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COOK COUNTY ECONOMIC ANALYSIS

APRIL 2013

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I. PREFACE

Cook County (the County) was among a small group of counties nationwide that bucked rural trends of population loss and economic contraction in the 1990s. Growth was propelled by the abundance of high quality natural amenities that attracted people and businesses. Population grew by more than one-third exceeding 5,000 by the year 2000. Business expansion created hundreds of new jobs and created local wealth.

Fortunes have shifted over the past decade. Profits in in the largest economic sector – Tourism – shrunk, forcing businesses to cut costs and delay investments that were needed to remain competitive. Private sector jobs fell much faster in Cook County than in the state or nation. Wages grew slowly and dropped for many residents. Full-time employment became harder to find. At the same time, housing costs continued to rise and construction was concentrated in the seasonal home market. Population growth was effectively zero as the inflow of retirees and older workers was canceled out by the loss of young adults and a declining birth rate.

By private sector jobs (-2), average wages (+2.8%), and population (+8) the County ended the 2000s in essentially the same place that it started. The population is graying, school enrollment is declining, housing affordability is decreasing, and the list of investments needed to restore prosperity is growing.

The County has inherent strengths rooted in its land, culture, and people. Its natural amenities and arts culture are advantages over many rural areas that can be used to attract tourists, retirees, and highly-skilled workers with families. The new broadband network can be linked with investments in other forms of community capital to restore the County's tourism potential and diversify the economy.

Community stewards from across the County have come together through ***Go Cook County*** to create an economic development vision to respond to these challenges and opportunities. For this vision to succeed it must be developed with broad community input and embraced by public and civic institutions, businesses, and residents across the County. New partnerships and strategic investments of time and resources will be necessary.

ECONOMIC ANALYSIS: A STARTING POINT

To help the community think about the future, an analysis of current conditions along with consideration of past trends that may continue into the future and alter current conditions is necessary.

This report is grounded in quantitative information – statistics – and supplemented by qualitative information gathered through surveys and steering committee input. This analysis focuses on:

The *Demographic and Economic Overview* describes the current and past composition of the County's people and economy by discussing population, employment, business sectors, income, and workforce.

The *Evaluation of Comparative Advantages* helps to explain why the economy of Cook County is what it is, and why it has changed over time, by looking at factors affecting the production process (e.g. supplies, land, and labor) and those that affect the cost of inputs and outputs (e.g. market proximity, infrastructure, clusters, regulation, housing, and quality of life). It also discusses rural economic development approaches that may be appropriate for the County.

II. DEMOGRAPHIC AND ECONOMIC OVERVIEW

Cook County is a small and remote community. Over the decades the local economy has transitioned from Logging, Fishing, and Manufacturing to Tourism, capitalizing on the outdoors, arts, and North Shore culture.

Cook County's population and economy experienced higher growth in the 1990s than at any time in the last 70 years. Population grew by one-third to an all-time high of more than 5,000 residents and jobs increased by more than 50%.

From 2000 to 2010, growth stagnated. The population grew by only eight people. The population aged. The private sector lost jobs and average earnings per job decreased.

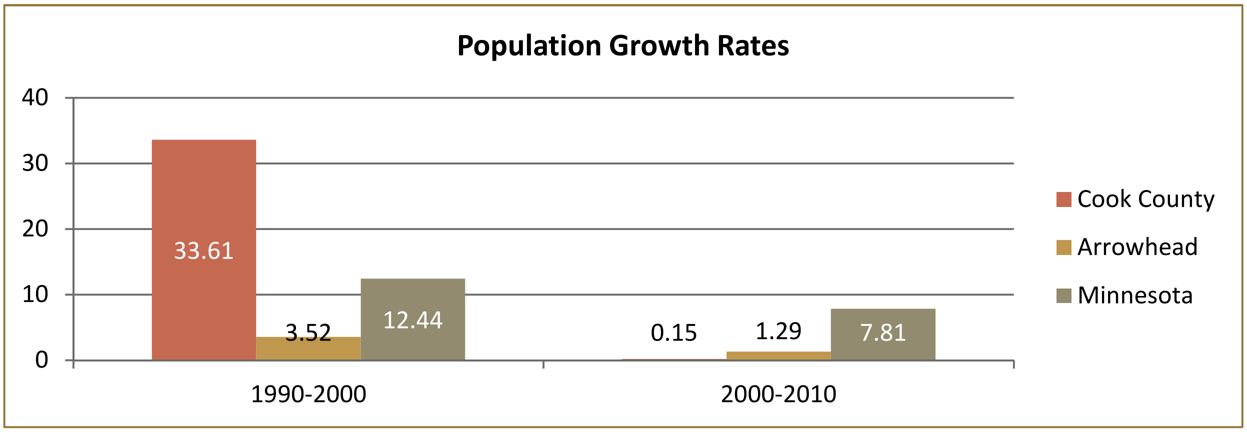
The County's leaders need to address multiple challenges to put it back on a path to growth and prosperity. Investments must be made to make the County competitive with competing tourist destinations. Efforts must be made to diversify economic activities. Strategies that meet local needs for affordable housing, an improved business climate, broadband utilization, and workforce training are necessary to sustain young families and small businesses.

> Teton County, Wyoming; Summit County, Colorado; and Blaine County, Idaho were chosen as benchmark counties to help gauge Cook County's performance and opportunities.
>
> Like Cook County, these communities ranked highly on the USDA scale for high quality natural amenity rural counties. Additional commonalities include:
>
> - Tourism is the dominant business activity.
> - Large federal ownership of land.
> - Housing affordability is an issue for the local workforce.

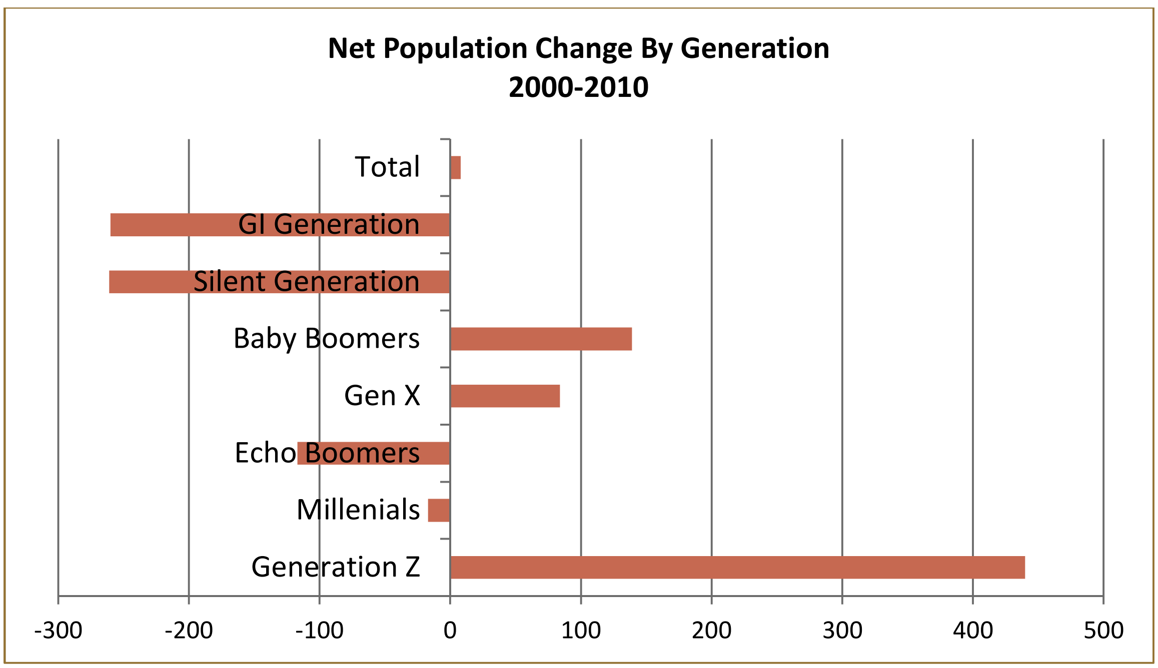
POPULATION

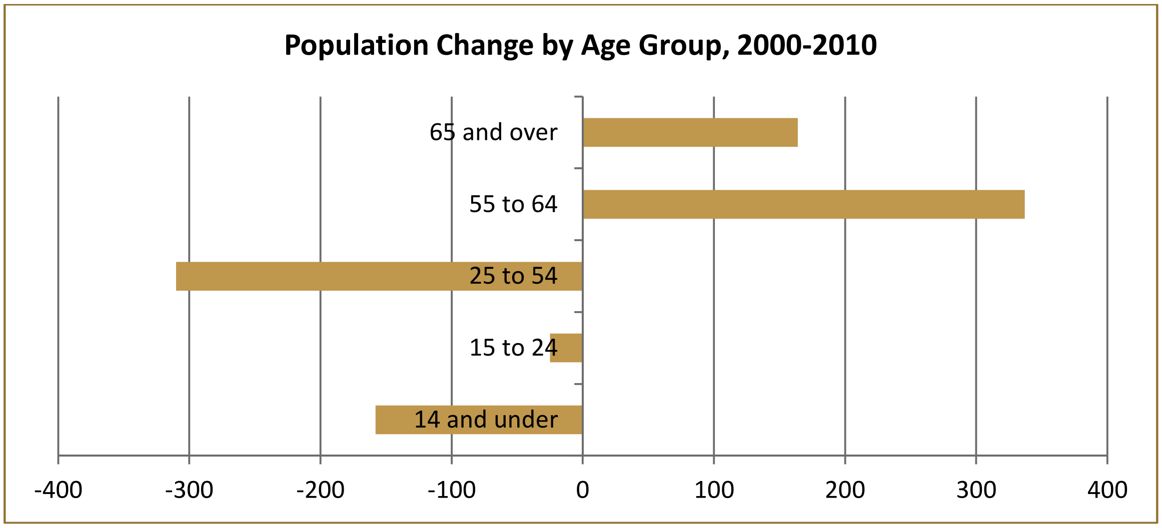
The County's population growth has been slow and erratic through its history. Several decades showed no population growth and a few decades resulted in population loss. In the seventy years between 1940 and 2010, the County's population only grew from 3,030 to 5,176. The increase amounted to an average annual growth rate of 1.01%, compared to 1.28% at the state level and 1.91% at the national level.

Population growth and economic activity are closely related. The economic expansion of the 1990s helped the County's population grow by more than one third to 5,168.

