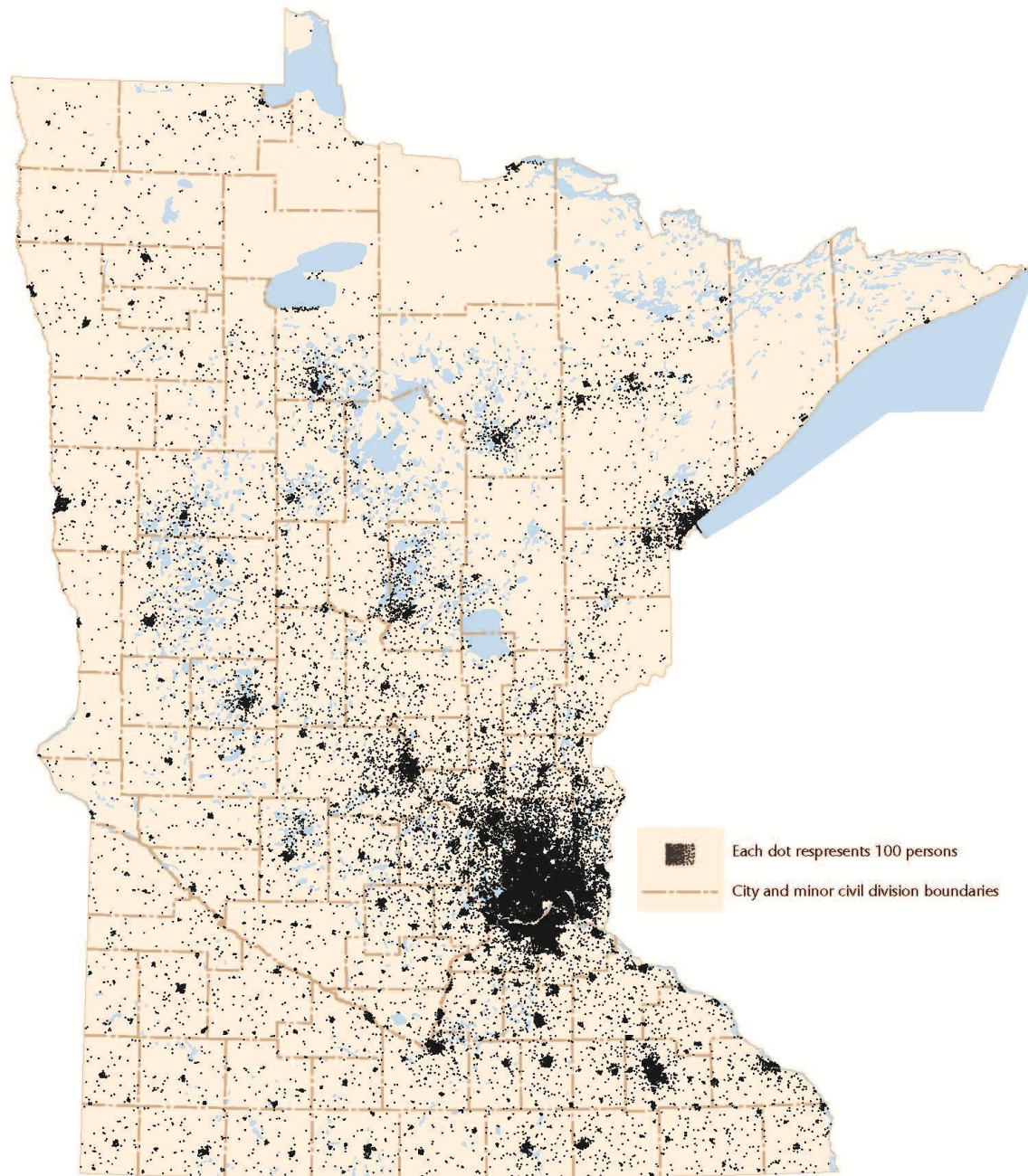


# Minnesota's Trade Center Hierarchy

## Urban Vitality in Greater Minnesota

William J. Craig & Bruce W. Schwartau  
University of Minnesota

# Minnesota Population Distribution, 2010



# Who Cares?

- People who live there – 46% of state's population
- State Agencies
  - Revenue
  - MnDOT – road system
  - DEED – Employment and Economic Development
- Local Government
  - Jobs, tax base
- Business
  - Local
  - National



