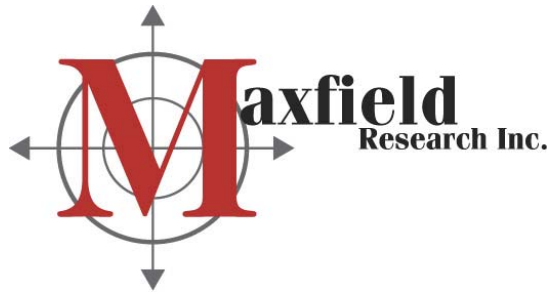


APPENDIX F
SUB AREA CORRIDOR MARKET STUDY



January 4, 2002

MEMORANDUM

TO: Mr. Jay Blake
Ms. Diana Billings
Dahlgren, Shardlow, and Uban, Inc.

FROM: Ms. Mary Bujold
Mr. Peter Edeburn
Maxfield Research Inc.

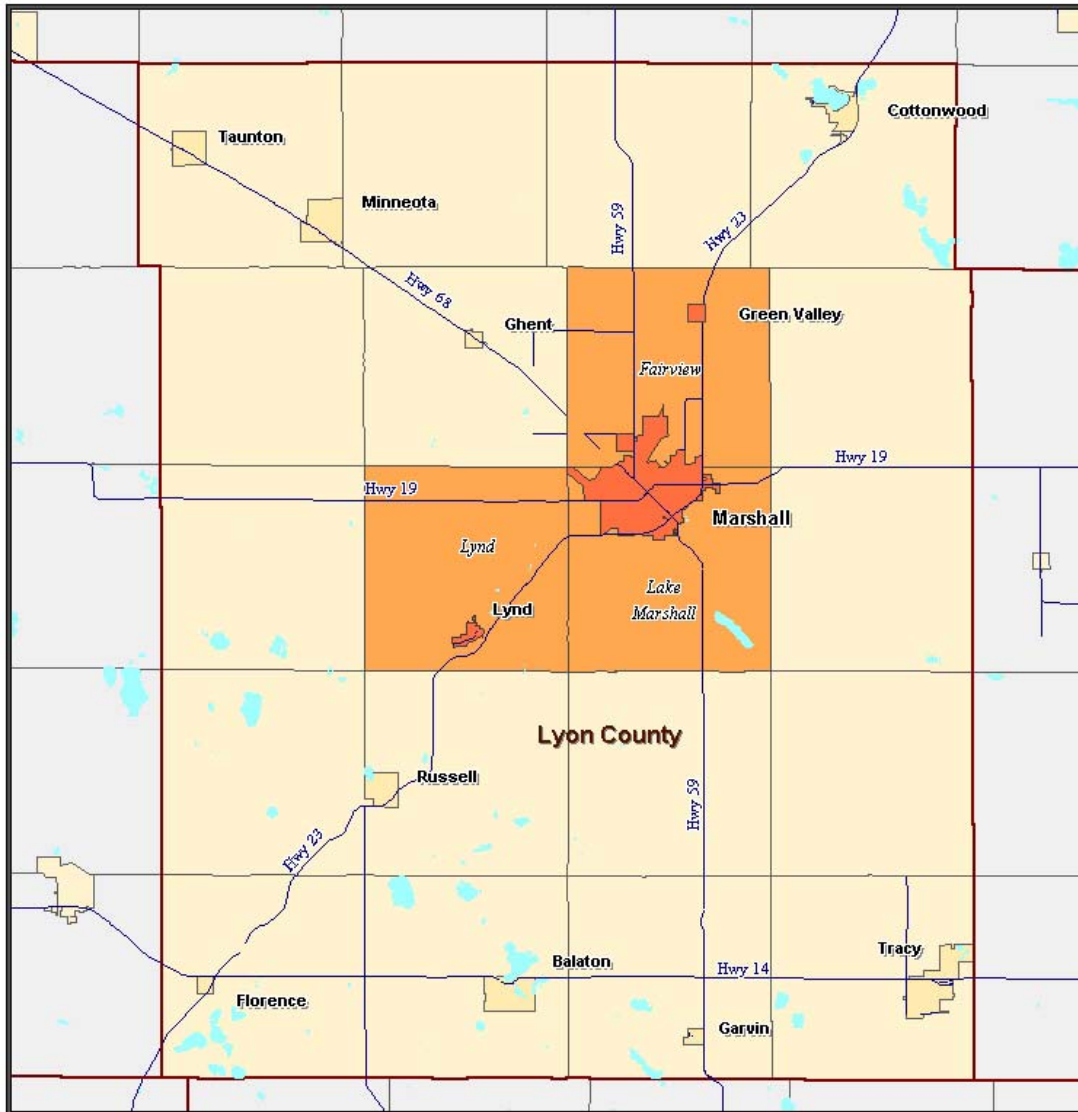
RE: Growth Potential of the Highway 23 Corridor between Green Valley and Lynd, in
Lyon County, Minnesota