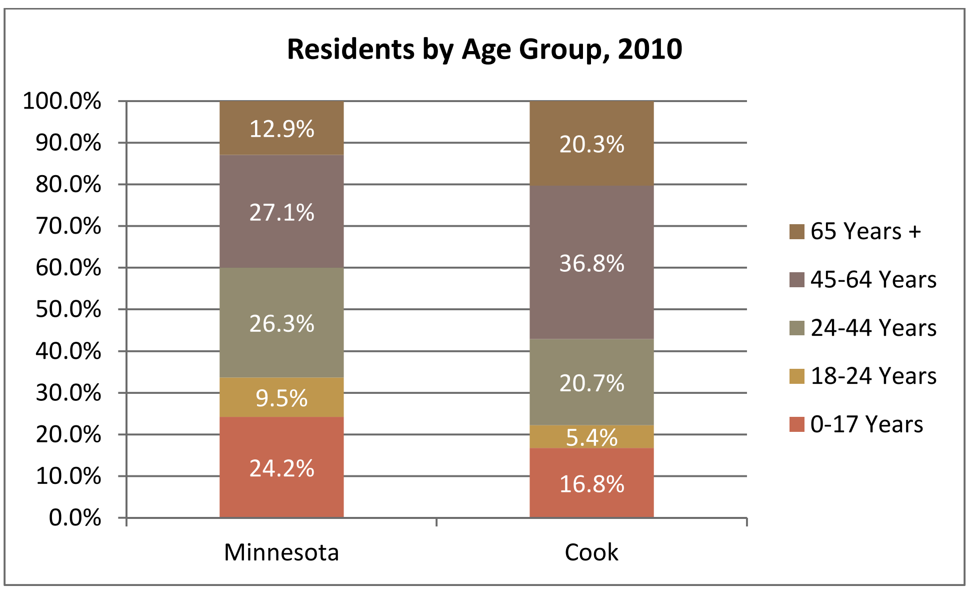


Growth stagnated from 2000 to 2010. The population only increased by eight people. Natural changes – births and deaths – were about equal, as were in and out migration. There were 139 more Baby Boomers living in the County in 2010 than in 2000. The number of residents born between 1976 and 2000 decreased by 134 during the same period.



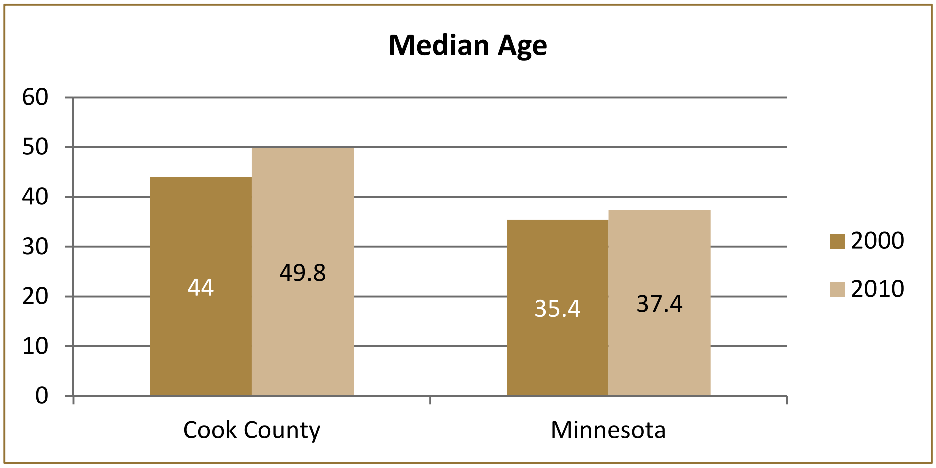


The County has a smaller percentage of residents in the prime-age workforce range than the state. This is a concern for businesses, service providers, and community organizations. It is also a concern for the schools since the members of this age group – 25 to 54 year olds – are the parents of school age children. Less than 38% of the County's residents fell into this age range in 2010 compared to 42% at the state level. The County has a smaller share of residents than the state in every age group under 45.



Median Age

The average County resident is older than the state's average resident. The gap is widening as the County gains older residents and loses young adults and children. From 2000 to 2010 the median age increased by 12% to almost 50 years old. The state median age increased by 5.6% to 37 years old.



Population Projections

Population estimates released in 2012 by the State Demographic Center project the County will grow at a slightly slower rate than the state average over the next fifteen years. The County is projected to add 427 residents (8.25% County level vs. 8.83% state level) through 2020 and an additional 137 residents from 2020 to 2025. Residents between 25 and 54 years old will shrink to fewer than 33% of the County's population in 2020 compared to the state share of about 39%. These projections do not take into account how continuing or changing local social and economic trends may affect population change.

Race and Gender

Two races dominate the County: 87.5% classify themselves as "white," and 8.6% as "American Indian or Alaska Native," with very small numbers for various other classifications.

Females make up 50.5% of the population and males make up 49.5%. This is similar to the national split of 50.8% females to 49.2% males.

Poverty

In the period from 2006 through 2010 an estimated 8.9% of County residents lived below the poverty line compared to 13.9% nationally. During the same period only 3.1% of families in the County lived in poverty compared to 10% nationally. The County's poverty rates were significantly better than national average in every category except one: Female headed households with children under 18 years. More than 39% of such households lived in poverty compared to 37% nationally.

Implications of Demographic Trends

Rural areas tend to lose young adults as they leave for college and different life experiences and jobs in urban areas. Many do not return. However, there is generally a countervailing inflow of young families, mid-life career changers and retirees out of major urban centers (McGranahan, Wojan & Lambert, 2011). The County's migration and birth rates have not been enough to grow population.

An elderly population brings new challenges and opportunities. It is important to differentiate between the needs of long-time residents aging in place and retirees migrating to the area. Long-time residents are more likely to experience challenges with debt, savings, housing, and health care affordability.

The elderly expect to live longer, healthier lives. Providing recreation and social opportunities that meet the changing needs of senior citizens will be important. The County will also need to provide access to health care, transportation, personal assistance and other services differently than it has in the past.

Declining numbers of young adults and families poses salient issues. Projected declines in prime-age workers raises the issue of how the County is going to supply the labor force to grow the economy and provide services for its people.

The number of students in the County has declined by more than 15%, from 718 to 608 since 2002. Public school enrollment has declined 40% since 2002 when two charter schools opened. Public school enrollment is projected to decline another four percent in the next two years. School revenue is directly tied to enrollment. The school district's finances are not strong, even with an operating levy increase approved in 2010. Declining enrollment and budgets make maintaining and raising educational standards difficult. This in turn can lead to further declines in enrollment and workforce as the quality of local education is perceived negatively.

Lack of networks and peer groups can be a deterrent to attracting young families and workers. Younger adults are linked to an entrepreneurial economy and culture that leads to growth in employment and wealth creation.

Community development strategies to attract and serve different groups of the population need not be mutually exclusive. Surveys reveal that Baby Boomers and young adults value many of the same community characteristics. They like communities that remind them of the past – with shops, schools, homes, and services that are easily accessible and within walking distance of each other.

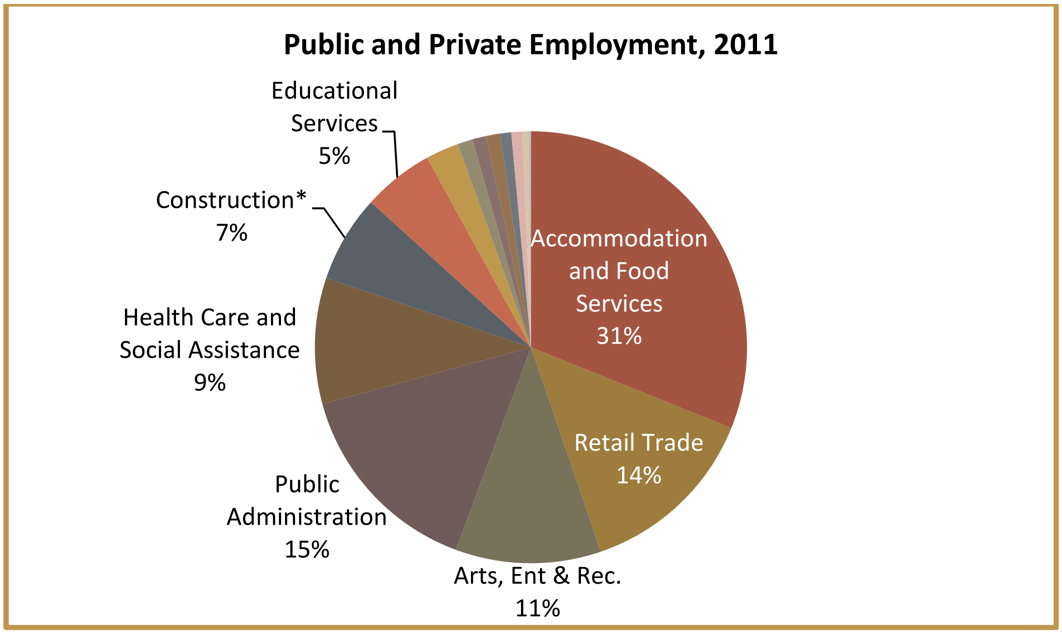
BUSINESS AND EMPLOYMENT

Tourism has replaced Logging, Fishing, and Manufacturing as the foundation of Cook County's economy. The economy, like the County's population, is one of the smallest in the state. In 2010, the County's economy supported a Gross Regional Product (GRP) of $234 million, 311 businesses, and 2,675 employees.

Tourism and related businesses in Retail Trade, Arts, Entertainment and Recreation, and Accommodation and Food Services accounted for 54% of public and private sector wage and salary jobs and 55% of GRP. By comparison the same three sectors accounted for 14% of the jobs in Minnesota and an average of 52% in the three benchmark counties.

Government is an important source of employment in the County. Traditional government services including Public Administration, Healthcare and Social Assistance, and Education provide about one-quarter of wage and salary jobs. Government enterprises and jobs also make up an important part of Leisure and Hospitality.

The bulk of the remainder of wage and salary jobs are in other private sector services and Construction. Many of the businesses in these sectors cater to Tourism businesses, tourists, seasonal residents, or retirees.



Cook County Public and Private Employment, 2011		
	Employment	**Percent**
Total	2,691	
Accommodation and Food Services	808	30.0%
Public Administration	393	14.6%
Retail Trade	354	13.2%
Arts, Entertainment, and Recreation	282	10.5%
Health Care and Social Assistance	245	9.1%
Construction*	170	6.3%
Educational Services	138	5.1%
Finance, Insurance, Real Estate	64	2.4%
Information	30	1.1%
Administrative and Support Services	28	1.0%
Other Services (except Public Administration)	26	1.0%
Professional, Scientific, and Technical Services	22	0.8%
Transportation and Warehousing	21	0.8%
Utilities	11	0.4%
Wholesale Trade	5	0.2%
*2011 annual average is not available. Total was derived by averaging previous year data.		
QCEW annual average employment of public and private wage and salary workers - DEED, 2013		

Sole proprietors are a significant part of the County's economy, representing one-third of all jobs in 2010. The number of sole proprietors increased by 46% from the year 2000. The County outperforms the state in this measure and is ranked in the top 25% of rural counties nationally by the USDA.

