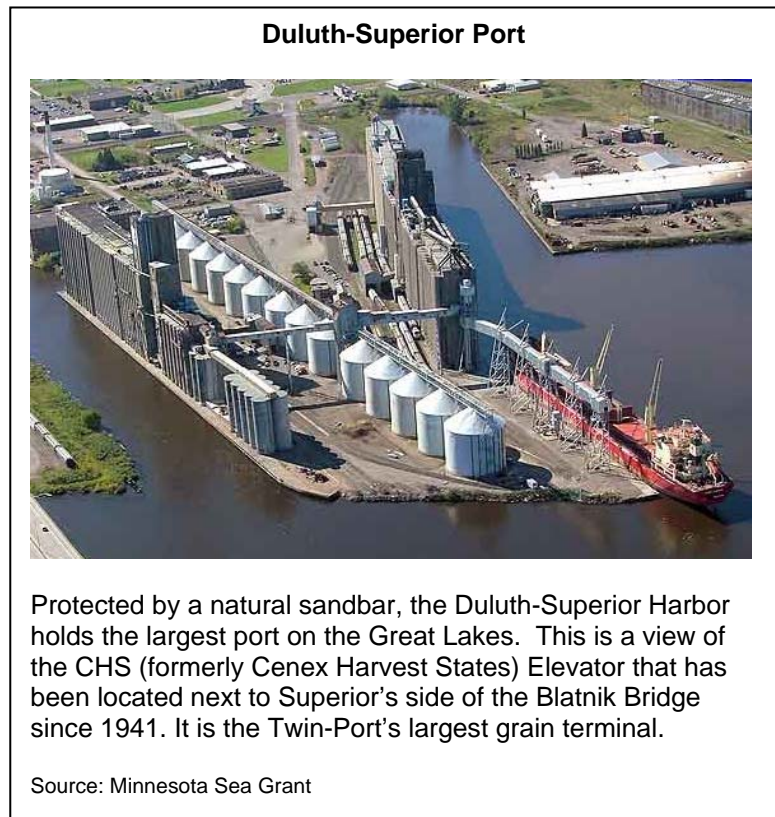
along 49 miles of waterfront. Major commodities include ore (40%), coal (40%), and grain (10%).

The Port of Duluth-Superior is recognized worldwide as the designated route for shippers of heavylift and oversized cargo to and from North America. Four Class I railroads and an extensive highway system serve the Port, making Duluth-Superior one of the major intermodal centers in North America.

The Port rates as follows:

- Ore - No. 1 nationally,
- Coal - No. 5 nationally,
- Grain - No. 1,
- U.S. Great Lakes, total cargo volume - No. 1,
- Great Lakes, total cargo volume (2002) - No. 18 nationally.

It is estimated to have a \$200 million economic impact, with 2,000 jobs dependent upon the port and \$1.9 billion worth of cargo handled (2001).⁶



The transportation and warehousing industry is clearly important to the local economy. Its linkages to the Superior BID should be explored to identify potential business and real estate opportunities.

Highway Linkage Between Superior and Duluth

The major highway connections between Superior and Duluth are the John A. Blatnik Bridge and the Richard I. Bong Memorial Bridge. These bridges provide residents a 15-minute drive to most locations within both cities. According to the Wisconsin Department of Transportation, traffic volume between the two cities is high as demonstrated by the following average daily traffic statistics:

- Interstate-535/U.S. 53 - 35,000 vehicles per day (2005). This highway is important to commerce in Superior as it provides the most direct route to Duluth's downtown and waterfront.
- U.S. 2 - 17,100 vehicles per day (2005). This highway is important to commerce in Superior as it becomes Belknap Street, running for 20 blocks through the middle of the Superior BID.

⁶ Minnesota Sea Grant

Richard I. Bong Memorial Bridge



The Bong Bridge connects West Duluth, Minnesota with Superior, Wisconsin via U.S. Highway 2. Opened in 1985, it is roughly 11,800 feet long. It crosses over the Saint Louis River that drains into Lake Superior.

Source: Wikipedia. Photo Source: Minnesota Public Radio.

John A. Blatnik Bridge



The John A. Blatnik Bridge carries Interstate-535 and U.S. Highway 53 over the Saint Louis River, a tributary of Lake Superior, between Duluth, Minnesota and Superior, Wisconsin. The bridge is 8,000 feet long and rises up to accommodate the seaway shipping channel.