Introduction

As you requested, Maxfield Research Inc. reviewed demographic characteristics impacting the growth potential of the Highway 23 Corridor that extends between Green Valley and Lynd in Lyon County, Minnesota. The Corridor Study Area was defined as the Cities of Marshall and Lynd, as well as Fairview, Lake Marshall and Lynd Townships. A map of the area is on the following page. We reviewed historic population, household and employment growth trends, income by age of householder and household tenure data. Historic land uses along the Corridor were analyzed, as well as economic development trends and retail sales. This information was compiled to project low-, moderate-, and high-growth scenarios for both residential and commercial development along the Corridor over the next several years.

Maxfield Research Inc. also conducted an inventory of pending development projects in the Corridor Area to assess their impact on future development in the Area.

Highway 23 Corridor Area



Maxfield Research Inc.

This information was compiled in support of the Lyon County comprehensive plan update currently being completed by Dahlgren, Shardlow and Uban (DSU).

Demographic Growth Trends and Projections

Population and Households

Table D-1 shows historic population and household growth trends for the Corridor Area, Lyon County, and the surrounding Counties in 1980, 1990 and 2000. The data is from the U.S. Census. Tables D-2, D-3 and D-4 show projected population and household growth in the Corridor Area, based on three different growth scenarios: low, moderate and high growth. The 2001 estimate and projections for 2005 and 2010 were developed by Maxfield Research Inc. based on information obtained from our review of residential and commercial development plans for the area, the State Demographer's Office, and Claritas Inc., a national demographics forecasting company.

The following are key points from the tables.

- During the 1980s, although Lyon County declined in population as a whole, the Highway 23 Corridor Area added 748 persons for a growth rate of 5.7 percent. Virtually all of this growth occurred in the City of Marshall, as two of the rural townships and City of Lynd lost 124 persons. During the 1990s, the Corridor Area grew by an additional 752 persons (5.4%), although growth was spread more evenly throughout the Area.
- Our interviews with local businesses, developers, Lyon County officials and representatives of Marshall and Lynd indicated that several residential developments and business expansions in the Corridor Area townships and Marshall and Lynd are projected to increase population and household counts over the course of the current decade. The three growth scenarios depicted in Tables D-2, D-3 and D-4 are largely dependent on the absorption rates of pending and "yet-to-be-submitted" residential development plans in the Corridor Area. The potential success of these developments would be, in turn, dependent on the economic health of the Corridor Area, namely growth in the number and variety of new jobs in the Area.
- We would project a low-growth scenario (Table D-2) in the event that the local economy falls on hard times, and interest in home buying and lot development/new home construction decreases markedly from the fairly robust rates of the late 1990s and early 2000s. Under this scenario, we project an increase of 762 persons (5%) and 451 households (8%) in the Corridor Area between 2000 and 2010.