**Foxhome** (Wilkin Co)  
Courtesy of Fraser Hart

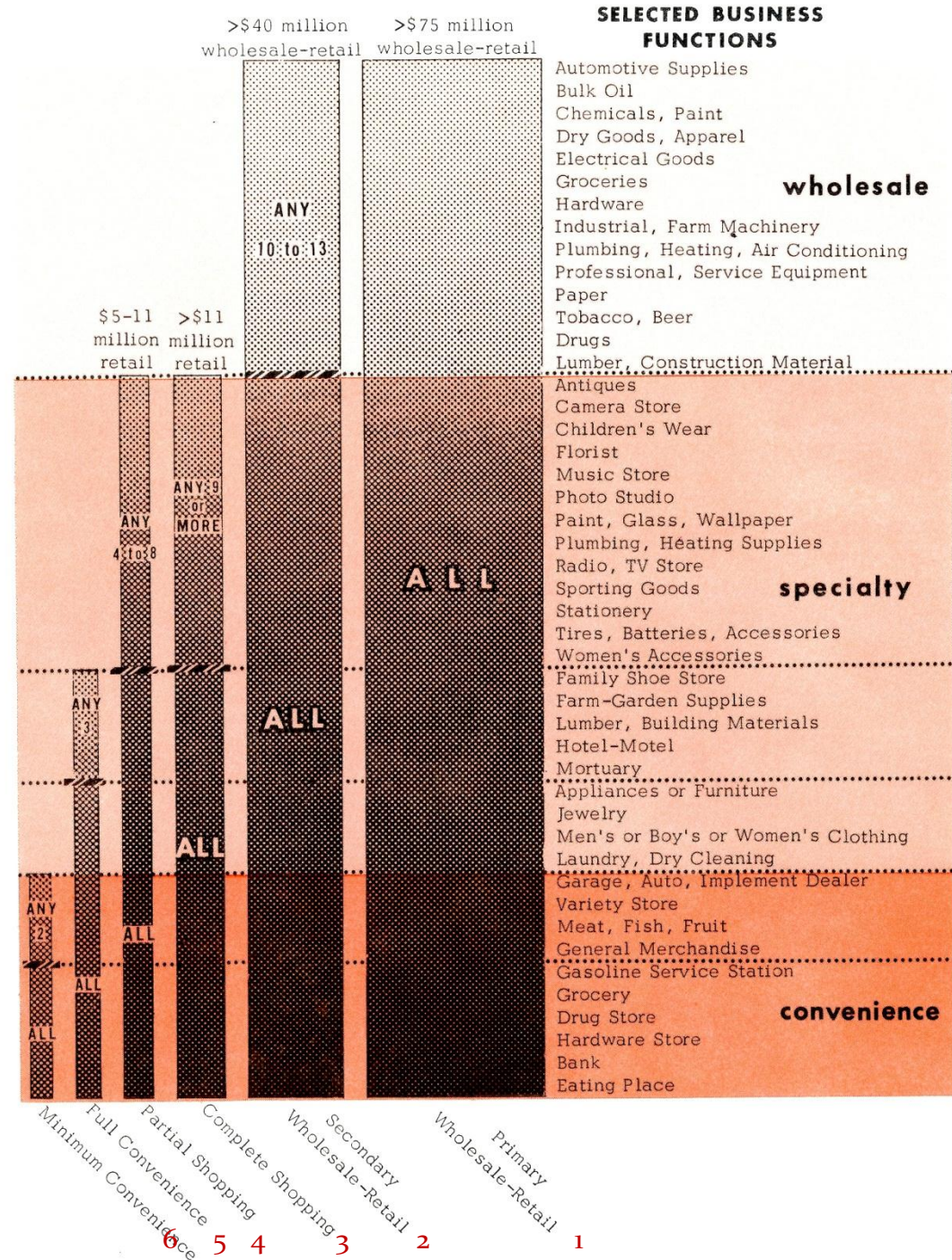
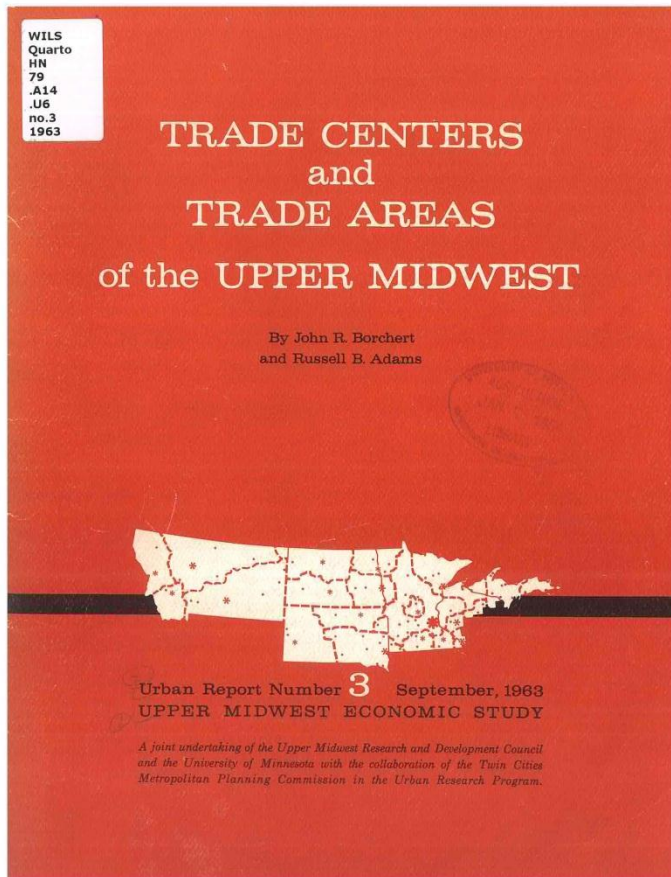