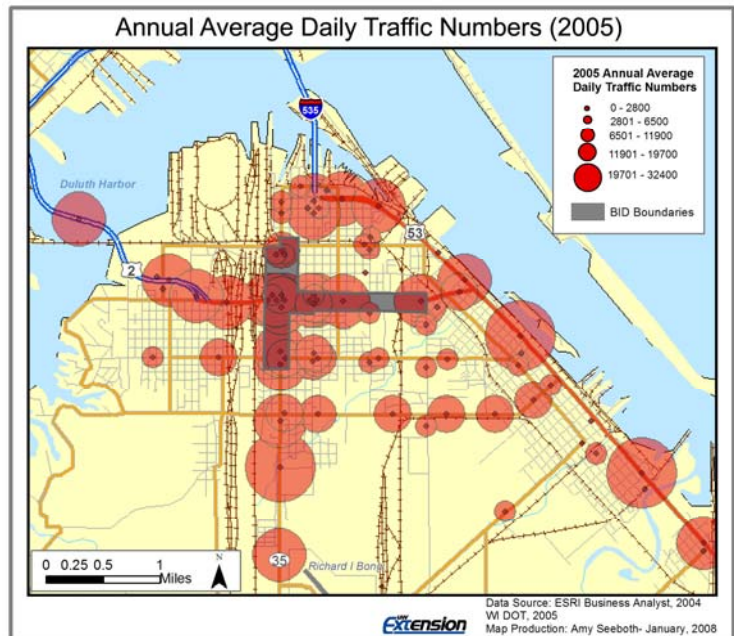
Source: Wikipedia. Photo Source: City of Duluth.

Local Traffic Patterns in Superior

Street and highway traffic volume provides an important indicator of travel to the BID. Retailers typically seek locations on major arteries and often require minimum average daily traffic counts to survive. More specifically, businesses such as gasoline stations, convenience stores and fast food restaurants are located based on traffic volume and the access to and visibility from high traffic streets and highways. Subsequently, examining the traffic counts aids in determining the feasibility of these types of businesses.

Highway's 53 and 35 (Tower Avenue) provide the main conduits that funnel traffic through the City of Superior and to the bridge. The traffic counts on Map 4.2 show that these two roads receive the greatest concentration of local traffic within the City of Superior.

Map 4.2 – Annual Average Daily Traffic, 2005



3. Labor Force

Assessing the size of the population, changes in population, and the stability of the labor market can assist existing and potential employers to better understand the strengths, weaknesses, and predictability of the area economy.

Population trends

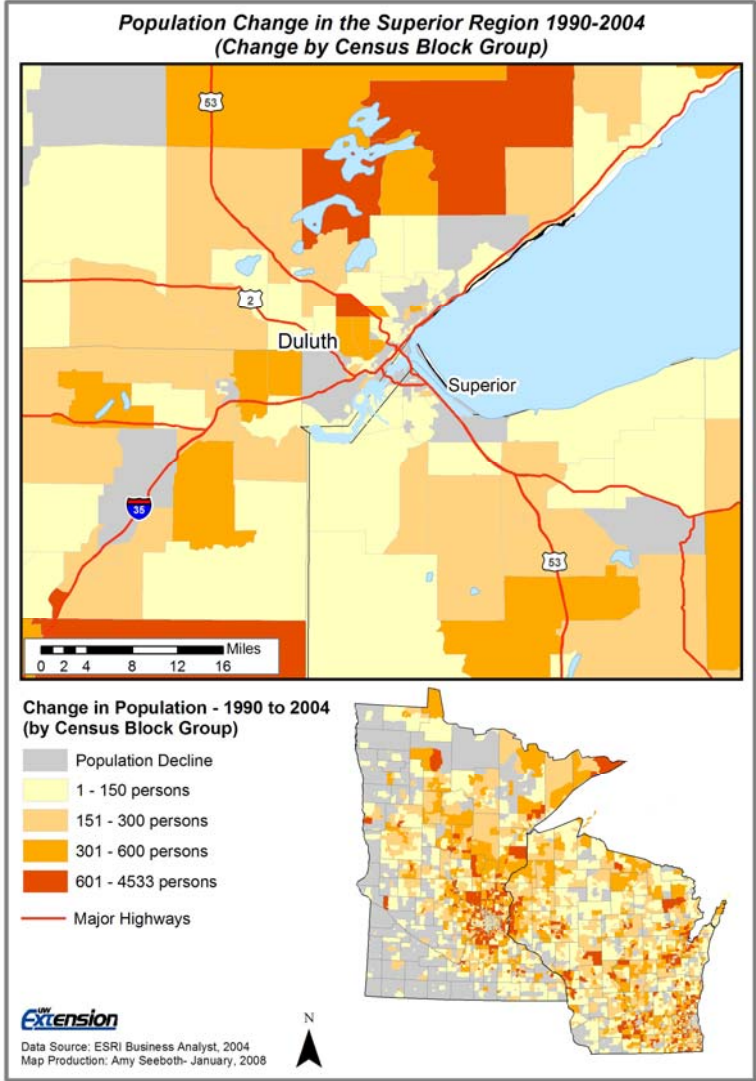
With a 2000 census population of 275,000, the Duluth-Superior MSA ranked as the 163rd largest metro area in the U.S. The Duluth-Superior MSA has experienced a small, but steady increase in population over the last several years due both to natural birth rate and in-migration. The greatest increase among those moving to Douglas County has been among people aged 20-24, an increase likely related to the educational opportunities available in the County.⁷

Map 4.3 depicts detailed population change between 1990 and 2004 in the Duluth-Superior area. The greatest concentration of population increase are located north of Duluth and away from the downtown area and lakefront. Much of Superior has experienced small population growth.