Table D-1							
Historic Population and Household Growth Trends							
Highway 23 Corridor Area							
1980-2000							
	U.S. Census			Change			
	1980	1990	2000	1980-1990		1990-2000	
	1980	1990	2000	No.	Pct.	No.	Pct.
Population							
Fairview Township	561	513	485	-48	-8.6%	-28	-5.5%
Lake Marshall township	570	511	517	-59	-10.4%	6	1.2%
Lynd city	304	287	346	-17	-5.6%	59	20.6%
Lynd township	458	468	471	10	2.2%	3	0.6%
Marshall city	11,161	12,023	12,735	862	7.7%	712	5.9%
Hwy 23 Corridor	13,054	13,802	14,554	748	5.7%	752	5.4%
Remainder of Lyon County	12,153	10,987	10,871	-1,166	-9.6%	-116	-1.1%
Study Area Total	25,207	24,789	25,425	-418	-1.7%	636	2.6%
Surrounding 5 Counties	64,398	55,979	53,384	-8,419	-13.1%	-2,595	-4.6%
Households							
Fairview Township	158	166	159	8	5.1%	-7	-4.2%
Lake Marshall township	165	178	183	13	7.9%	5	2.8%
Lynd city	108	114	130	6	5.6%	16	14.0%
Lynd township	139	146	155	7	5.0%	9	6.2%
Marshall city	3,808	4,443	4,914	635	16.7%	471	10.6%
Hwy 23 Corridor	4,378	5,047	5,541	669	15.3%	494	9.8%
Remainder of Lyon County	4,279	4,026	4,174	-253	-5.9%	148	3.7%
Study Area Total	8,657	9,073	9,715	416	4.8%	642	7.1%
Surrounding 5 Counties	23,168	21,701	21,557	-1,467	-6.3%	-144	-0.7%
Sources: U.S. Census Maxfield Research Inc.							

- Due to planned expansions at Marshall’s largest employers, the numerous residential developments currently underway or planned for the Corridor Area, and historic rates of growth noted in the Corridor Area, we anticipate that the moderate-growth scenario (Table D-3) would be more probable than the low-growth projected in Table D-2. Under this scenario, we project an increase of 1,142 persons (8%) and 599 households (11%) in the Corridor Area over the course of the decade.

Table D-2 Population and Household Projections Highway 23 Corridor Area Low-Growth Scenario 2000-2010						
	U.S.	Maxfield			Change	
	Census	Research Inc.			2000-2010	
	2000	2001	2005	2010	No.	Pct.
Population						
Fairview Township	485	482	468	450	-35	-7.2%
Lake Marshall township	517	526	561	605	88	17.0%
Lynd city	346	356	435	442	96	27.7%
Lynd township	471	477	488	508	37	7.9%
Marshall city	12,735	12,810	13,025	13,311	576	4.5%
Hwy 23 Corridor	14,554	14,651	14,975	15,316	762	5.2%
Households						
Fairview Township	159	158	152	147	-12	-7.5%
Lake Marshall township	183	187	202	220	37	20.2%
Lynd city	130	133	150	180	50	38.5%
Lynd township	155	158	163	170	15	9.7%
Marshall city	4,914	5,015	5,095	5,275	361	7.3%
Hwy 23 Corridor	5,541	5,651	5,761	5,992	451	8.1%
Sources: Minnesota Planning Claritas Inc. U.S. Census Maxfield Research Inc.						

- The Corridor Area has the potential to experience a higher rate of growth, that will depend on continued economic expansion in the Marshall area, strong pre-sales and consistent absorption of higher-priced lots at the pending residential developments along Highway 23, and development of more affordably-priced residential development alternatives in both Corridor communities (Marshall and Lynd) to accommodate potential increases in moderate-wage jobs at Area employers. Table D-4 displays a high-growth scenario for the Corridor Area, projecting increases of 1,682 persons (12%) and 809 households (15%) between 2000 and 2010. To experience this scenario, significant in-migration of new households must occur by 2010.