**Faribault**  
Photo by Schwartz



# 1963 Study



# Trade Center Hierarchy, 1989

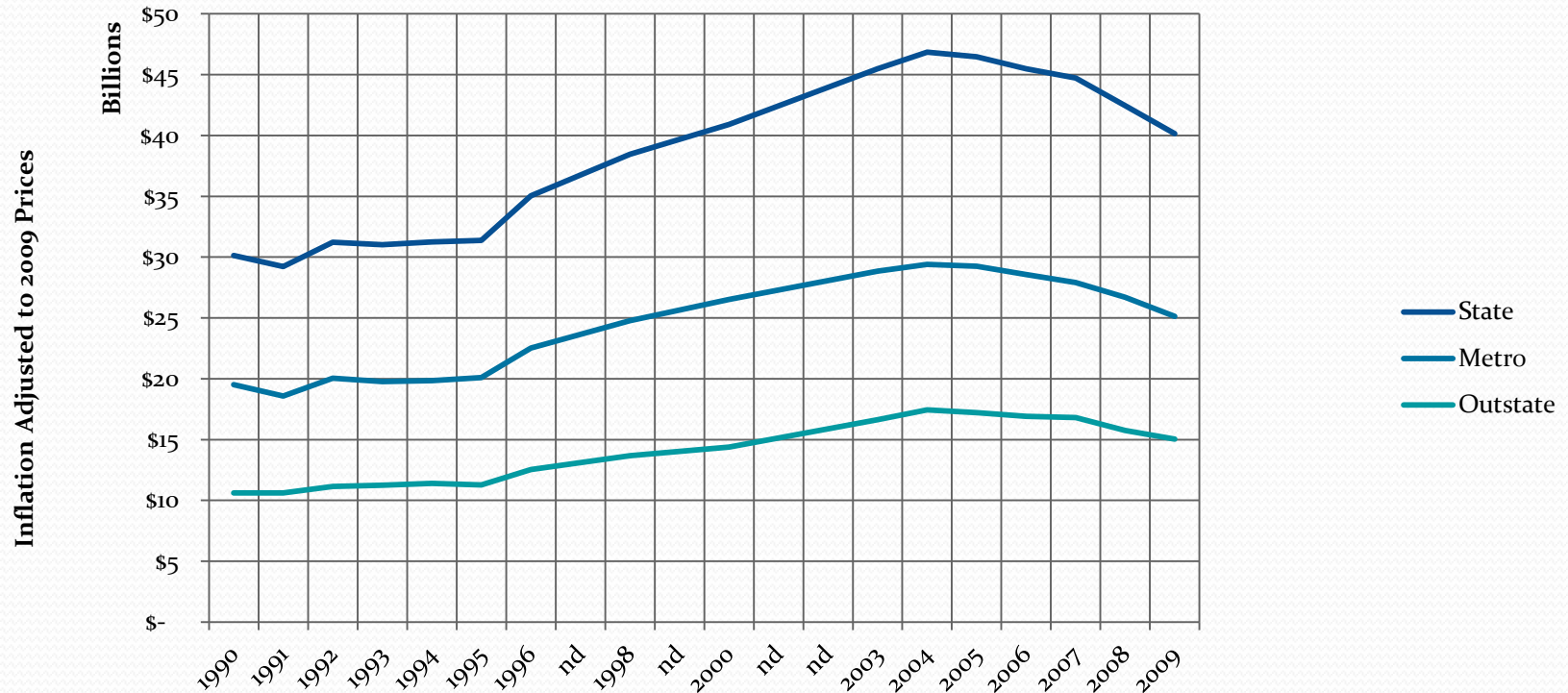
Level	Name	Mean # of Businesses	Mean Population
0	Metro Area	52,861	2,153,781
1	Primary Regional	3,228	126,676
2	Secondary Regional	993	39,456
3	Complete Shopping	397	14,705
4	Partial Shopping	147	5,536
5	Full Convenience	89	3,444
6	Minimum Convenience	45	2,080
7	Hamlet	13	779