In 2010 about 36% of the County's 801 proprietors were engaged in Tourism or related businesses; 35% in Professional, Business, Health Care, and Education; and about 23% were engaged in Forestry and goods producing activities.

Trends

Cook County's traditional natural resource businesses (i.e. Commercial Fishing, Trapping, Logging and Manufacturing) have declined over the past century as a shift away from a manufacturing and natural resource extraction based economy has occurred nationwide. Yet the decline has been especially sharp in Cook County. Traditional natural resource activities provided 68% of employment in 1920 and less than 4% of employment and 3.16% of GRP by 2011. The transformation is also significant in the lack of growth in the service economy dependent on Tourism.

The County was not immune to economic trends of the past decade. Like Cook County, the nation's employment levels were lower at the end of the decade than the beginning. All else being equal, total employment in the County should have shrunk by 1%. In reality, private sector employment shrank by more than 11%. The County's economic troubles cannot be solely explained by broad national trends. In a reversal of national trends, increases in government employment provided a buffer to private sector job losses. This will be explored in more detail in the following pages as economic sectors are discussed in more detail.

Employment in Northeast Minnesota is expected to grow just over 13% from 2011 to 2020. Health Care, Construction, and Administrative and Support Services will lead the way. Leisure and Hospitality, and Retail Trade (the County's largest sectors) are expected to experience slower growth. All else being equal the County's employment is expected grow at a slower rate of 6% due to its business mix.

Employment Growth Projections, 2011-2020			
	2011	Growth Projection	2020
Total	2,691	6.0%	2,861
Accommodation and Food Services	808	6.9%	864
Public Administration	393	-1.7%	386
Retail Trade	354	8.3%	383
Arts, Entertainment, and Recreation	282	7.5%	303
Health Care and Social Assistance	245	33.3%	327
Construction*	170	33.4%	227
Educational Services	138	4.8%	145
Finance, Insurance, Real Estate	64	5.6%	68
Information	30	4.9%	31
Administrative and Support Services	28	28.1%	36
Other Services (except Public Administration)	26	5.9%	28
Professional, Scientific, and Technical Services	22	19.2%	26
Transportation and Warehousing	21	6.9%	22
Utilities	11	-3.6%	11
Wholesale Trade	5	-0.4%	5
DEED 2010. Northeast Minnesota Long Term Employment Change			

Tourism and Related Businesses

Tourism is the County's largest and most prominent economic sector. Tourism, outdoor recreation, and the local arts culture have been the drivers of economic and population growth in recent decades.

Activities which are conventionally associated with Tourism include Leisure and Hospitality (Accommodation and Food Services; Arts, Entertainment, and Recreation) and certain sub-sectors of Retail Trade (gasoline stations, clothing stores and accessories, and miscellaneous store retailers).

The *2007 Economic Analysis of Cook County* concluded that all Retail Trade activities should be counted as part of the Tourism economy. Employment in Construction, Real Estate and other services and two-thirds of employment in Manufacturing was identified as primarily related to Tourism.

The 2007 analysis also concluded that much of the employment in other businesses such as Health Care, Utilities, Finance and Insurance, and Wholesale Trade have large Tourism components, as the County lacks other primary sectors which require support services and products.

Economic Impact

Tourism and related businesses accounted for almost 55% of the County's 2010 GRP[i]. Leisure and Hospitality and Retail Trade account for about 49% of private and public wage and salary employment.

Using the metric established in 2007, Tourism and related businesses comprise 63% of wage and salary employment.

Tourism and Related Businesses Employment, 2011			
		Employment	**Percent**
Conventional Tourism	Total, All Employment	2691	
	Accommodation and Food Services	808	30.03%
	Arts, Entertainment, and Recreation	282	10.48%
	Retail Trade (Tourism Related)	227	8.43%
	Subtotal	**1317**	**48.94%**
2007 Metric	Retail (Remainder)	123	4.57%
	Construction*	170	6.32%
	Real Estate	64	2.38%
	Other Services (except Public Administration)	26	0.97%
	Subtotal	**383**	**29.08%**
	Total, Tourism and Related Businesses	**1700**	**63.17%**
	All Other	893	33.18%

***2011 annual average is not available. Total was derived by averaging previous year data.**

2011 QCEW - annual average employment of public and private wage and salary workers - Minnesota Department of Employment and Economic Development, 2013

In 2011, conventional Tourism businesses:

- Paid $22.9 million in wages, or about 55% of private sector wages.
- Public sector wages added an additional $5.8 million.
- Comprised 48% of private sector establishments.
- 36% of sole proprietors were engaged in conventional Tourism businesses.

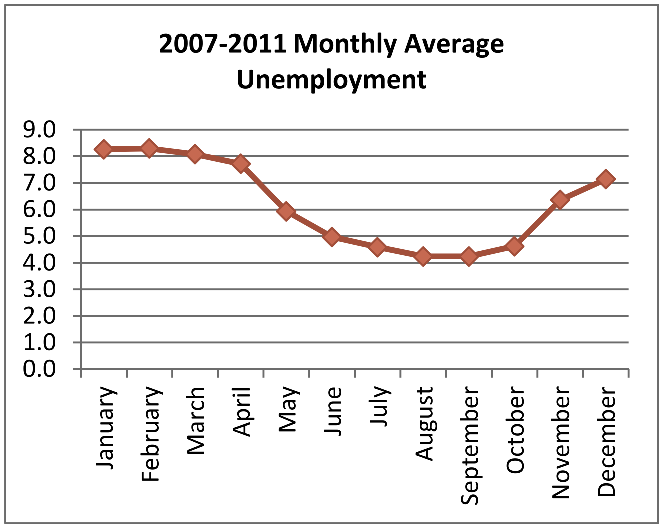
Specialization and Seasonality

The County's Tourism economy is built on high quality natural amenities, arts, and North Shore culture. The County's average tourists are a middle-aged couple from Minnesota visiting for three to five days. They are primarily attracted to the scenic beauty and outdoor activities. Shopping, dining, and entertainment are secondary activities. The tourist economy is highly seasonal (Cook County Visitors Bureau, 2011).

The busy season continues from June through October, with the peak time in July, August, and September. Sales during this period are two to three times the levels during the rest of the year.

Tourism businesses and infrastructure operate near capacity during this time. Utilization falls to 20% to 40% of capacity during the "shoulder" season from November through May.

The County's labor force and unemployment rate mirror tourist activities. Unemployment falls from April through October and rises through the winter. Unemployment rates in winter months tend to be twice as high as during the peak season. (Hence the term "shoulder" season.) The labor force is as much as 20% larger during the peak season.



Trends

As a traded sector that brings wealth into the County from other regions, Tourism and related businesses are susceptible to fluctuations in the broader economy. As the dominant activity, the performance of the Tourism economy has substantial ripple effects throughout the County.

The County's Tourism economy has stagnated in the past decade. Overall employment in conventional Tourism sectors increased by 2.3% from 2001 to 2011. However, Tourism employment in the private sector decreased by 19%.

Nationally, private sector employment in Leisure and Hospitality (the majority component of Tourism) increased by 11.9% from 2001 through 2011. All else being equal, the County's Leisure and Hospitality businesses should have added 140 private sector jobs. Yet, the County lost 205 private sector jobs in Leisure and Hospitality.

Of the three benchmark counties, Summit County, Colorado lost tourism jobs at a similar rate. Blaine County, Idaho performed about average. Teton County, Wyoming outperformed expectations by over 50%.

Despite declining private sector employment in Leisure and Hospitality the County's gross sales receipts grew by 69% in the ten year period from 2000 to 2010. Overall the state experienced slower growth of about 42%. The County's resorts and lodging establishments performed stronger than most others in the State.

However, many businesses reported declining profit margins over the same time period. Lodging businesses, for example, saw revenue per pillow decline by 18% from 1999 through 2008 while costs rose 35%. Accommodations and Food Services businesses experienced the greatest employment losses and slowest overall wage growth.

Regional employment growth rates in Accomodations and Food Services of 6.9%; Arts, Entertainment, and Recreation of 7.5%; and Retail Trade of 8.3% are expected to lag behind the average growth rate of 13.1%.

Implications for Development

Despite negative economic trends affecting tourists and a softness in the local economy, the County has many strengths. The County has a high quality natural amenity base that is uncommon in the Midwest.

The County's Tourism economy is exhibiting many of the characteristics associated with mature economies – adding few new jobs (especially at higher wage levels), failure to expand new products, and is just generally not in a growth mode. Losses in private sector employment and inflation adjusted wages were softened by the performance of the public sector.

A decrease in per capita participation in outdoor recreation is a concern. Possible causes include changing habits of vacationers, increasing dependence on technology and fewer young people using the wilderness (Cook, 2010). This decrease has not manifested among the Baby Boomers that are currently the core group of the County's tourists.

Another possible cause of declining competitiveness is the division of consumer preferences into high and low end markets causing businesses to have to move up or down in the market to compete (Rosenfeld, 2009). Many local businesses were unable to make the needed investments to move up in the market. Meanwhile, many of the County's competitors in high amenity areas were making necessary investments. Low end markets may attract increasing numbers of tourists, but do not generate the revenues and jobs of higher end markets.

Most of the County's businesses are locally owned small enterprises. They are more likely to reinvest in the community and be in sync with local needs and opportunities. However, they do not often have the financial backing needed to rapidly improve products or expand services.

Restoring vitality to the Toursim economy is important to the overall well-being of the County. Research implies "*that recreation and tourism development contributes to rural well-being, increasing local employment, wage levels, and income, reducing poverty, and improving education and health*" (USDA, 2005).

A goal for Tourism based strategies should be increased business vitality – a more dynamic private sector measured by expansion of existing businesses, new business formation, and greater investment. Business vitality suggests a higher level of productivity and innovation, the attraction of new businesses, and a business climate more conducive to expansion.

The County's Tourism businesses currently operate near capacity from July through September. Opportunities exist to grow business activities during the shoulder season. Strategies for growth should focus on reducing seasonality by expanding "products" that will attract additional tourists from late October to mid-June and during mid-week days, and improving productivity of employees and businesses. Responses to the ***Go Cook County*** business survey, online community survey, and discussions with the steering committee seem to support this assessment.

Natural Resources

Employment in the natural resources sector is primarily in Forest and Wood Products, with a smaller Commercial Fishery on Lake Superior.

Forest and Wood Products related activities added at least 118 jobs in 2011. Records listed one Logging establishment (with employees), one Commercial Sawmill, and one Wood Preservation establishment in 2011. An additional 29 sole proprietors were engaged in Logging and Support Activities for Forestry and Logging in 2010. The County's eleven freight truck operaters were likely linked to Logging. The U.S. Forest Service contributed at least 33 jobs to Support Activities for Forestry and Logging. Seventeen sole proprietors were involved in Commercial Fishing in 2010.