Employment trends

Labor force and unemployment data provide important information on the size and stability of a local economy. As indicated in Table 4.4, Douglas County and the Duluth-Superior MSA had unemployment rates slightly higher than that of Wisconsin and United States averages over the past decade. Rates have fallen during the past several years (and at a greater pace in Douglas County than in the MSA), mirroring state and national trends of increased levels of employment. The data in Table 4.4, while showing annual rates, does not disclose the fact that employment in Douglas County is tied to seasonal shifts. Employment levels tend to drop during the winter

Map 4.3 – Population Change, 1990-2004



⁷ Douglas County Workforce Data. State of WI, Department of Workforce Development. Dec. 2007.

months which likely contributes to an overall increase in the annual unemployment rate in the region.⁸

Table 4.4 - Douglas County Civilian Labor Force Estimates, 1997-2006

Year	Douglas County			Unemployment Rate (%)			
	Civilian labor force	Employment	Unemployment	Douglas County	Dul/Sup MSA*	Wisc	U.S.
1997	22,988	21,835	1,153	5.0	n/a	3.5	5.3
1998	23,163	22,090	1,073	4.6	n/a	3.3	4.6
1999	22,820	21,873	947	4.1	n/a	3.1	4.3
2000	22,838	21,862	976	4.3	4.4	3.4	4.0
2001	22,734	21,617	1,117	4.9	5.7	4.4	4.2
2002	22,790	21,443	1,347	5.9	5.8	5.3	5.7
2003	22,790	21,443	1,347	5.9	6.2	5.3	5.8
2004	22,809	21,473	1,336	5.9	5.8	5.0	5.7
2005	22,776	21,558	1,218	5.3	5.2	4.8	5.2
2006	23,053	21,898	1,155	5.0	5.0	4.7	4.7

Source: Wisconsin Department of Workforce Development, Labor Force Estimate

* - US Dept of Labor, Bureau of Labor Statistics, Unemployment Rates for Metropolitan Areas

Income and Wage Trends

Personal income consists of the income received by persons from participation in production, from government and business transfer payments, and from government interest. When compared to state and national trends, it provides an indication of how well the local area's economy is performing. Table 4.5 provides a 10-year tracking of personal income trends for Douglas County and Duluth-Superior MSA. An index of growth was added to show how those areas have grown since 1996 (i.e. an index of 144% indicates that personal income has grown 44% since 1996). In this case, Douglas County and the MSA have lagged slightly behind state and national growth in personal income since 1996.

Table 4.5 - Personal Income Trends Douglas County, Wisconsin, 1996 - 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Douglas (millions)	790	832	881	918	981	1,005	1,016	1,045	1,103	1,140
<i>Index</i>	100%	105%	112%	116%	124%	127%	129%	132%	140%	144%
Duluth MSA (millions)	5,785	5,982	6,354	6,611	7,000	7,149	7,449	7,664	8,034	8,275
<i>Index</i>	100%	103%	110%	114%	121%	124%	129%	132%	139%	143%
Wisconsin (millions)	121,718	129,099	138,667	144,702	153,548	158,888	163,309	168,120	176,482	183,948
<i>Index</i>	100%	106%	114%	119%	126%	131%	134%	138%	145%	151%
US (billions)	6,512	6,907	7,416	7,796	8,422	8,717	8,873	9,150	9,716	10,221
<i>Index</i>	100%	106%	114%	120%	129%	134%	136%	141%	149%	157%

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis, Regional Accounts Data, Local Area Personal Income, 2005

⁸ Douglas County Workforce Data. State of WI, Department of Workforce Development. Dec. 2007.

While personal income trends relate a community's relative economic health as a whole, the earnings in various sectors provide a snapshot of how each industry is individually contributing to the local economy. Earnings include wage and salary disbursements, other labor income and proprietor's income (both farm and non-farm). Comparing the earnings mix for a local area to that of a larger region, such as the state or nation, can point to industries that play a particularly important role (and conversely underplay a potential role) in the local economy.

Table 4.6 - Earnings Mix Comparison – 2006⁹

Industry Sector	Douglas County	Duluth MSA*	Wisconsin	U.S.
Farm	0.0%	0.4%	0.5%	0.3%
Mining, Forestry, Fishing	0.2%	4.9*	0.3%	1.0%
Construction	6.3%	5.7%	5.4%	5.7%
Manufacturing	10.3%	8.8%	23.1%	12.9%
Wholesale Trade	6.6%	3.6%	5.5%	5.5%
Retail	8.3%	7.2%	6.3%	6.4%
Transportation and Warehousing	20.5%	5.8%	3.6%	3.3%
Information	0.6%	1.9%	2.1%	3.3%
F.I.R.E. ¹⁰	2.7%	6.4%	7.3%	9.4%
Services	22.0%	31.7%	26.4%	29.6%
Government	21.1%	23.7%	15.6%	18.7%

Source: Bureau of Economic Analysis, Compensation of employees by NAICS industry, 2006

The largest portion of earnings in Douglas County comes from the services sector (22.0%), government (21.1%), and transportation and warehousing (20.5%). Compared to the broader MSA, State, and Country, a significant percentage of the earnings in Douglas County are from the Transportation and Warehousing sector. Additionally, Douglas County's earning mix exhibits a specialization in construction and wholesale trade. The County has a much lower percentage of earnings in F.I.R.E. and Information.