Table D-3 Population and Household Projections Highway 23 Corridor Area Moderate-Growth Scenario 2000-2010						
	U.S Census	Maxfield Research Inc.		Change 2000-2010		
	2000	2001	2005	2010	No.	Pct.
Population						
Fairview Township	485	482	472	458	-27	-5.6%
Lake Marshall township	517	526	590	660	143	27.7%
Lynd city	346	356	481	540	194	56.1%
Lynd township	471	477	504	538	67	14.2%
Marshall city	12,735	12,810	13,120	13,500	765	6.0%
Hwy 23 Corridor	14,554	14,651	15,167	15,696	1,142	7.8%
Households						
Fairview Township	159	158	152	150	-9	-5.7%
Lake Marshall township	183	190	212	240	57	31.1%
Lynd city	130	133	166	220	90	69.2%
Lynd township	155	158	168	180	25	16.1%
Marshall city	4,914	5,015	5,132	5,350	436	8.9%
Hwy 23 Corridor	5,541	5,654	5,829	6,140	599	10.8%
Sources: Minnesota Planning Claritas Inc. U.S. Census Maxfield Research Inc.						

Age Distribution

Table D-5 shows the distribution of the Corridor Area's and Lyon County's population by age in 1990, 2000 and 2005. Age affects both the residential and commercial potential of any given area, as housing and consumer needs change with a person's life cycle. The 1990 and 2000

Table D-4 Population and Household Projections Highway 23 Corridor Area High-Growth Scenario 2000-2010						
	U.S Census	Maxfield Research Inc.			Change 2000-2010	
	2000	2001	2005	2010	No.	Pct.
Population						
Fairview Township	485	482	481	489	4	0.7%
Lake Marshall township	517	526	612	688	171	33.0%
Lynd city	346	356	522	614	268	77.3%
Lynd township	471	477	510	568	97	20.6%
Marshall city	12,735	12,810	13,294	13,879	1,144	9.0%
Hwy 23 Corridor	14,554	14,651	15,419	16,236	1,682	11.6%
Households						
Fairview Township	159	158	155	160	1	0.6%
Lake Marshall township	183	190	220	250	67	36.6%
Lynd city	130	133	180	250	120	92.3%
Lynd township	155	158	170	190	35	22.6%
Marshall city	4,914	5,015	5,200	5,500	586	11.9%
Hwy 23 Corridor	5,541	5,654	5,925	6,350	809	14.6%
Sources: Minnesota Planning Claritas Inc. U.S. Census Maxfield Research Inc.						

figures are from the U.S. Census, while the 2005 projections were developed by Maxfield Research Inc. and are based on the moderate-growth scenario displayed in Table D-3. Key points identified from our review of the Corridor Area's age distribution are:

- The shift in population in the Corridor Area between 1990 and 2000 was most noticeable in the adult age cohorts. As the baby boom generation (25 to 44 in 1990) began to age into their older adult years, the number of younger adults declined in Lyon County during the past decade. This trend is projected to continue throughout the 2000s.

Table D-5 Population Age Distribution Highway 23 Corridor Area 1990, 2000 & 2005							
	Number of Persons			Change			
	1990	2000	2005	1990-2000		2000-2005	
Hwy 23 Corridor	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	3,487	3,596	3,655	109	3.1	59	1.7
18-24	2,600	2,586	2,627	-14	-0.5	41	1.6
25-34	2,091	1,842	1,658	-249	-11.9	-184	-8.8
35-44	1,818	2,096	2,161	278	15.3	65	3.6
45-54	1,185	1,685	2,063	500	42.2	378	31.9
55-64	896	1,020	1,350	124	13.8	330	36.8
65-74	897	745	804	-152	-16.9	59	6.6
75+	828	984	851	156	18.8	-133	-16.1
Total	13,802	14,554	15,167	752	5.4	613	4.4
Remainder of Lyon County	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	3,254	3,054	3,142	-200	-6.1	88	2.7
18-24	694	792	733	98	14.1	-59	-8.5
25-34	1,540	1,181	1,198	-359	-23.3	17	1.1
35-44	1,383	1,614	1,414	231	16.7	-200	-14.5
45-54	988	1,328	1,479	340	34.4	151	15.2
55-64	998	929	992	-69	-6.9	63	6.3
65-74	1,072	847	728	-225	-21.0	-119	-11.1
75+	1,057	1,126	1,109	69	6.5	-17	-1.6
Total	10,986	10,871	10,796	-115	-1.0	-75	-0.7
Study Area Total	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	6,741	6,650	6,797	-91	-1.3	147	2.2
18-24	3,294	3,378	3,360	84	2.5	-18	-0.6
25-34	3,631	3,023	2,856	-608	-16.7	-167	-4.6
35-44	3,201	3,710	3,575	509	15.9	-135	-4.2
45-54	2,173	3,013	3,541	840	38.6	528	24.3
55-64	1,894	1,949	2,342	55	2.9	393	20.7
65-74	1,969	1,592	1,532	-377	-19.1	-60	-3.1
75+	1,885	2,110	1,960	225	11.9	-150	-7.9
Total	24,788	25,425	25,963	637	2.6	538	2.2
Sources: U.S. Census Bureau Claritas Inc. Maxfield Research Inc.							