The long-term employment outlook released by DEED projects the total number of jobs in Forestry and Logging, and Fishing will remain flat in the region through 2020. However, many Logging workers are nearing retirement age, creating a need for replacement workers.

Many industry groups and economic development agencies are exploring opportunities in renewable energy and bio products to revitalize the Forestry and Logging sector. Cook County has also explored these options. The Cook County Local Energy Project (CCLEP) has developed a plan to source energy within the County to keep energy dollars working in the local economy. CCLEP is investigating the potential for using forest biomass to generate hot water for heating public buildings in Grand Marais. The project is not expected to be a major source of new employment. Recent changes in energy markets and uncertainty about government policies present challenges to long term planning for these strategies.

Cook County Higher Education (CCHE) has identified a local interest in natural resource sciences, management and related skills. CCHE is providing geographic information system education through an accredited partner and is exploring ways to offer additional programs. Although state and federal employment in the County is concentrated in natural resource sciences and management local residents do not receive priority access to local jobs.

Government

Federal, state, local, and tribal governments are significant contributors to the County's economy. At 34% of the County's wage and salary workers, government employment was more than double the state and national averages in 2010. Gains in government employment from 2001 through 2010 buffered private sector job losses.

Traditional government services – Public Administration, Education, and Health and Social Services – accounted for about 25% of overall employment. One-in-six Leisure and Hospitality jobs are provided by the public sector, primarily Grand Portage Reservation.

Government jobs are a source of needed full-time employment with higher wages and benefits. In 2011, federal government jobs paid average wages of $60,520, state jobs paid average wages of $34,758 and local government jobs paid average wages $32,562. Average wages in the private sector were $23,705.

Government Employment by Industry, 2010				
	Local	State	Federal	Total
Education	68	13	0	81
Health and Social Services	150	0	0	150
Public Administration	271	11	138	420
Trade, Transportation, and Utilities	25	0	11	36
Leisure and Hospitality	208	5	16	229
Construction	24	6	0	30
Total*	768	35	165	968

(QCEW, 2012) *The sum of displayed categories may not equal total sector employment, annual averages.

Support Economy

The County's support economy consists of businesses that provide the basic goods and services (such as grocery stores, banks, and hospitals) to residents and Tourism businesses. For example, resorts are large users of utilities and professional services, and tourists are significant users of health care services.

Meeting demand for services in Health Care can be a significant source of employment growth. High wage, high skill Health Care practitioners and technical occupations are expected to grow at a rate of almost 20% through 2020 in the region.

Jobs in the Health Care support sector are projected to grow by more than 41% during the same period. Jobs in this sector offer lower average weekly wages of $409 and fewer full time employment opportunities.

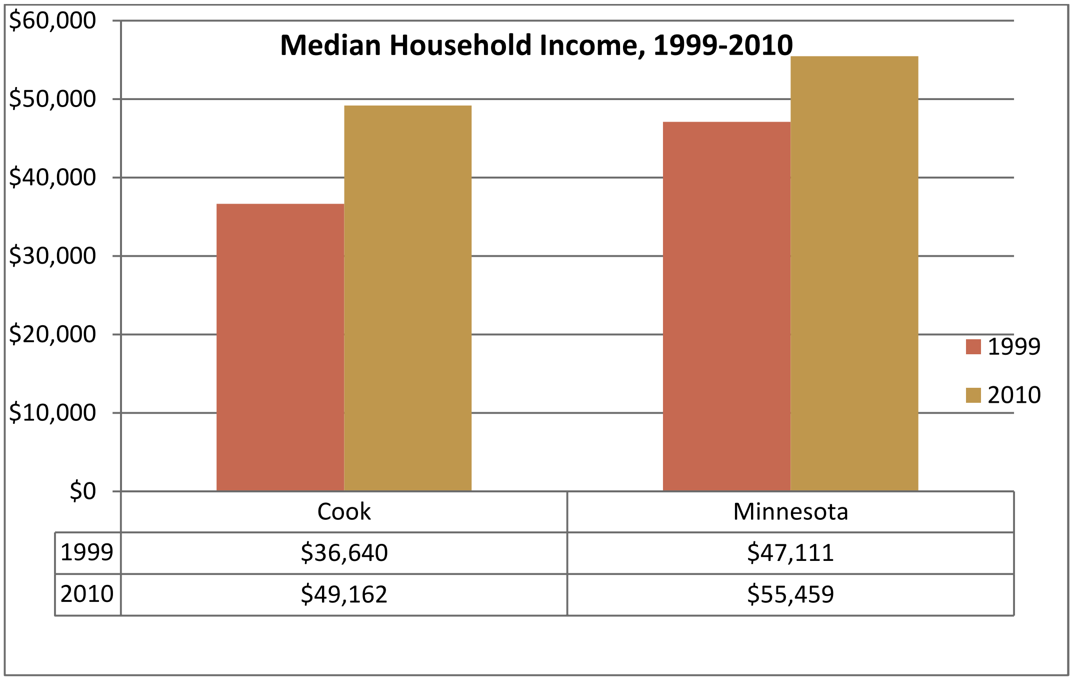
Regional growth in Construction employment will tend to concentrate in heavy and civil engineering contractors, not the residential and small project contractors prevalent in Cook County.

PERSONAL INCOME

Changes in the County'spersonal income since the year 2000 indicate separate economic trends for its workers and retirees. Despite above-average median household income growth lead by wealthier retirees, average wages grew slowly, and the income for many workers decreased when adjusted for inflation.

Median household income is a widely used measurement of an area's standard of living. The County's median household income grew by 34% from 1999 to 2010 to $49,152. When adjusted for inflation median household income in the County increased by 2.5% whereas the state experienced a decrease of 10%.[ii]

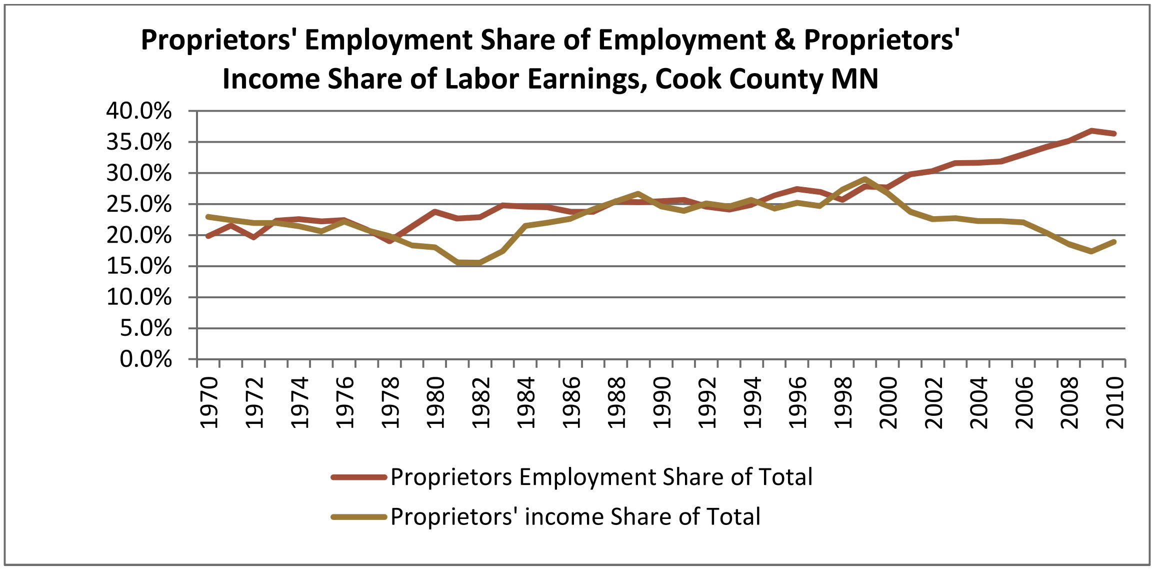
The County closed the gap with the state growing from a median household income $10,471 less in 1999 to $6,297 less in 2010. Still the median household income is about 89% of state and 95% of national levels.



Total personal income in the County increased by about 12% from 2000 to 2010 once adjusted for inflation. Due to almost no change in population the per capita personal income increased at the same rate. From 1990 to 2000 total personal income grew by 65% and per capita personal income grew by almost 24%.

Labor Income

There are two components to labor income: wages and salaries, and proprietor income. Sole proprietors held 36% of the jobs in the County in 2010 compared to 27% in 2000. However, their share of total earnings decreased from 23% of labor earnings to slightly more than 16%. Much of the growth in sole proprietors was likely for necessity or supplemental income reasons.



Understanding changes in wage and salary earnings is important because 63% of the County's workers are employed in wage and salary jobs. Labor earnings increased by 63% and employment increased by 58% during the economic expansion of the 1990s. Employees in every sector received noteworthy real gains in income.

Real average wages – wages adjusted for inflation – increased by only 2.84% overall in the County from 2001 to 2011. The County's wage growth rate was on par with Minnesota overall and slower than the national average of 4.45%.

Cook County Wage Changes, 2002 - 2011				
	2002	2011	2011 Inflation Adjusted	Change in Buying Power
All	$423	$544	$435	2.84%
Accommodation and Food Services	$291	$347	$273	-6.19%
Public Administration	$613	$814	$640	4.40%
Retail Trade	$367	$395	$310	-15.53%
Arts, Entertainment, and Recreation	$291	$358	$282	-3.09%
Health Care and Social Assistance	$529	$695	$547	3.40%
Construction*		$650	$511	
Educational Services	$638	$614	$483	-24.29%
Finance, Insurance, Real Estate	$426	$664	$523	22.77%
Information	$493	$606	$477	-3.25%
Administrative and Support Services		$490	$386	
Other Services (except Public Administration)		$186	$146	
Professional, Scientific, and Technical Services		$569	$448	

Private sector service providing businesses employed 1606 workers in 2011 at annual average wage of $22,951. Government provided 920 jobs at an annual average wage of $37,063.

The County's average weekly wage of $544 for all sectors is lower than the Northeast Minnesota average of $730, and the state average of $920. Notably absent are jobs in higher wage sectors such as manufacturing, information, and mining.