Douglas County Commuting Patterns

Identifying and tracking commuting patterns can help describe worker flow between municipalities and/or counties. Commuting patterns highlight the counties with a strong economic base and are able to attract workers from surrounding communities and counties. Conversely, they also demonstrate which areas might lack local employment opportunities for their residents, or serve as "bedroom" communities that offer a greater number of housing options in comparison to other locations. See Table 4.7 for county-based worker flows for Douglas County.

- In 2000, approximately 65 percent (13,175) of the 20,341 employed Douglas County residents worked within Douglas County.
- In the same year, 7,166 working residents of Douglas County commuted out of the County for work, whereas 4,407 workers from other counties traveled into Douglas County to work. The result is a net loss of 2,759 working age residents who go to other counties for employment.

⁹ Educational services, Health care and social assistance, Forestry, fishing, related activities, and other, and Mining were not available, "Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the totals."

¹⁰ F.I.R.E. is NAICS categories: Finance and Insurance and Real Estate and Rental and Leasing

- Residents of Douglas County traveled primarily to the neighboring counties of St. Louis (MN), Carlton (MN), and Washburn (WI) for work. These counties collectively claimed over 90 percent of commuting workers from Douglas County (6,464 out of 7,166). Meanwhile, 3,439 workers from these three counties commuted into Douglas County and accounted for the majority of the incoming workers.

Table 4.7 - County-to-County Worker* Flow, Douglas County, 2000

County	County Residents Commute to	County Workers Commute from	Net Commute
St. Louis, MN	5,991	2,948	-3,043
Carlton, MN	246	363	117
Washburn, WI	227	128	-99
Bayfield, WI	120	365	245
Sawyer, WI	106	17	-89
Ashland, WI	46	46	0
Hennepin, MN	42	-	-42
Lake, MN	33	83	50
Elsewhere	355	457	102
<i>Total</i>	<i>7,166</i>	<i>4,407</i>	<i>-2,759</i>
<i>Work within Douglas County</i>	<i>13,175</i>		

*Workers 16 years old and older

Source: U.S. Census Bureau, 2000; WDOA; BLRPC, 2006

4. Educational Institutions and Networks that Support Business Development

The Duluth-Superior MSA has numerous educational institutions and networks that support business and economic development. They help create a skilled and knowledge-rich labor force while also providing direct economic benefits to the area.

Colleges and Universities

Both the University of Wisconsin-Superior (UW-Superior) and Wisconsin Indianhead Technical College (WITC) are located in the City of Superior and together they offer a number of medical, education, and other technical/service based degrees and certificate programs. Additionally, there are four other institutions of higher learning in Duluth. See Table 4.8

Table 4.8 – Institutions of higher learning within 25 miles of Superior, WI

Name	Enrollment, 2007
University of Minnesota Duluth, MN	11,184 (total enrollment)
University of Wisconsin Superior, WI	2,800 (total enrollment)
College of St. Scholastica, Duluth, MN	1,963 (full time undergrads)
Fond du Lac Tribal and Community College, Cloquet, MN	1,199 (full-year equivalent)
Lake Superior College, Duluth, MN	4,800 (total enrollment)
Wisconsin Indianhead Technical College (WITC), Four Campuses and Two Branch Locations, WI	7,382 (total enrollment at all locations), 800 enrolled in Superior

The University of Wisconsin-Superior offers a liberal arts education and professional programs. UW-Superior has 2,800 undergraduate and graduate students. Some of the key program offerings at UW-Superior include: business and accounting, education and education administration, pre-professional programs in medicine, forestry, and transportation logistics, among others. UW-Superior also has a number of distance-learning and continuing education options. Students are prepared for a wide range of careers, including business, law, teaching, computer technology, science, music and art. Many graduates also gain entry to graduate, medical and law schools. In April 2008, officials broke ground for a new “green” student center. It is the first phase of \$64 million in building projects that will also include a new academic building, library renovation, and demolishing three existing campus buildings.¹¹



Wisconsin Indianhead Technical College at Superior offers 29 programs and 25 certificates. The campus offers associate degrees and one- and two-year technical diplomas in business, health and service, personal and community service and trade and technical. The campus also

¹¹ Business North, May 2008

offers related instruction for apprenticeship programs, as well as short-term certificates in a variety of specialties.

While WITC is a commuter campus, UW-Superior tends to draw students from around Wisconsin and Minnesota. Many students live on campus, but more live off-campus, independently renting local housing.