# Minnesota Sales Tax

- Supplies 27% of state's revenue
- Began in 1967 – 3% rate
- Current rate is 6.785%
- Covers final sales of all goods and some services
- Exempt: food, clothing, drugs
- Data available from Revenue Dept.
  - Cities of 5,000+, sales and taxes by NAICS
  - Cities of 2,000+, taxes only
- Data geocoded to city boundaries
- 2010 data, most current (1990 oldest)



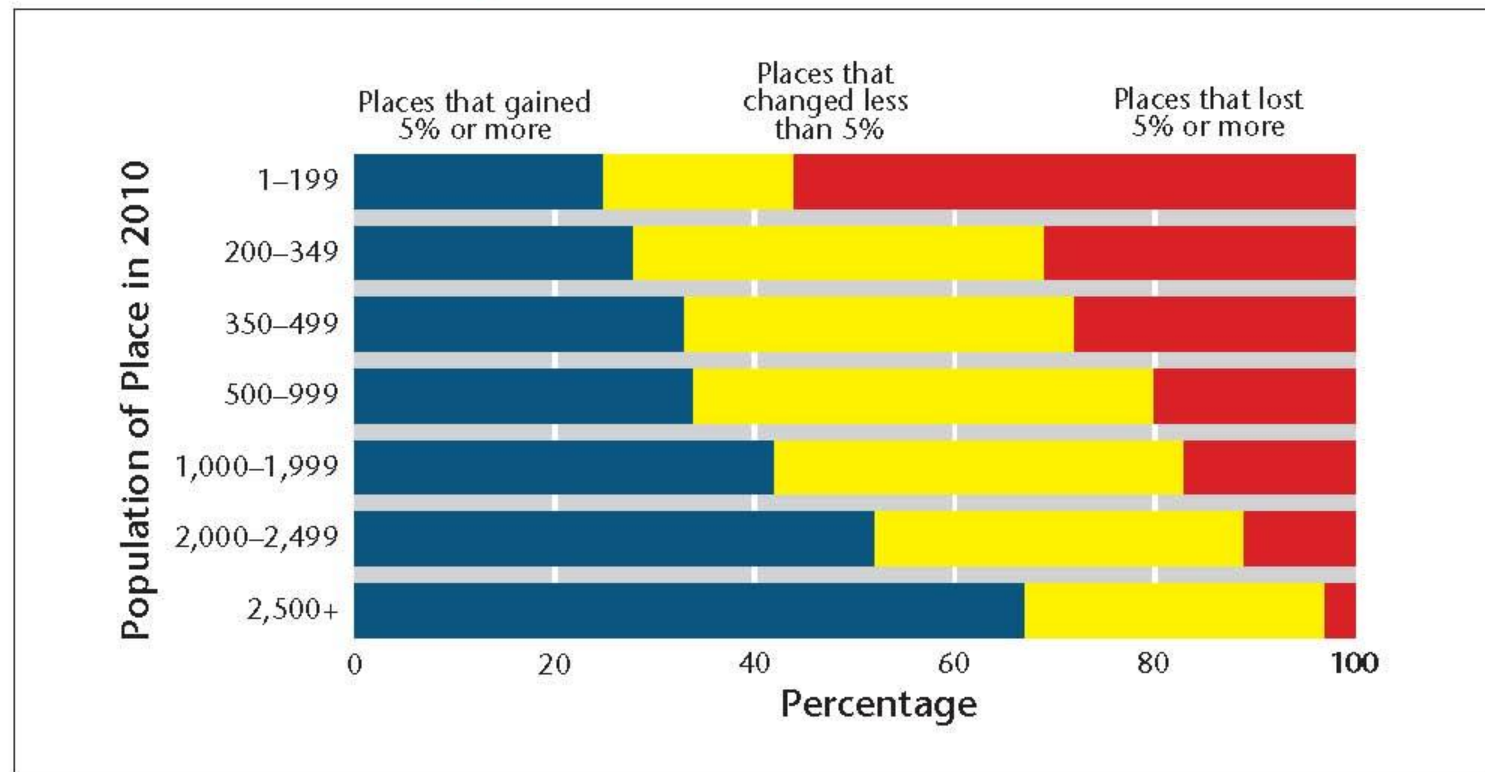
## Minnesota Taxable Retail and Service Sales