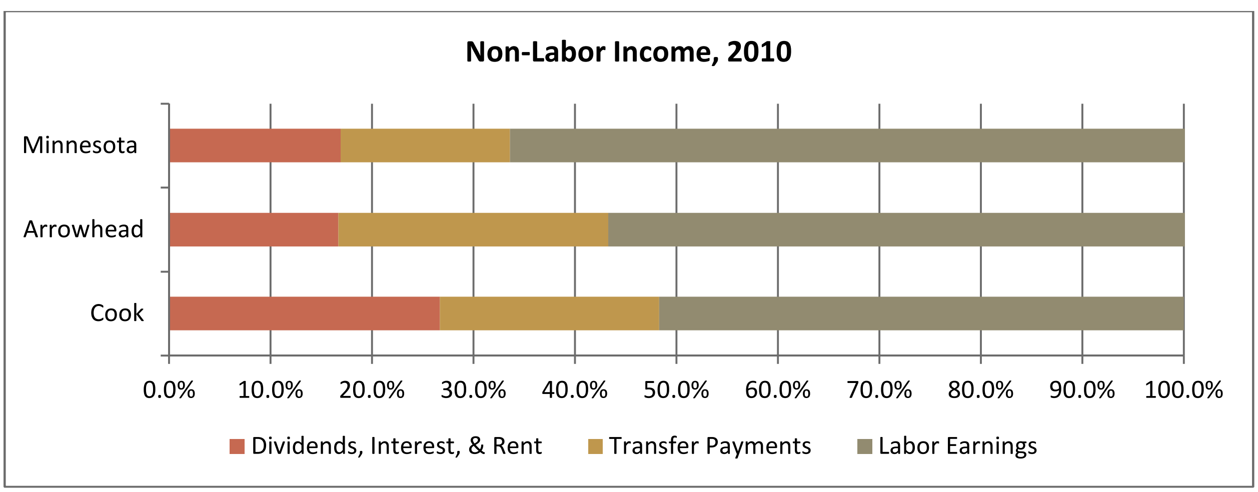
The low overall wage rate is not simply a factor of the prevalence of traditionally low wage jobs. Wages in other sectors lag behind the benchmark communities. Leisure and hospitality jobs in Cook County pay higher than the state average for the sector.

Full time employment is difficult to find. Average earnings per job decreased from 2000 to 2010. In 2010, 25.8% and 25.4% of the County's residents worked less than 40 weeks in the year and/or fewer than 35 hours per week. Nationally these rates were 20.9% and 21%. On average, 21% and 19% of workers in the three benchmark counties were in a similar less than full time employment situation.

Non-Labor Income

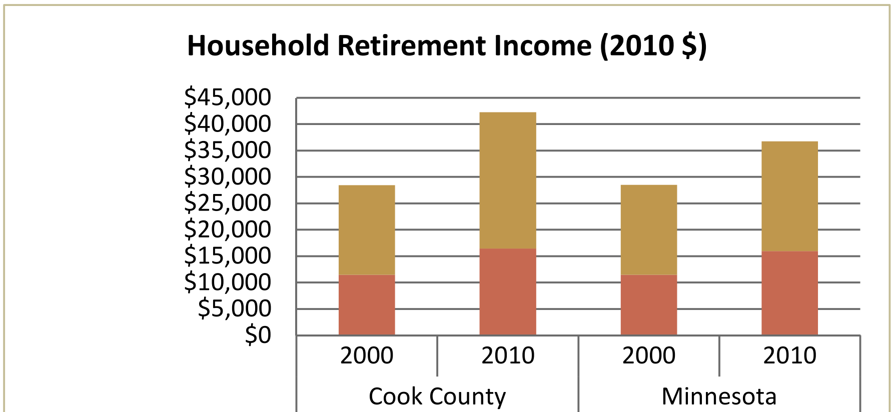
Non-labor income makes up an increasing part of the County's economy and is largely responsible for increases in overall income levels. Inflation adjusted non-labor income rose by 22% from 2000 to 2010. Retirees are driving this growth. Retirement and disability, Medicare, and Medicaid payments made up 35 percent of all non-labor incomes.

As the County's population ages it is becoming more dependent on non-labor income. In 2010, over 48% of the County's personal income was derived from non-labor earnings (52% came from labor earnings.) Non-labor incomes make up slightly more than one-third of personal income at the state and national levels.



The County's share of households receiving Social Security and other retirement income grew faster than the state from 2000 to 2010. These households are also wealthier than the state as a whole. The opposite was true in 2000.

Households Receiving Retirement Income				
	Cook County		Minnesota	
	2000	**2010**	**2000**	**2010**
Social Security	29.10%	33.40%	23.90%	25.30%
Retirement Income	21.10%	25.20%	13.70%	15.20%
U.S. Bureau of Economic Analysis				



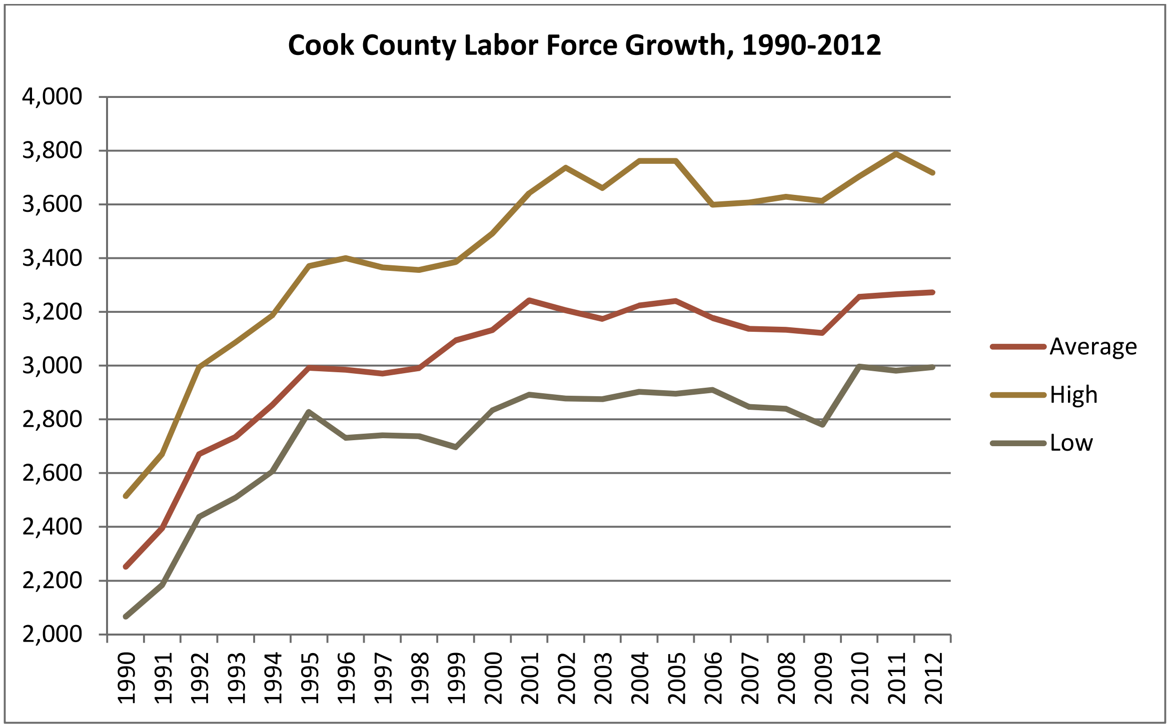
	Cook County 2000	Cook County 2010	Minnesota 2000	Minnesota 2010
Retirement Income	$16,998	$25,785	$17,034	$20,770
Social Security	$11,459	$16,469	$11,471	$15,973

WORKFORCE

Cook County's small, highly seasonal labor force grew at a slower rate than the state since 2000. The County's population is well educated, especially compared to other rural areas, but educational attainment is not evenly distributed.

Labor Force

After growing by 33% during the 1990s, the County's average annual labor force grew by 4.5% from 2000 through 2012. The state's labor force grew by 5.8 percent. The labor force is larger during the busy tourist season, generally peaking in June. The difference between the annual high point of the labor force and annual low point averaged 21% from 2000 through 2012, compared to 18.5% during the 1990s.



A decline in prime-age workers in the County is a concern for future prosperity. Workers aged 25 to 54 declined by 310 from the year 2000 to 2010. Fewer than 38% of the County's residents fell into this age range in 2010 compared to 42% at the state level. This group is projected to decline to under 33% before slowly increasing in 2025.

Commuting Patterns

The number of employees who commute into the County has dropped during the past decade. In 2010, 14.5% of workers employed in the County lived outside of the County, down from 25.2% in 2002 (not including telecommuters). From 1990 to 2000, outflow earnings, i.e. people who work in the County but live elsewhere, grew from $3.2 million annually to $9.8 million. From 2000 to 2010, outflow earnings decreased to $7.5 million.

Earnings of people who live in Cook County and work elsewhere including telecommuters (inflow earnings) increased from $3 million to $6 million from 1990 to 2000. Inflow earnings increased by only $100,000 from 2000 to 2010 despite an increase in residents who commuted outside of the County. In 2010, 18.6% of County residents were employed outside of the County compared to 15.6% in 2002 (not including telecommuters).

Commuting patterns add important context to the County's economy. Rural tourism and recreation communities often experience workforce housing shortages. These areas often rely on employees commuting from more affordable communities, affordable housing developments, or both, to meet workforce needs. Flat population growth, decline in prime-age workers, little full-time residential development, and a decline in commuting show that Cook County has had trouble attracting a workforce that will allow it to grow.

Educational Attainment

Cook County has a well educated population. At almost 91% the percentage of students that graduate high school on time is 15 percentage points higher than the state. The County also has one of the lowest rates of adults without a high school degree in the state.

Public school students in Lake County perform below average on standardized state reading and math tests, and above average on standardized science tests and ACT scores. Native American, Special Education, and students qualifying for free and reduced lunch do not score as high as the average Caucasian students**.**

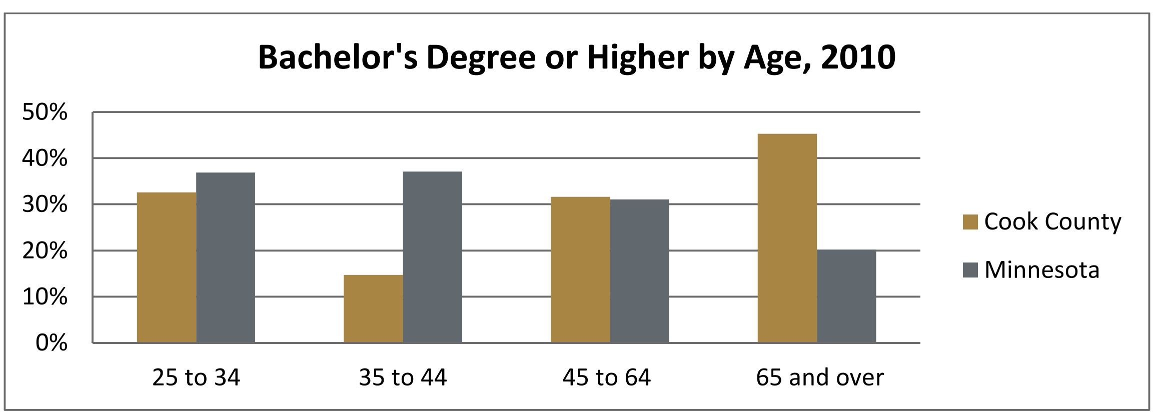
Primary and Secondary Education Attainment

	Cook	Lake	Minnesota
Percent meeting or exceeding standards in 3rd grade reading (2011)	70.20%	84.40%	78.50%
9th grade average attendance (2008)	95.50%	93.70%	94.40%
Percent meeting or exceeding standards in 11th grade math (2011)	37.10%	43.20%	48.60%
Graduation rate (on time) (2010)	90.80%	82.80%	75.90%

www.mncompass.org

Cook County has the eighth highest percentage of residents with a college degree in Minnesota. 34.4% have a bachelor's degree or higher, compared to 31.4% statewide. Cook County has the highest percentage of college educated residents of any rural county in Minnesota. Yet it trails its closest benchmark county by almost 11 percentage points.