Economic Impact Study – UW-Superior and the Local Economy

An Economic Impact Study of UW-Superior and the local Economy was completed in May 2008 to describe the important role the campus plays in Northwestern Wisconsin's economic development. The study found that on-going expenditures for local goods and services by its faculty, staff, students, and visitors create income and employment opportunities for area households and businesses. Furthermore, "the intellectual, professional, and personal growth experiences it provides to students and to the community at large have a lasting impact on the quality of the area's cultural climate and the skills of its workforce." Key impact estimates for the 2006 – 2007 fiscal year include the following:

- UW-Superior's institutional and employee spending adds approximately \$31.7 million in total personal income to the Superior/Douglas County economy, sustaining about 574 local jobs.
- Spending by UW-Superior students adds approximately \$8.1 million in personal income to the local economy, which sustains 179 additional jobs.
- Spending by non-local visitors to UW-Superior adds approximately \$1.5 million of income to the local economy, which sustains about 32 additional jobs.
- Overall, UW-Superior's presence in the Superior/Douglas County economy adds approximately \$41.2 million per year to total personal incomes of local households, and sustains about 785 full-time and part-time local jobs. This is the amount of income and employment that would be lost to area households and businesses if UW-Superior did not exist.
- Sectors of the Superior/Douglas County economy where UW-Superior has the greatest income and employment impacts include retail trade, information, finance and insurance, health and social services, arts/entertainment/ recreation, and government.
- UW-Superior's business relationships with the local business community received the highest ratings from the professional, governmental, finance/insurance/real estate, and energy/utilities sectors of the local Superior/Douglas County economy. Areas where the University's business relationships are good, but could be improved, include the retail, wholesale/distribution and manufacturing sectors.
- The study points out that UW-Superior means much more to the Superior/Douglas County community than just money and jobs. Theatrical performances, music recitals, orchestral performances, academic/professional conferences, athletic contests, and banquet facilities all contribute to life in Superior.

Source: Economic Impact Study: UW-Superior and the Local Economy by Dr. Robert D. Beam, May 2008

Networks that Support Knowledge-Sharing in the Business Community

The networks through which business and community leaders interact and share knowledge is particularly important to the success of small business owners and entrepreneurial efforts in general. The region has a number of local networks and organizations that contribute directly to the success of the local economy. Examples include:

- *APEX - Area Partnerships for Economic Expansion* is a private, nonprofit economic development organization serving all of Northeast Minnesota and Northwest Wisconsin.
- *Business Improvement District* - the Superior BID, a government endorsed business organization, provides grants, loans and business advice. It has over 360 business members.
- *Chamber of Commerce* - Superior shares a Chamber of Commerce with Douglas County. The Duluth Area also has a Chamber of Commerce.
- *The Development Association* - economic development non-profit in Superior that administers a revolving loan fund and manages The Superior Business Center, Inc., a local incubator facility.
- *Duluth Superior Area Community Foundation (DSACF)* – An organization playing an increasing role in regional networking and research efforts. The foundation has supported projects on social capital, young professionals and eco-industrial and sustainability.
- *Northeast Entrepreneurial Fund* - provides consulting services and access to capital for start up and emerging entrepreneurs.
- *The Northland Connection* - online portal of economic development information covering Northeast Minnesota and Douglas County, WI.
- *Northland Works* - a collaborative project of several workforce and training organizations in the Northeast Minnesota and Northwest Wisconsin region. It serves to educate potential employees on job opportunities in the region and promote access to training.
- *Northwest Regional Planning* - provides services to counties within Northwest Wisconsin which includes Douglas County. Services include planning, research and access to their loan fund.

In addition to economic development efforts, social organizations such as the Jaycee's, two Rotary Clubs, The Optimist, Kiwanis and Lions also improve networking and skill development opportunities in region, and thus ultimately contribute to the strength of the local business community. Another example is Art Works, a collection of local initiatives that showcase local artists in an effort to harness the economic potential of the Duluth-Superior arts community.

5. Quality of Life and Tourism

Residents of Superior enjoy an unsurpassed quality of life. From Lake Superior and the hundreds of rivers, streams and smaller lakes to the spectacular scenery and outdoor adventures for every season, there are outside activities to be enjoyed all year. The Superior National Forest, hiking trails, fishing, Superior's wonderful park system within its city limits, a marina and spectacular falls within easy driving distance are just a few of the area's natural treasures.

Events such as the Lake Superior Dragon Boat Races draw several thousand people annually to the area. There are championship golf courses, world-class skiing, and nationally recognized hockey teams in and around Superior. The increasingly active arts community, growing cultural events, art galleries and museums, and a full slate of entertainment including access to a leading symphony orchestra, Lucius Woods Perfuming Arts Center, a nationally acclaimed ballet troupe, and music festivals, such as the Blues Fest are enjoyed by the local community and the many visitors that travel to the area not only for the event but the breath taking freshness of the area.

Safe neighborhoods, quality public and private schools, affordable housing, progressive healthcare, an active citizenry, and minimal traffic congestion enhance the experience. Residents of Superior value living in a location in which others come to vacation.



Quality of Life in Northeast Minnesota and Northwest Wisconsin *As Advanced by the Area Partnership for Economic Expansion (APEX)*

Health Care - World-class medical treatments and health care services are available. SMDC Health Care System, based in Duluth, provides high quality inpatient and outpatient care through its integrated network of more than 20 community clinics, hospitals and specialty care facilities, including three acute care hospitals in the Twin Ports. St. Luke's, also in Duluth, is a comprehensive health care system that provides hospital care and services as well as primary and specialty care at sites throughout the region.

Affordable Housing – Communities in the region offer affordable workforce housing, prestigious executive homes, and lakefront properties for weekend retreats. Median selling prices for new and existing homes are very competitive compared to most major metropolitan areas in the Upper Midwest, falling in about the midrange for houses of all styles and sizes.