- Due to the presence of Southwest State University (SSU) in Marshall, Lyon County (and the Corridor Area, in particular) contains a larger than average percentage of persons age 18 to 24 years. Persons in this age cohort, by and large, rent their housing. Based on the steadily increasing enrollment at SSU, and the likelihood that students will reside in Marshall or

commute from their parents' home, we anticipate that this age group will continue to grow in the Corridor Area, by a modest 1.6 percent, (41 persons), by 2005.

- Households within the 45 to 64 age group are typically in their peak earning years and are often seeking move-up housing alternatives. Meanwhile, some of the older households in this age group may begin reevaluating their housing needs as their children leave home and form households of their own. Many of these households may choose to consider a "maintenance-free" housing alternative, such as townhomes or condominiums.

Income by Age of Householder

Tables D-6 and D-7 show income by age of householder for both the Corridor Area and the Remainder of Lyon County in 2001 and 2005. Once again, the 2005 projections are based on the moderate-growth scenario (Table D-3). Key points derived from the table include:

- The median household income in the Corridor Area was estimated to be \$42,656 in 2001. This compares to a median income of \$41,673 in the Remainder of Lyon County. By 2005, the median household income in the Corridor Area is forecast to be \$49,972. In comparison, the Remainder of Lyon County's median household income (\$51,331) is forecast to slightly exceed the Corridor Area's.
- The juxtaposition of median incomes is projected to occur, primarily, because of the higher percentage of Corridor Area households with lower incomes. Households earning significantly below the median income (students, seniors, low-income & migrant workers) typically cannot afford to own their housing and must reside in the Marshall area, where more rental housing options are available.
- It should be noted, however, that the median household income in Lyon County is relatively high compared to incomes in other rural counties in Southwestern Minnesota. This is due to the relatively high wages available at many local businesses and the presence of Southwest State University.

	Age of Householder							
	Total	15-24	25-34	35-44	45-54	55-64	65 -74	75+
Hwy 23 Corridor								
Less than \$15,000	850	210	116	74	38	33	111	268
\$15,000 to \$24,999	827	162	178	108	66	66	104	143
\$25,000 to \$34,999	684	64	191	150	74	64	69	70
\$35,000 to \$49,999	914	39	245	253	146	91	69	70
\$50,000 to \$74,999	1,160	18	230	252	387	135	87	49
\$75,000 to \$99,999	622	6	81	170	179	120	30	35
\$100,000 or more	598	4	24	228	165	151	22	4
Total	5,654	504	1,066	1,236	1,056	660	493	640
Median Income	\$42,656	\$17,577	\$37,951	\$53,237	\$63,116	\$63,992	\$29,637	\$18,662
Remainder of Lyon County								
Less than \$15,000	560	50	54	32	41	54	90	238
\$15,000 to \$24,999	630	39	92	60	59	60	151	168
\$25,000 to \$34,999	583	51	135	104	61	70	88	75
\$35,000 to \$49,999	752	41	164	138	154	91	89	75
\$50,000 to \$74,999	979	36	166	237	281	117	83	59
\$75,000 to \$99,999	419	7	49	109	113	80	30	31
\$100,000 or more	292	4	17	74	93	51	27	27
Total	4,216	229	676	753	803	523	559	673
Median Income	\$41,673	\$30,000	\$40,221	\$54,530	\$57,610	\$47,698	\$29,294	\$20,833
Study Area Total								
Less than \$15,000	1,409	260	170	107	80	87	201	506
\$15,000 to \$24,999	1,457	201	270	168	125	126	255	311
\$25,000 to \$34,999	1,267	115	326	253	136	135	157	145
\$35,000 to \$49,999	1,667	81	409	391	300	182	159	145
\$50,000 to \$74,999	2,139	54	396	490	668	252	170	108
\$75,000 to \$99,999	1,040	13	130	279	292	199	60	66
\$100,000 or more	891	8	41	302	258	202	49	31
Total	9,870	733	1,742	1,989	1,859	1,183	1,051	1,312
Median Income	\$42,212	\$20,291	\$38,859	\$53,864	\$60,802	\$56,098	\$29,445	\$19,835
Sources: Claritas, Inc. Maxfield Research Inc.								