College degrees are not evenly distributed across the population. Most of Cook County's advantage comes from the 45% of residents age 65 and over who have college degrees, compared to 20% statewide. At 14.7% the percentage of 35 to 44 year old residents with college degrees is less than half the state average. Just over 7% of County residents have earned a two year degree, slightly less than the statewide average.



Occupational Skills and Training

Leisure and Hospitality, Public Administration, and Retail Trade enterprises are the County's largest employers.

Many entry-level positions in Leisure and Hospitality, such as servers or front desk clerks, require little or no formal education or previous training. Formal training or prior experience for managers is more common, and completion of postsecondary training is increasingly important for advancement in the hospitality industry. Higher skill levels, especially "soft" skills, may be required in tourism and recreation communities than in the overall sector since destination leisure travelers expect better service (Department of Labor, 2006).

"As the percentage of youth in the workforce has declined, the Hospitality industry has sought new sources of labor, such as immigrants and older workers, in order to avoid facing an insufficient supply of workers to satisfy demand" (Department of Labor, 2007).

A general workforce shortage in Healthcare is a concern in Cook County. Many employers in rural Minnesota report difficulty filling positions. In particular, long-term care facilities have difficulty attracting and retaining professionals. Rural areas find it challenging to attract qualified healthcare workers partly because they cannot always offer salaries that are competitive with urban areas.

Future skills needed in Cook County include the ability to work with geriatric populations with complex conditions and multiple diagnoses. Technological and IT skills, including patient care through telemedicine, will also be very important.

Strategies to diversify the economy, increase upward mobility, and add full time jobs that can sustain families will need to include programs to train middle-skill workers for occupations that require more than high school, but less than college.

Cook County Higher Education (CCHE) is the principal provider of higher education access and workforce training in the County. CCHE works with the local business community to identify workforce needs, then partners with accredited colleges to provide programs through distance learning. The majority of current offerings are focused on health care occupations. CCHE's students have a 90% program completion rate, compared to 75% nationally. CCHE also partners with state agencies and other organizations to provide workforce skills training and business assistance. CCHE served over 700 people last year with 135 enrolled in degree or certificate education courses.

Implications of Economic Trends

Cook County has been in a no-growth mode trending towards decline the past decade. Positive trends in retiree population and non-labor income, employment growth in the non-tourism service businesses, and a relatively low unemployment rate were offset by employment losses in Leisure and Hospitality, fewer full-time jobs, and loss of young families.

Negative trends in Tourism – the major engine of economic growth – are a major concern since many other businesses directly and indirectly depend on Tourism businesses and Tourism wages for income. Many of the metropolitan style dining, entertainment, and recreation amenities that can be used to attract new residents also depend on tourists to sustain them. Local governments also depend on sales and property taxes paid by tourists and Tourism businesses.

Improving the Tourism economy will most likely have the largest impact on the County's prosperity – increased employment, increased wages, increased number of businesses and expansions, and increased tax base. Without public and private investments to improve facilities, products, human capital, and marketing to expand the season and attract additional tourists, decline is likely to continue. This will further constrict the County's abilities to provide quality services and enact strategies to grow other parts of the economy.

The County's history shows that too much dependence on one economic activity is not healthy. The County needs to diversify its economic base to add resiliency.

A development strategy that focuses on leveraging local strengths and opportunities to create and attract growth entrepreneurs is capable of yielding a middle path to growth and sustainability. Creating an entrepreneur-friendly community also makes it easier to attract and retain young workers and families.

"*Market preferences also are changing, with a larger share of the population choosing to pay more for the aesthetic, emotional, or value-based appeal of a good or experience or for a sense of authenticity that comes from personally knowing the producer or being familiar with the source*" (Rosenfel, 2009). The appeal of authenticity is especially strong among Echo Boomers and Millennials.

The good news is that many of the County's local strengths are familiar. Many of them are the same assets that the Tourism economy is based on – quality natural amenities and a unique culture that mixes the outdoors with arts and entertainment.

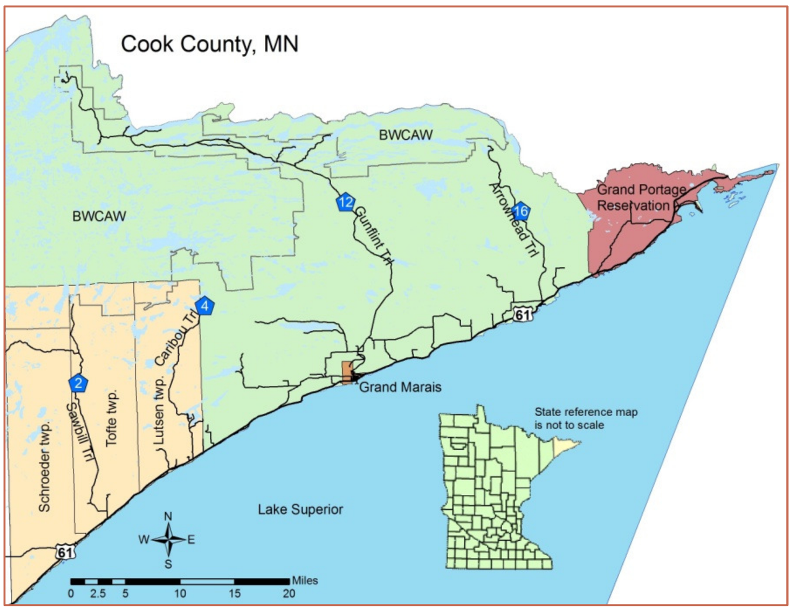
In order to capitalize on these opportunities the County will need to make investments in new forms of community capital. Strategies to build upon these local strengths should be interlinked with other business sectors and community members. For example, tourists can provide new businesses with initial markets and entrepreneurial networks can assist Tourism businesses.

III. EVALUATION OF COMPARATIVE ADVANTAGES

This section explains why the economy of Cook County is what it is and why it has changed over time by examining the factors affecting the production process (e.g. supplies, land, and labor) and those that affect the cost inputs and outputs (e.g. market proximity, infrastructure, clusters, regulation, housing, and quality of life). An evaluation of the County's comparative advantages (and disadvantages) will help identify opportunities and constraints for future economic development.

Natural Resources and Access to Supplies and Markets

Cook County is a large, remote territory. There is only one road through the County – US Highway 61. Residents, businesses, and infrastructure are clustered in small communities



Cook County's early economy was based on the extraction of natural resources. Over the past 80 years, the County has transitioned to a tourism and recreation economy based on the same resources that provided early settlers with traditional resource use jobs in logging, fishing, and trapping.

Logging in the County began declining in the early 20th Century as the old growth forests were harvested. The County's small population could not sustain a thriving local market for wood products and its remote location with limited transportation options raised obstacles to serving regional markets. Technological advances in logging through the decades reduced the required labor and raised the investment necessary to enter the market. Increasing federal ownership of forest lands, now at more than 70% of the County's land area, and a transition in federal policy from resource utilization to resource conservation decreased the amount of harvestable forest.

While reducing economic opportunity in resource extraction, federal policy added different economic opportunities by enhancing the recreation potential of the County's lands and waters. This cemented the transition to an economy based on tourism and recreation.

The importance of the County's forests has declined as an input to goods producing businesses such as manufacturing and construction. Economic and technological trends suggest extraction based businesses will not be a source of major employment growth. Similarly, a small commercial fishery on

Lake Superior that adds value to the local economy and maintains traditional culture has been sustained, but is not a likely source of major growth.

Many communities, including Cook County are exploring opportunities in renewable energy and bio products to revitalize the forestry and logging sector and properly manage forest health. Recent changes in energy markets and uncertainty about government policies present challenges to long term planning for these strategies.

Recruiting manufacturing plants has long been a popular strategy in rural communities. The opportunities for many types of businesses in Cook County will still be limited by geographic distance from supplies and markets. Rising transportation costs, just-in-time supply chains, and the need for face-to-face interactions remain real challenges.

"*The advantages of rural areas for most of the past half century have been natural resources, land, and low-cost labor. Rural economies relied on commodities or value-added production from farming, forests, or mining, or by recruiting branch plants and back office facilities*" (Rosenfeld, 2009). Globalization and changes in technology have changed the economic landscape for rural areas

Commodities and non-specialized goods also produce and retain little local wealth. Rural wages are neither low enough, nor skills high enough, to compete with newly developing economies for global manufacturing (Rosenfeld, 2009).

Growing or attracting small, medium-technology businesses that make specialized, high value products and services is a reasonable alternative approach. This approach has been successful when it combines local skills, value-added products strongly linked to local resources or culture, access to global markets, and connecting directly with customers. Not all of the businesses need to start as exporters (tourists excepted). The local market can be a source of growth and a sustained buffer against ups and downs in export markets. Services to support entrepreneurs and growth businesses are critical to the success of this approach.

Natural Amenities

Natural amenities have driven population and economic growth in Cook County in recent decades. Research and local experience have shown that high quality natural amenities attract working-age adults and retirees. High amenity areas also experience growth in tourism.

The relationship between natural amenities and economic growth can work in two directions. Business owners and employees may be attracted to areas with high quality natural amenities and, assuming investments in other forms of capital, choose to live and work there. Alternatively, businesses may be built around the natural amenities – ski areas and outfitters for example (Markley & Low, 2012)

Cook County has world class outdoor recreation assets. The County's natural amenities have been ranked in the top quarter of rural counties in the country by the USDA. Population, employment, and income in high amenity rural counties grew substantially faster than other rural counties over the past two decades. Cook County followed this pattern in the 1990s before experiencing stagnation in the last decade.

A recent report found 69% of Minnesotans participate in outdoor recreation every year. This is before including those who participate in hunting, fishing, and wildlife watching. Outdoor recreation in Minnesota generates $11.6 billion in consumer spending, 118,000 direct jobs, $3.4 billion in wages and salaries, and $815 million in state and local tax revenue (Outdoor Industry Association, 2013)

A decrease in per capita participation in outdoor recreation is a concern for the County. Possible causes include changing habits of vacationers, increasing dependence on technology and fewer young people using the wilderness (Cook, 2010).