Excellent Schools – Students who attend the region's excellent public, private and charter school systems consistently perform above national norms in standardized testing, as well as other methods of measuring success.

Recreational Opportunities - Four distinct seasons offer year-round opportunities for fun and relaxation. Outdoor enthusiasts enjoy the area's clear lakes, forests and rugged shorelines. The region also offers other natural attractions, rich culture, premier facilities and world-class events.

Source: APEX Regional Profile. <http://www.apexgetsbusiness.com/>

Visitor Attractions

According to the Superior-Douglas County Chamber of Commerce, a number of natural, industrial and cultural assets help further distinguish Superior. The enormity of Lake Superior, area scenery, rich history and unique attractions provide the backdrop for local events and recreational opportunities. Shipping on Lake Superior is a unique and distinctive visitor attraction. Superior is a leading shipping center where visitors can watch International “salties,” “lakers,” tugs, sailboats, powerboats and charter fishing boats. Superior’s rich history is showcased in local museums, parks and historic districts. Unique attractions in Superior tell the story of American Indian heritage, the prosperity of the early boomtown days, World War II and American history. Visitors also enjoy other clear blue lakes, tens of thousands of acres of forested land and distinctive rivers.

Northwestern Wisconsin and Northeast Minnesota are popular areas for tourists due to their unique assets. Some of these assets as promoted by the Area Partnership for Economic Expansion (APEX) are presented below:

- Natural Attractions - Apostle Islands National Lakeshore, Boundary Waters Wilderness, Isle Royale National Park, Lake Superior, Superior Scenic Byways, Voyageurs National Park.
- Cultural Resources - American National Ballet, Duluth Superior Symphony Orchestra, Ironworld Discovery Center, Great Lakes Aquarium, Lake Superior Big Top Chautauqua, Lake Superior Zoo, Minnesota Ballet, Museums and Art Galleries.
- Regional Events - American Birkebeiner Cross Country Ski Race, Bayfront Blues Festival, Duluth Air Show, Duluth National Snocross Racing, Grandma’s Marathon, John Beargrease Sled Dog Marathon, Lake Superior and North Shore Dragon Boat Festivals, NorthShore Inline Skating, Marathon.

Source: APEX Regional Profile. <http://www.apexgetsbusiness.com/>



Tourists enjoy a view of the harbor on a guided tour.

Tourism Activities in Superior and Douglas County

Superior participates fully in regional tourism activity. Table 4.9 list the types of information requests received in recent years by the Superior-Douglas County Chamber of Commerce.

Table 4.9 - Visitor Requests, Superior-Douglas County Chamber of Commerce, 2004-2007*

Attraction	Percent	Attraction	Percent
State Parks	14.7%	LSRRM Museum	1.3%
Snowmobile and Winter ATV	13.1%	Biking Trails	1.3%
ATV Trails	9.9%	Shopping	1.2%
Superior Public Museums	7.8%	Golf	1.2%
Harbor Cruise	7.7%	History	1.1%
Bong WWII Heritage Museum	6.9%	Events	1.0%
Resorts	3.7%	Inland Fishing	0.9%
Hotels	3.6%	Recreational Boating/Sailing	0.8%
Camping	3.5%	Casino	0.6%
County Parks	3.3%	Lighthouses	0.6%
Canoe/Kayak	3.0%	Children's Activities	0.5%
City Parks	2.9%	Ice Fishing	0.5%
Charter Fishing	2.1%	Lucius Woods Perf Arts Ctr	0.4%
Motels	2.1%	Downhill Skiing	0.3%
Hiking Trails	1.8%	X-Country Skiing	0.3%
Train Rides	1.7%	B&Bs	0.1%