Household Tenure

Table D-8's review of household tenure by age of householder in the Corridor Area and the Remainder of Lyon County offers insight into the propensity of the Study Area's population to either rent or own their housing. The following are the key points from the table.

	Age of Householder							
	Total	15-24	25-34	35-44	45-54	55-64	65 -74	75+
Hwy 23 Corridor								
Less than \$15,000	590	147	71	49	31	30	79	182
\$15,000 to \$24,999	775	162	141	90	64	68	105	145
\$25,000 to \$34,999	713	100	163	129	76	80	76	88
\$35,000 to \$49,999	838	48	215	211	132	94	70	67
\$50,000 to \$74,999	1,057	31	218	246	296	133	74	58
\$75,000 to \$99,999	783	9	121	169	265	138	48	34
\$100,000 or more	1,073	6	66	334	304	277	49	35
Total	5,829	503	994	1,228	1,169	821	503	610
Median Income	\$49,972	\$21,490	\$43,551	\$63,724	\$73,728	\$75,821	\$33,749	\$23,506
Remainder of Lyon County								
Less than \$15,000	398	49	35	15	22	32	49	196
\$15,000 to \$24,999	551	40	74	39	48	63	115	172
\$25,000 to \$34,999	611	49	129	68	62	76	106	121
\$35,000 to \$49,999	716	59	165	100	124	100	83	83
\$50,000 to \$74,999	1,039	43	196	186	287	144	106	76
\$75,000 to \$99,999	706	26	111	155	197	112	54	51
\$100,000 or more	642	10	54	144	211	143	36	44
Total	4,662	277	764	707	951	669	550	745
Median Income	\$51,331	\$35,144	\$48,034	\$67,637	\$69,146	\$61,011	\$35,822	\$25,330
Study Area Total								
Less than \$15,000	988	196	107	64	53	62	128	378
\$15,000 to \$24,999	1,326	202	215	129	112	131	221	317
\$25,000 to \$34,999	1,324	149	292	197	138	157	182	209
\$35,000 to \$49,999	1,554	108	380	311	256	195	154	151
\$50,000 to \$74,999	2,095	74	414	432	584	276	180	135
\$75,000 to \$99,999	1,489	35	231	324	462	249	102	85
\$100,000 or more	1,715	16	120	478	515	420	86	80
Total	10,491	780	1,758	1,935	2,120	1,490	1,053	1,354
Median Income	\$50,642	\$24,644	\$45,500	\$65,408	\$71,472	\$68,134	\$34,726	\$24,443
Sources: Claritas, Inc. Maxfield Research Inc.								

- In 2000, 68 percent of the households in Lyon County owned their housing; 60 percent in the Highway 23 Corridor Area and 80 percent in the Remainder of the County. In comparison to many rural counties in Greater Minnesota, Lyon County's homeownership rates are relatively low.