Includes data for the following industries: Retail (44-45); Information (51); Finance & Insurance (52); Real Estate Rental & Leasing (53); Prof, Tech, and Tech Services (54); Administrative & Support (56); Educational Services & Health/Social Assistance (61-62); Arts, Entertainment & Recreation (71); Accommodation & Food Services (72); and Other Services Except Public Administration (81)

# Most small cities are doing fine

Figure 2. Percentage of Incorporated Places that Gained and Lost Population between 2000 and 2010, by Size of Place



Hart and Lindberg, Small Towns in Minnesota are Still Growing, *CURA Reporter*, Spring 2012.

# Round 1: Bigger Cities

- 48 Outstate Cities (>5,000)
- Rank order taxable retail & service sales
- Break list into classes
  - Use 1999 levels as guide
  - Look for significant breaks in sales
  - Trends for close calls
  - Statistical test of results
- Cities across Greater Minnesota are doing well.
- Biggest surprise: Mankato has joined Duluth, St. Cloud, and Rochester as a Primary Regional Center.



# Sample Results

City	2009 Sales (\$mil)	Level	2010 Population	Sales per Person	% Change 1990-2009	% Change 2003-2009
Rochester	1,172	1	106,769	\$10.976	39	5
<b>Duluth</b>	1,051	1	95,679	\$10,986	27	-17
<b>St. Cloud</b>	1,016	1	101,206	\$10,041	42	-7
<b>Mankato</b>	904	1	52,703	\$17,153	123	22
<b>Brainerd</b>	421	2	21,200	\$19,842	92	11
Alexandria	287	2	11,070	\$25,958	68	-
Willmar	282	2	19,610	\$14,382	31	27
...						
Worthington	108	3	12,764	\$8,432	-15	8