Source: Superior-Douglas County Chamber of Commerce, 2008

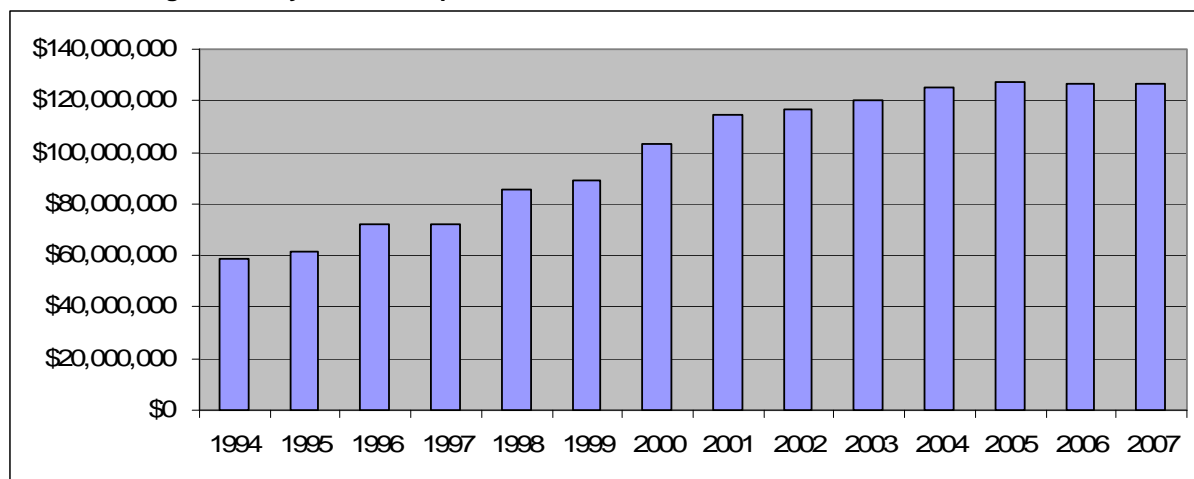
* Numbers do not include 2005 data

The table indicates that many visitors come to Superior because of the area's outdoor recreation amenities including Lake Superior. Others are attracted to area museums. While retail is typically a major activity for tourists, only 1.2-percent of inquiries during this period were seeking information on shopping.

Tourism Impact on Douglas County

The economic impact of tourism has wide-reaching effects on Superior and surrounding Douglas County. Tourism generates direct and indirect sales for a variety of local businesses, creates jobs, and increases governmental tax receipts.

Chart 4.1- Douglas County Tourism Expenditures, 1994-2007



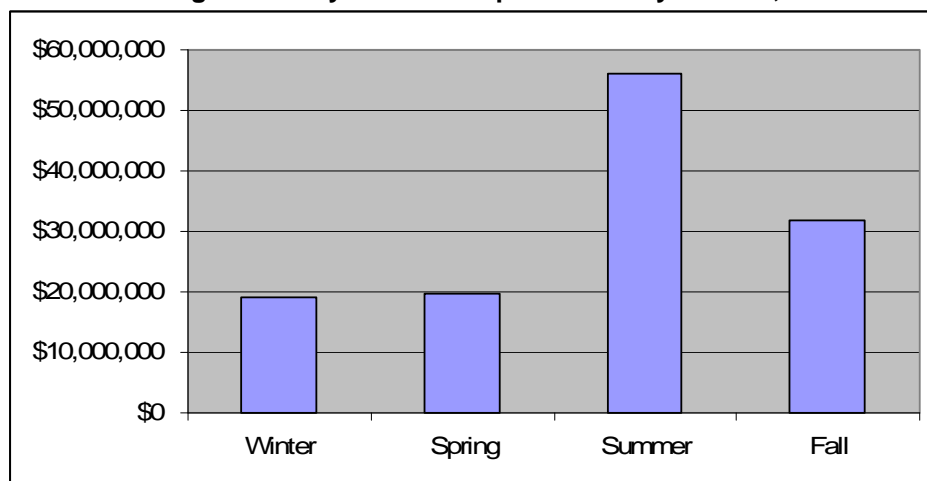
Source: Wisconsin Department of Tourism and Davidson-Peterson Associates

Specific tourism impacts are reported by county annually by the Wisconsin Department of Tourism. Data for 2007 indicates that Douglas County ranks 28th in the State for traveler spending (travelers spent an estimated \$127 million in the County).¹² Traveler spending in 2007 supported 2,732 full-time equivalent jobs.

Traveler spending in Douglas County has increased by 116-percent since 1994 as illustrated in Chart 4.1. This is similar to Wisconsin's 122-percent increase over the same time period. The leveling-off of tourism spending since 2001 is also consistent with state and national trends.

Expenditure data on Superior and Douglas County also indicate significant seasonal tourism trends as illustrated by Chart 4.2.

Chart 4.2 - Douglas County Tourism Expenditures by Season, 2007



Source: Wisconsin Department of Tourism and Davidson-Peterson Associates

The summer is clearly the busiest season with approximately 44-percent of all expenditures followed by the fall (25 percent), spring (16 percent), and winter (15 percent). Douglas County is more dependent on the summer months than Wisconsin (the state captures only 38 percent of its visitor expenditures in the summer).

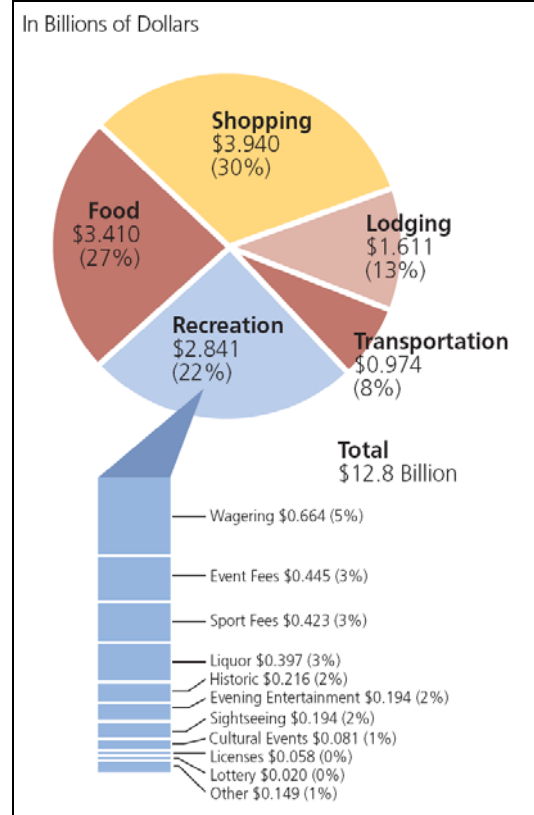
According to the Wisconsin Department of Tourism, most people traveling in Wisconsin during 2007 were on leisure time (70 percent). This broad category includes those attending sporting events, casino gaming, group tours, attending festivals or attractions, visiting friends or family and other recreational pastimes. This was followed by business travel (19 percent) and meetings and conventions (11 percent). While comparison data is not available for Douglas County, expected travel purposes to the Superior area may be similar.