The County will need to make investments in built capital, human capital, and other assets if it is to continue growing. Built capital is a community's infrastructure and building assets. It includes traditional public infrastructure such as roads, water, sewer, and electric systems. It also includes houses, communication systems, and other physical assets that contribute to community and economic development.

Combined with the right investments, natural amenities and the high quality of life associated with them could once again be an engine of prosperity in Cook County. Responses to the online community survey and lessons from other communities stress the importance of preserving the natural amenities and culture that are the basis of growth. In essence, new investments must be compatible with the existing community and contribute to sustainability.

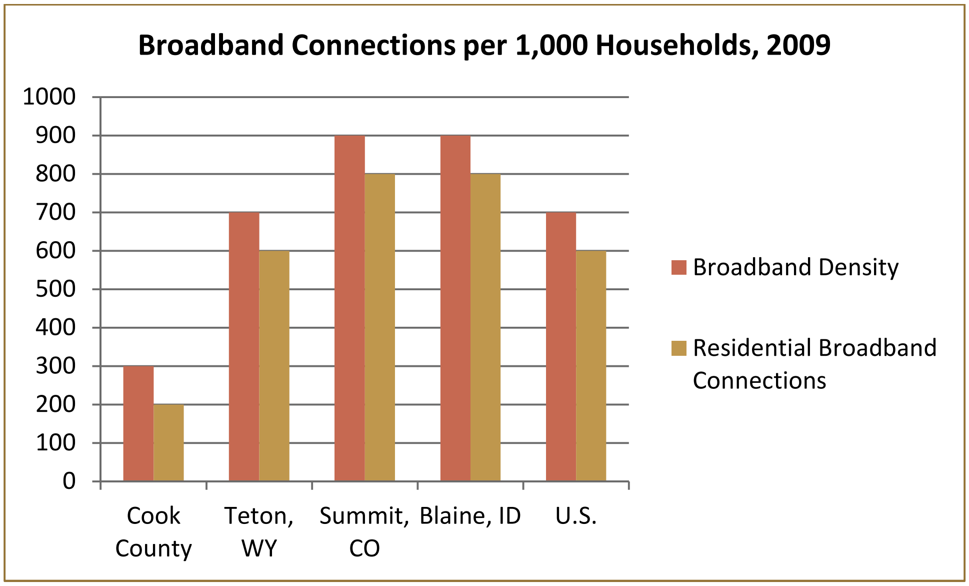
Broadband

While much of the research and efforts around rural broadband have focused on growing creative class residents and entrepreneurial enterprises, broadband investments are necessary for many types of businesses, institutions, and residents.

Broadband access will be important to provide the amenities that tourists want, especially luxury travelers, to market the County and its businesses as quality destinations, and to conduct necessary business activities such as banking, reservation management, and ordering supplies.

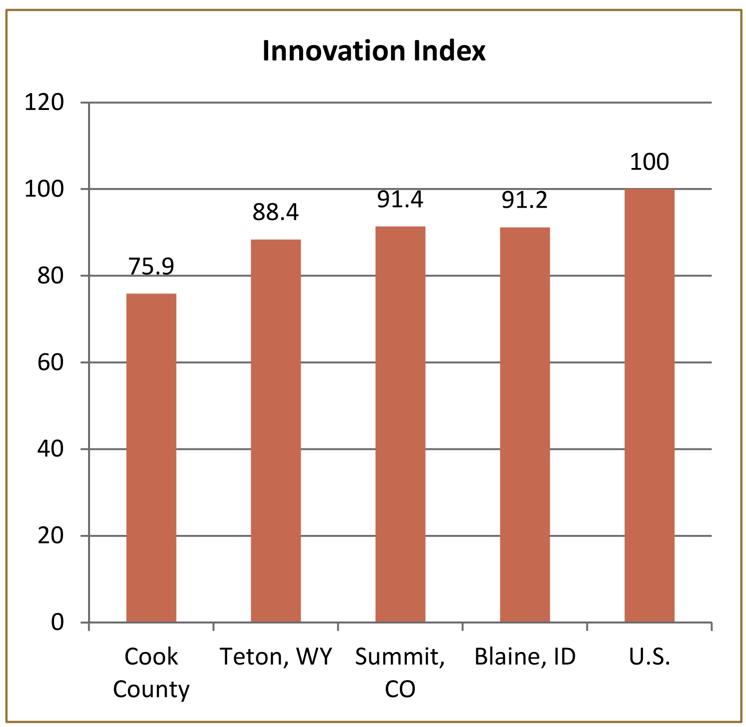
Broadband will also be necessary to improve primary and secondary education, access to higher education, and ongoing skills training.

When combined with investments in broadband and support networks, high quality natural amenities have been shown to boost growth and diversify local economies by attracting or growing entrepreneurs, knowledge workers, and other creative class individuals.



Empirical research and case studies show that investments in built capital, especially broadband, lead to income growth, value-added products and services, and population growth in high-amenity rural areas. While communities may experience growth in self-employment without broadband, its absence is (weakly) associated with decreased self-employment income and low growth in value-added products and services (Markley & Low, 2012).

The Innovation Index developed by Purdue University combines a range of indicators related to economic performance. The research showed broadband density had a significant effect on economic growth from 2002 to 2007.



This suggests that broadband supports entrepreneurship and the establishment of businesses with growth potential. In today's economy, broadband access is akin to transportation infrastructure in the past – a way to connect with non-local markets and supplies (information and knowledge) to grow businesses. Broadband can shrink the importance of being located close to supplies and markets for certain creative and knowledge based industries. Like any physical infrastructure the broadband network will require future investment to prevent it from decaying or becoming obsolete.

Infrastructure

Transportation access and modes are limited in the County. This affects the quantity, frequency, and price of freight movements and travel. The County has limited ability to affect this. The nearest interstate, commercial airport, and port are more than 100 miles from Grand Marais. The County does not have active rail service, though it does have a general aviation airport.

Remote rural areas tend to pay higher prices for electricity and other utilities due to long distances between population centers and variations in terrain, which add to transmission costs (Rosefeld, 2009).

Modern sewer and water infrastructure can improve environmental impacts associated with development allowing increased density of development and lower construction and operating costs over the long run. The County has more control over this form of infrastructure, though upfront costs may be a concern.

Building and Land Supply

Economic activity requires built space which requires basic, and often, extended public services. Despite being a geographically large place, Cook County faces constraints on the supply of buildable land to accommodate economic growth. In order to accommodate population and economic growth the County will need to increase the development capacity of the limited land it has available.

More than 90% of Cook County is vacant land owned by the different government agencies, most of it in forests, wilderness and natural areas. Physical and environmental conditions such as steep topography and wetlands create further constraints. The need to protect natural and cultural amenities also presents challenges.

Design and construction methods and enhanced infrastructure can address many of these challenges. These methods raise development costs which are already high due to limited land availability, higher construction costs, and other issues discussed in this report.

Cook County does have some opportunity for commercial infill and redevelopment in the existing commercial districts. In addition to service and retail businesses these areas are attractive to creative firms.

Workforce Housing

Affordable workforce housing supply and quality is a persistent challenge in Cook County. This is common in many high amenity rural areas. As a community becomes a popular vacation and/or retirement option, with a limited supply of land and housing, real estate prices become increasingly unaffordable to the local workforce. When the workforce is displaced or priced out it becomes more difficult to sustain a vibrant economy, to fill jobs, to retain families, to service visitors, and satisfy the needs of the community (Town of Breckinridge, 2012).

Cook County faces additional challenges arising from its remoteness and high percentage of publicly owned forest lands. In similar counties, employees may commute from communities on the periphery to their places of employment. Privately owned, developable land is limited in Cook County and the nearest city from which employees can commute is Silver Bay, which is 55 miles from Grand Marais.

Cook County has significant needs for quality, affordable workforce housing in both the rental and ownership markets. A general rule of thumb is that a house is affordable if it is less than three times the household's gross annual income. Another generally accepted rule of thumb is that housing expenses (including utilities) should constitute no more than 30 percent of household income.

Because many jobs in the County are seasonal, less than 35 hours per week, or both, arriving at an exact average wage per resident worker is difficult. However, it is not necessary to do so to demonstrate the housing affordability gap in Cook County. The following chart shows that affordable housing is a problem even when assessing the issue broadly.

Cook County Housing Affordability Index		2011 Median Home Sale Price	Average New Home Built in Grand Marais (2007-2012)	2012 Fair Market Rent, 2Br Apt. (Fair Market Rent $671/month)
		$225,000	$183,000	$8,052
Median Household Income	$49,162	4.6 (times annual income)	3.7	16.4%
2 Worker Household / Avg Services Wage	$45,902	4.9	4.0	17.5%
1 Worker Household/Avg. Services Wage	$22,951	9.8	8.0	35.1%

Three themes stand out in the chart above. First, the 2011 median sales price in Cook County was more than one-third higher than the State median sales price of $166,000. This is skewed due to the fact a majority of homes in Cook County are seasonal or recreational homes. From 2000 to 2010, the County added 1,138 housing units, growing the housing stock by 24%. However, 87% of new units were seasonal or recreational homes.

Skewed as the average home price may be, the high ratio of seasonal/recreational to full-time resident occupied housing is a common indicator of an unhealthy housing market that is not keeping pace with workforce needs.

Second, housing appears to be more affordable in Grand Marais. The average value of a single family home constructed in Grand Marais in the past five years is $183,000, still well above the affordability threshold. Increased construction in Grand Marais cannot be relied upon to alleviate workforce housing problems county-wide. The City only issued ten permits for single family home construction from 2007-2011. There are not enough buildable lots and workers need to be able to live close to their place of employment. A low supply of available land, lack of infrastructure, zoning restrictions, and limited financing are barriers to building quality, affordable housing near employment nodes.

Third, rental housing appears to be a more affordable option for many households. This is contradicted by further examination of the rental market. There are very few rental housing units available. The rental vacancy rate in the 2010 Census was 4.3%. Only 7.6% of rental units were in apartment buildings (multi-unit structures) compared with the state average of 21.5%. Renters and owners are directly competing for the available single family homes. An additional challenge for renters is the generally acknowledged poor quality of units.

The Cook County Grand Marais Economic Development Authority has established the Cook County Housing Program to address workforce and senior housing issues. The program has made nearly $2 million in investments in housing and commercial rehabilitation, blight reduction, and sewer and water abatements since 2006.

The program is currently attempting to address quality, affordable rental housing by establishing a rental rehabilitation committee with the goal of starting a comprehensive rental rehabilitation program.