**Bold** cities indicate combinations of adjacent cities; e.g. Brainerd and Baxter.

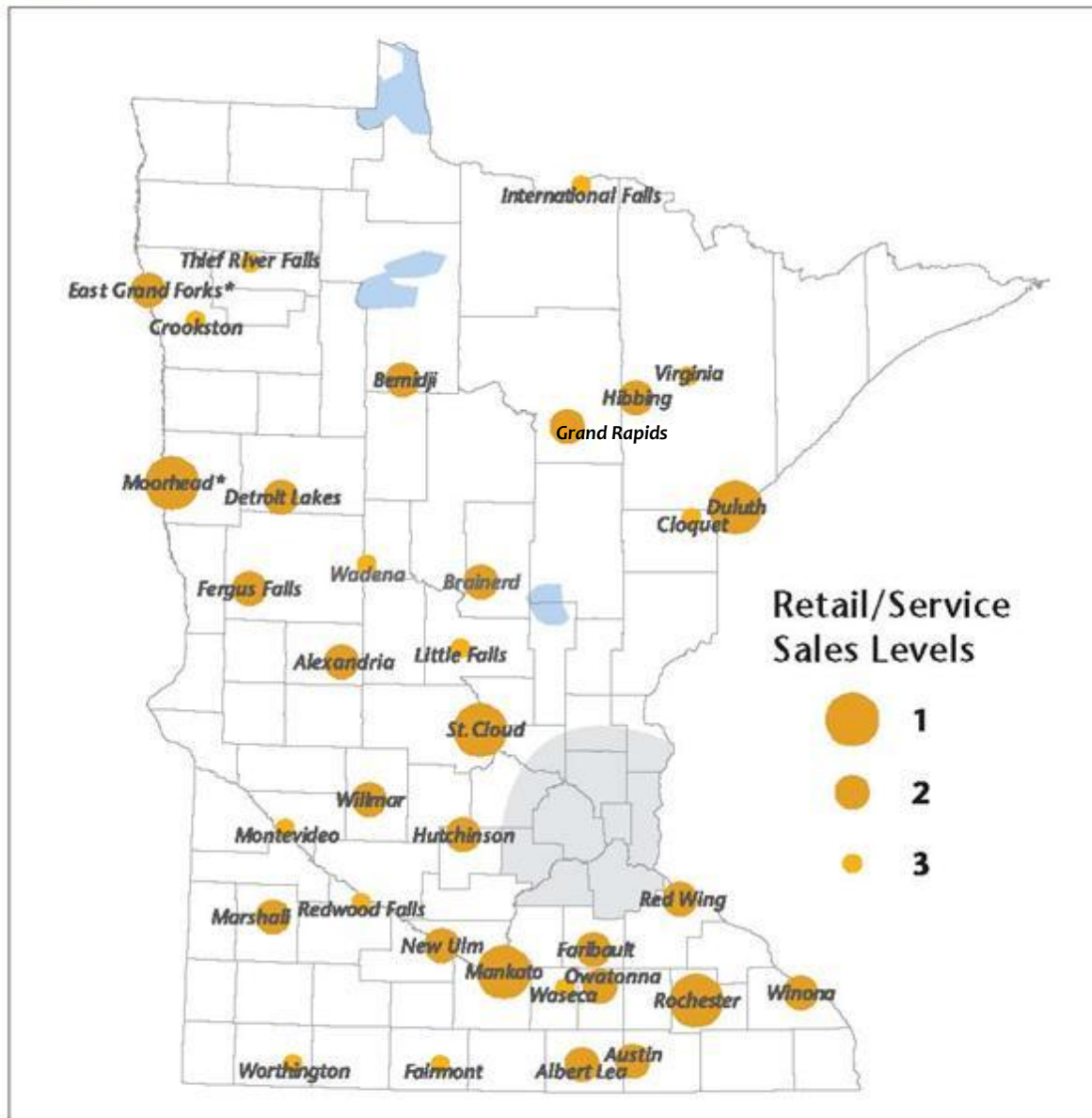




Mankato  
Courtesy, Mankato Chamber



Figure 2. Retail/Service Sales Levels 1-3 (Based on Taxable Retail and Service Sales), 2009



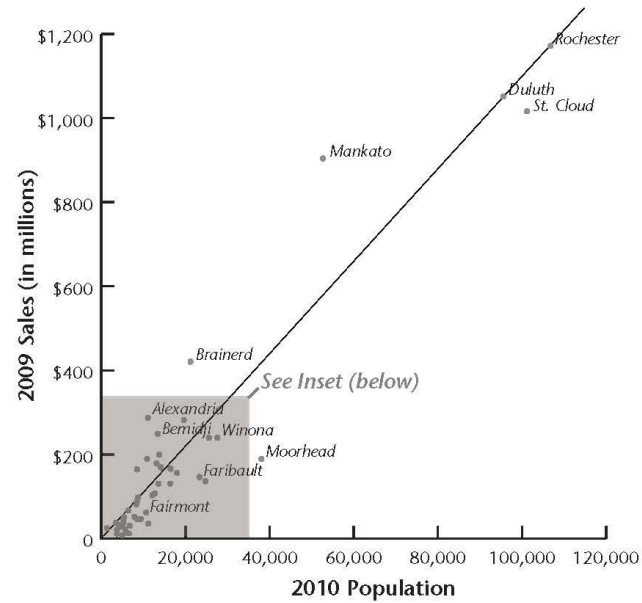
Note: This figure is missing four potential Level 3 cities for which Minnesota Department of Revenue data were not available: Aitkin, Mora, Park Rapids, and Princeton. Moorhead and East Grand Forks were each increased one sales level because they are both parts of much larger urban areas that include their North Dakota sister cities, Fargo and Grand Forks.



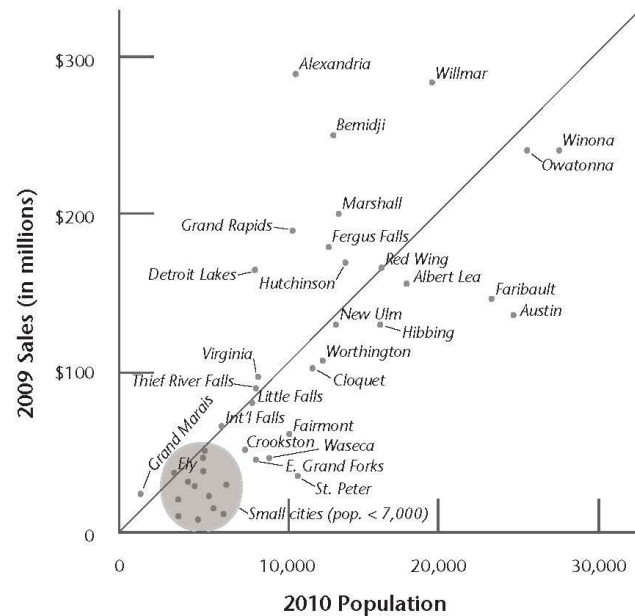
# Long Term Growth, 1990-2009

Sales Level	# Cities	% Change in Sales	% of Cities Growing
1	4	48	100
2	18	35	94
3	16	-7	58
4	6	-9	17
5	2	-48	0

Figure 3. 2009 Taxable Retail and Service Sales Versus 2010 Population



Note: The diagonal line represents where the cities would have been located if the correlation had been perfect. Points above the line are cities that are outperforming on taxable retail and service sales compared with their population, whereas those below the line are underperforming.