¹² Wisconsin Department of Tourism estimates are based on expenditures made by all travelers who are visiting an area of the state, traveling outside of their normal routine, and spending money. Travelers include Wisconsin residents and out-of state visitors traveling for pleasure, business or a combination of reasons.

According to the Wisconsin Department of Tourism, many Wisconsin businesses benefited from travel spending in 2007. As indicated in Chart 4.3, retail shopping represented the largest single expenditure category (30 percent), followed by food (27 percent), recreation (22 percent), and lodging (13 percent).

While this spending distribution may not be directly transferable to Douglas County, it does point to sectors (such as retail) that offer a potential for increased capture of visitor spending.

Chart 4.3 - Distribution of Tourism Expenditures in Wisconsin



Source: Wisconsin Department of Tourism and Davidson-Peterson Associates

Conclusions

The preceding overview of the Duluth-Superior Region highlights a variety of economic characteristics that may be sources of opportunity for the Superior BID. These characteristics are summarized below:

- Superior is part of a broader regional economy called the Twin Ports that includes Duluth, MN (population 87,000). The Twin Ports are within the larger Duluth-Superior MSA (population 275,000). The Twin Ports are located at the western edge of Lake Superior (the westernmost of North America's Great Lakes). The cities and seaports are connected to the Atlantic Ocean through the Great Lakes and the St. Lawrence Seaway.
- The economy of Northwest Wisconsin and Northeast Minnesota is well known for core mining, forest products, and transportation. However, economic development efforts have created regional competitive advantages for heavy equipment manufacturers, precision machinery and fabricating operations, aircraft and aerospace industries, and applied information companies.
- Historically the largest employing industries in Douglas County have been trade, transportation and utilities. In recent years, the school system, government, and medical care industries have increasingly become the County's biggest employers. Education, government and medical services comprise six of the top ten employers in the County. Also prominent is the shipping and transportation industry.
- Two major business developments are in various planning stages. These projects have the potential for creating significant employment and construction opportunities in the community. Enbridge Energy Partners, L P is planning a major pipeline expansion between western Canada and the Midwest. Murphy Oil has initiated talks with an environmental design and permitting consultant to help plan a major expansion at the Superior refinery.
- Duluth-Superior is the largest tonnage port on the Great Lakes, moving 40 million metric tons of bulk and cargo. It receives more than 1,100 visits by lake carriers and oceangoing ships annually. Four Class I railroads and an extensive highway system serve the port.
- The major highway connections between Superior and Duluth are the John A. Blatnik Bridge (Interstate-535/U.S. 53) and the Richard I Bong Memorial Bridge (U.S. 2). These bridges carry high traffic volumes to/from Superior (35,000 and 17,000 vehicles per day respectively).
- Douglas County and the Duluth-Superior MSA both had unemployment rates slightly higher than that of Wisconsin and United States averages over the past decade. Douglas County and the MSA have slightly lagged behind and national growth in personal income since 1996. The largest portion of earnings in Douglas County comes from the services sector (22.0%), government (21.1%), and transportation and warehousing (20.5%). Compared to the broader MSA, State, and Country, a significant percentage of the earnings in Douglas County are from the Transportation and Warehousing sector.

- In 2000, approximately 7,166 working residents of Douglas County commuted out of the County for work, whereas 4,407 workers from other counties traveled into Douglas County to work. The result is a net loss of 2,759 working age residents who go to other counties for employment.
- Both the University of Wisconsin-Superior (UW-Superior) and Wisconsin Indianhead Technical College (WITC) are located in the City of Superior and together they offer a number of medical, education, business and other technical/service based degrees and certificate programs. Additionally, there are four other institutions of higher learning in Duluth.
- Overall, UW-Superior's presence in the Superior/Douglas County economy adds approximately \$41.2 million per year to total personal incomes of local households, and sustains about 785 full-time and part-time local jobs. Sectors of the Superior/Douglas County economy where UW-Superior has the greatest income and employment impacts include retail trade, information, finance and insurance, health and social services, arts/entertainment/recreation, and government. The campus also provides the communities with academic, cultural, and sporting events.
- Residents of Superior value living in a location in which others come to vacation. Many visitors come to Superior because of the area's outdoor recreation amenities including Lake Superior. Others are attracted to area museums. Data for 2007 indicates that Douglas County ranks 28th in the State for traveler spending (travelers spent an estimated \$127 million in the County). Traveler spending in 2007 supported 2,732 full-time equivalent jobs. The summer is the busiest season with approximately 44 percent of all expenditures followed by the fall (25 percent), spring (16 percent), and winter (15 percent).