Last year seven local families participated in homeownership workshops co-sponsored by Arrowhead Economic Opportunity Agency. Four went on to purchase a home, receiving $2,500 in assistance.

While the County has successfully implemented several programs, the type and scope of programs and investments are not sufficient to bend the curve of the housing gap in Cook County.

The County needs to clearly identify the extent of its current and future needs and follow the lead of other high amenity rural communities. Recent research has shown that population and employment in rural tourism and recreation communities in Colorado with proactive affordable housing programs grew at a faster rate than those without programs.

The County will need to add at least 275 housing units by 2025 just to accommodate the projected 11% increase in population. If the County wants to attract a similar share of 25 to 54 year olds as the state it will need at least an additional 175 units by 2025. Not all units need to be developed within the framework of an affordable housing program. Some new living arrangements will be needed for an aging population which will open vacancies in existing units.

Successful affordable workforce housing programs typically include a variety of different strategies, shared public and private commitments, and significant investments in time and money. Common approaches are discussed in Appendix A: Affordable Housing Strategies.

Workforce Size and Skills

Cook County has a very small labor pool and is faced with complicating factors such as high housing costs and few full time jobs that make recruiting labor difficult. This means having a labor force with the right mix of skills is critical.

The availability, cost, and quality of labor are very important to businesses. A shortage of skilled workers decreases productivity requiring businesses to pay more to acquire the right type of labor, recruit labor from elsewhere, or use labor that is less suited to the available jobs.

These tactics increase business costs without producing the according increases in performance. Tourism and healthcare businesses are labor intensive and therefore more sensitive to labor costs, but skill level is at least equally important.

Access to, and resources for developing education and skills training, are limited in rural areas. Close collaboration between businesses, Cook County Higher Education, Cook County School District, and other workforce partners is needed to develop the right skill sets that will grow a productive local labor market.

More productive workers can lead to higher revenues which in turn can lead to higher wages which can partially offset higher housing and living costs. This can also attract new workers.

Entrepreneurship

Another human capital approach to economic development is to build an economic environment that grows or attracts highly skilled workers and entrepreneurs.

The simplest definition of an entrepreneur is someone who organizes a business venture and assumes the risk for it. A broader definition includes innovation and growth potential. Entrepreneurship is not limited to high technology industries and urban areas. Entrepreneurs are found in every corner of the economy and regions across the country.

Additional small, locally owned businesses can diversify the economy and employment opportunities, insulating the County from economic flux. Local business ownership also generates wealth that is more likely to be reinvested in the community.

In 2008 Cook County was ranked amongst the nation's rural counties with the highest rate of self-employment and as above average in employer establishment birth rates. Two common, if flawed, measures of entrepreneurship.

The local decline in sole proprietor earnings over the last decade demonstrated earlier in this report suggests a high degree of supplemental self-employment and/or individuals starting businesses because they have no other economic alternatives. These businesses are likely marginal in terms of opportunities for future growth.

However, necessity and supplemental self-employment are not the only factors in considering the County's entrepreneurial potential. High quality natural amenities and creative class individuals are closely connected with the entrepreneurship.

In addition to the County's natural amenities, it was ranked amongst the rural counties with the highest concentrations of creative class individuals in 2000. Furthermore, Cook County is at the top of these attribute classes amongst Midwestern rural counties.

The creative class was associated with much stronger growth in rural counties during the past two decades. (While these counties may have grown because of the presence of the creative class, it is possible that the amenities that attracted the creative class were responsible for the higher job growth in creative-class counties in the 1990s.)

Highly skilled residents are positively associated with increases in self-employment income and establishment of businesses with growth potential. Efforts to increase levels of educational attainment and other forms of skill building may enhance the potential of the County to create growing businesses. However, human capital is mobile and these efforts may not increase entrepreneurship if, for example, young people leave after high school and do not return (Markley & Low, 2012).

Corresponding investments in built capital (e.g. broadband network), natural amenities (new recreation opportunities), and a degree of urban amenities and services may play an important role in encouraging highly skilled individuals and entrepreneurs to remain or locate in the County.

Natural amenities and the coming broadband network will not be enough on their own to stimulate new business creation by growth entrepreneurs. The interaction of multiple forms of capital and assets is necessary for entrepreneur driven growth. Rural areas often lack preexisting institutions and tools that are critical to entrepreneurial success. For example, access to capital is considered critical but it is more effective when combined with high quality advisory services. Identifying the County's unique needs is difficult without additional surveys and other primary data collection.

Cook County will need to develop a robust support system to give its entrepreneurs the advantages that they need to be successful. In rural communities this includes (1) creating a supportive place for entrepreneurs to do business; (2) providing a simple single source for entrepreneurs to access the full array of services and resources available to help them start or grow businesses; and (3) creating a robust real and virtual community to foster innovation and link with peers, service providers, and market opportunities (Collins-Williams, 2008).

Public Policy

Local government plays an important role in the well-being of the economy and residents. It provides public goods that contribute to economic growth, such as basic infrastructure and schools. Through policies and actions it creates an environment that shapes the decisions of businesses and residents.

The leadership role of local government is especially important in rural areas because often times there are fewer non-profit and private institutions with the capacity or influence to spearhead community and economic development activities.

Many of the strategies and initiatives developed as a result of the ***Go Cook County*** process will require some level of funding and all will require dedicated leadership. Not all of this must, or can, or even should, come from local government. But local government leadership will be critical to attract and maintain ongoing support from public, non-profit, and private stakeholders.

Cost-effectively using tax dollars to provide businesses and residents with high value public goods and services is always a balancing act. Providing infrastructure and services that exceed the needs of businesses and residents does not lead to growth and erodes public confidence. However, low taxes are not sufficient for growth. An area will become less competitive if infrastructure, services, and education decline. Cook County has potential to grow, but it must pursue the right investments and policies. Processes must be streamlined to increase productivity and improved delivery of services.

New challenges have emerged in the past decade. The County faces uncommon affordable housing challenges. Reduced private reinvestment in businesses and communities allowed the gap between Cook County and competitors to grow. It also decreased the ability of all levels of government to respond to this through investments in infrastructure and programs to boost economic development.

However, the County did not cease new investments in community capital. In 2009 Cook County voters approved a 1% local option sales tax. All but $605,000 of the $20 million lifetime sales tax revenue has been committed.

- Birch Grove Recreation Complex $700,000
- County-wide Broadband $4 million
- Public Library Addition in Grand Marais $1.5 million
- Expanded Community Center in Grand Marais $9.5 million
- District Energy Facility in Grand Marais $335,000
- Improvements to Superior National Golf Course $3.1 million

The $4 million investment in broadband is the local share of the $20 million project. Arrowhead Electric Cooperative was awarded a combination grant and loan package from the USDA Rural Utilities Service (RUS).

Cook County has one of the lower property tax rates in the State. The County captures less property tax as a percentage of market value than many other rural recreation counties in the State with which it competes.

2012 Local Tax Profiles		
Property Tax	Cook County	37.35%
	Becker County	41.56%
	Crow Wing County	32.40%
	St. Louis County	53.92%
	Grand Marais	15.29%
	Brainerd*	15.50%
	Ely	14.80%
Sales and Use	State	6.88%
	Cook County	1.00%
	Detroit Lakes (Food & Bev)	1.00%
	Brainerd	0.50%
Lodging	Cook County	4.00%
	Detroit Lakes	3.00%
	Brainerd	3.00%
	Ely	3.00%
*2011		

Median Residential Property Tax Comparison					
	Median Home Value	Median Property Tax	% of Market Value	Ranking (0f 3,143 U.S. Counties)	Average % of Resident's income
Cook	$247,000	$1,016	.41	1,458	1.88
Becker	$166,800	$1,226	.74	1,136	2.28
Crow Wing	$187,000	$1,186	.63	1,187	2.28
St. Louis	$140,400	$1,102	.78	1,475	1.95
www.tax-rate.org					

Local government sets the land use and zoning policies which shape the location, scope, and type of physical development within the County. This role is especially important in Cook County because undevelopable publicly owned lands dominate the County and development must be balanced with protecting the natural amenities, small town charm, and North Shore/Northwood's heritage that makes Cook County an attractive place to live, work, and visit.

Growth in many high amenity rural counties slowed in the 2000s but the change was striking in Cook County.

Land use policies likely played a role. As pointed out in this report, case studies demonstrated that rural tourist communities with proactive affordable housing strategies grew faster (and more equitably) than those without strategies. There is some evidence that part of the cause of slowing growth in the highest amenity rural counties in the last decade may be related to restrictive land use policies meant to preserve the landscape and other qualities that draw residents to the area (McGranahan, 2011). The ***Go Cook County*** process has revealed that some believe the County's zoning regulations are too restrictive to allow for reasonable growth, and the permitting process too time consuming and difficult.

Regulation is of course necessary. The good news is that predictable and transparent regulations are preferable to lax regulations for encouraging development. Land use policies that prudently select sufficient areas suitable for development, use techniques to allow increased density and affordability and protect the environment, and are complemented by an array of economic and community development policies can satisfy reasonable concerns about growth.

Clusters

Economic clusters are groups of like, related, or interconnected businesses within a specific geographic area. Clusters are based on unique strengths and unique products and services. The firms within an industry cluster can compete with, complement or rely on each other through both formal and informal relationships.

Addressing clusters is important because it orients efforts to working with groups of businesses on common issues that improve overall conditions rather than just individuals in an uncoordinated matter.

The County's tourism businesses are a diagonal cluster. Each firm adds value to the activities of others, even though their products are quite distinct and clearly belong to other industry classifications. The entire visitor package could include recreation, accommodation, museums, antique dealers, food and beverage services, industry tours, etc. (Community Futures Network, 2010).

Many of the issues, needs, and strategies presented in this report can be implemented through cooperation among businesses in the County's clusters. Training, marketing, and infrastructure can be more effective if addressed county-wide.

Close examination of the connections in clusters can reveal gaps that present opportunities for new services, import substitution, or linking with other business sectors. For example, Leisure and Hospitality sector consists of Accommodations and Food Services, and Arts, Entertainment, and Recreation. It has been suggested that there are additional opportunities to grow businesses in both subsectors by increasing the sales of local arts and crafts in other County businesses. A local value chain could be extended by incorporating local forest products into these linkages.

XI. DATA SOURCES AND REFERENCES

Except where specifically referenced, economic data used in this report are from standard federal and state government sources:

- Decennial Census (U.S. Census Bureau)
- County Business Patterns (U.S. Census Bureau)
- American Community Survey (U.S. Census Bureau)
- Bureau of Economic Analysis
- Quarterly Census of Employment and Wages (U.S. Bureau of Labor Statistics, via Minnesota Department of Employment and Economic Development)

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[i] Includes all federal non-military payroll and ½ state and local, non-education payroll.

[ii] Median Income by County. www.mncompass.org. retrieved October 16, 2012.