# Long Term Conclusions

- Levels 1 & 2 dominate
- Levels 1 & 2 are growing fastest
- Proximity to large city hurts
- Recreation helps economy
- System is dynamic
- Destiny is not preordained



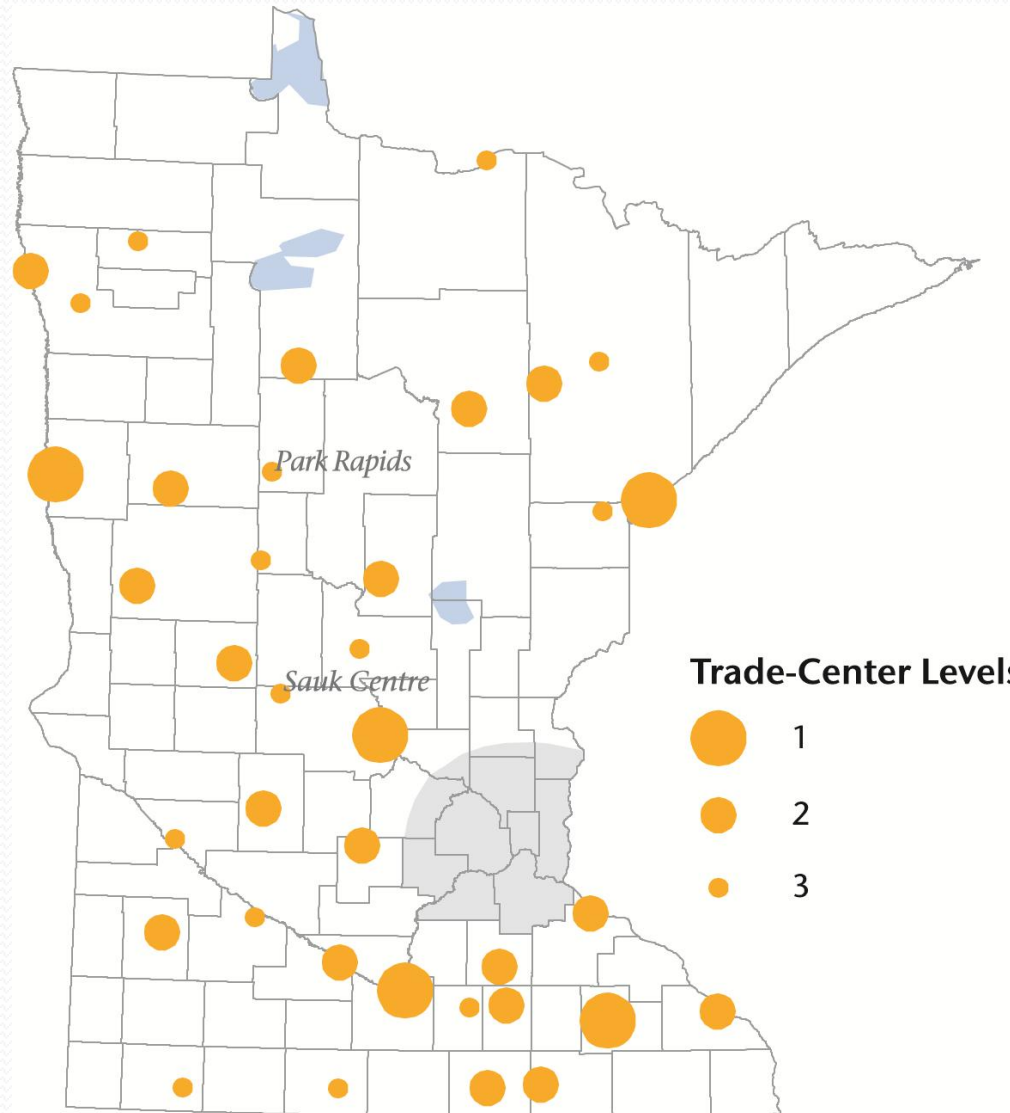
# Short Term Growth, 2003-2009

Sales Level	# of Cities	% Change in Sales	% of Cities Growing
1	4	-2	50
2	17	14	76
3	12	5	58
4	9	5	67
5	4	0	25

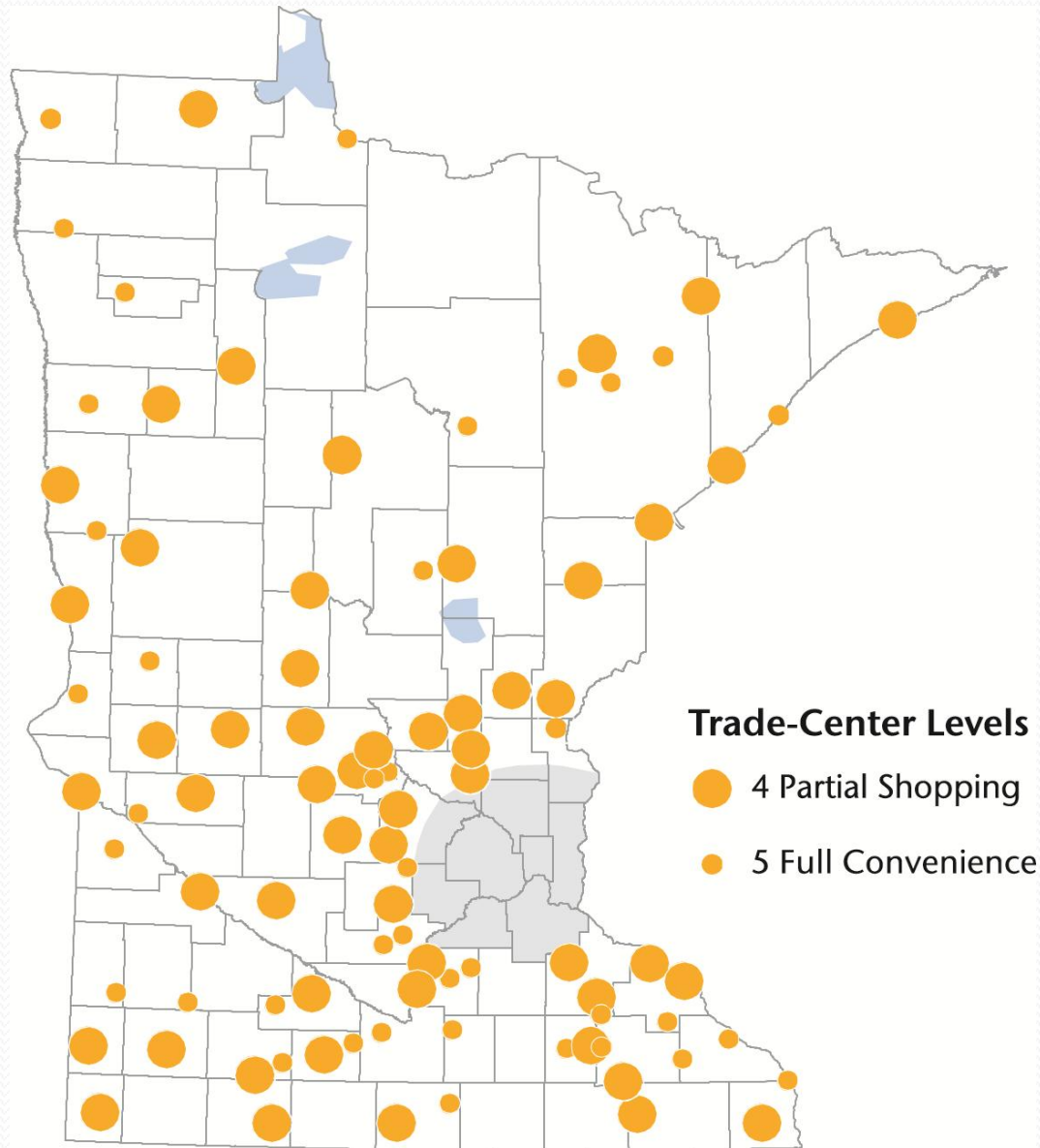
# Round 2: Smaller Cities

- Different data source
- Total Sales Tax Receipts
- Cities >2,000 people
- Strong correlation between sales and taxes

# Pick up 2 new Level 3 cities







# Change, 2003-2009

Sales Level	# of Cities	Ave Population	% Change in Sales Taxes	% of Cities Growing
1	4	89,089	-15.7	25
2	18	18,302	-0.3	44
3	15	7,751	3.3	47
4	54	3,619	2.1	41
5	39	2,502	-7.1	54



**Luverne** (Level 4, 4%)  
© David A.Parker Photography



**Montgomery (Level 5, -14%)**  
Courtesy of Bill Casey





**LeSueur** (Level 4, +22%)  
Courtesy of Bill Casey

# Conclusions

- 1990-2009
  - Invest in bigger places
- 2003-2009
  - Size doesn't matter
  - Is this a new trend?
- Use data to make decisions – state & local
- Keep monitoring



Questions?