**Table D-8
 Tenure by Age of Householder
 Highway 23 Corridor Area
 1990 & 2000**

1990	AGE OF HOUSEHOLDER															
	15-24		25-34		35-44		45-54		55-64		65-74		75+		Total	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent
Highway 23 Corridor	43	514	534	572	762	279	521	141	406	102	436	135	329	273	3,031	2,016
<i>Pct. Own</i>	7.7%		48.3%		73.2%		78.7%		79.9%		76.4%		54.7%		60.1%	
Remainder of Study Area	53	110	444	295	602	153	478	62	495	50	609	60	495	120	3,176	850
<i>Pct. Own</i>	32.5%		60.1%		79.7%		88.5%		90.8%		91.0%		80.5%		78.9%	
Study Area Total	96	624	978	867	1,364	432	999	203	901	152	1,045	195	824	393	6,207	2,866
<i>Pct. Own</i>	13.3%		53.0%		75.9%		83.1%		85.6%		84.3%		67.7%		68.4%	
2000	AGE OF HOUSEHOLDER															
	15-24		25-34		35-44		45-54		55-64		65-74		75+		Total	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent
Highway 23 Corridor	50	648	424	505	854	341	769	191	466	121	360	108	383	321	3,306	2,235
<i>Pct. Own</i>	7.2%		45.6%		71.5%		80.1%		79.4%		76.9%		54.4%		59.7%	
Remainder of Study Area	68	137	439	180	708	146	667	83	484	52	452	61	519	178	3,337	837
<i>Pct. Own</i>	33.2%		70.9%		82.9%		88.9%		90.3%		88.1%		74.5%		79.9%	
Study Area Total	118	785	863	685	1,562	487	1,436	274	950	173	812	169	902	499	6,643	3,072
<i>Pct. Own</i>	13.1%		55.7%		76.2%		84.0%		84.6%		82.8%		64.4%		68.4%	
Change, 1990-2000	AGE OF HOUSEHOLDER															
	15-24		25-34		35-44		45-54		55-64		65-74		75+		Total	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent
Highway 23 Corridor	7	134	-110	-67	92	62	248	50	60	19	-76	-27	54	48	275	219
Remainder of Study Area	15	27	-5	-115	106	-7	189	21	-11	2	-157	1	24	58	161	-13
Study Area Total	22	161	-115	-182	198	55	437	71	49	21	-233	-26	78	106	436	206

Source: Bureau of the Census

- The higher percentage of younger renters in the Corridor Area reflects the presence of Southwest State University in Marshall. In addition, a sizable number of homes in Marshall are owned by Schwans Corporation (the area's largest employer) and are leased to company employees.
- Compared to the Corridor Area, the notably higher homeownership rates in the Remainder of Lyon County reflect the rural nature of the County, where traditional agricultural land use and lack of infrastructure typically cannot support higher density rental housing.

Employment Trends

Since employment growth generally fuels household growth, employment trends are a reliable indicator of housing demand. Typically, households prefer to live near work for convenience. However, housing is often less expensive in smaller towns, making commuting from outlying communities to work in larger employment centers attractive for households concerned about housing affordability.

Recent employment growth trends for Lyon County are shown in Tables E-1 and E-2. Table E-1 presents resident employment data for Lyon County from 1990 through 2000. Resident employment data is calculated as an annual average and reveals the work force and *number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the County. Table E-2 presents covered employment in Lyon County in 1990 and 2000 (the most recent available data). Covered employment data is calculated as an annual average and *reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data in both tables is from the Minnesota Workforce Center.

The following are key trends derived from the employment data:

- Lyon County experienced a significant increase in both its labor force and the number of employed residents since 1990. Between 1990 and 2000, the County's labor force increased by 1,718 persons (13.1%) while the number of employed residents increased by 1,840 persons (14.7%), resulting in a drop in the County's unemployment rate from 4.4 percent in 1990 to 3.1 percent in 2000.

Table E-1						
Annual Average Resident Employment						
Lyon & Surrounding Counties						
1990 to 2000						
Lyon County (PMA)						
Year	Labor Force	Employment	Unemployment	Comparative Rates		
				County	State	
1990	13,066	12,486	580	4.4%	4.9%	
1991	13,483	12,970	513	3.8%	5.1%	
1992	13,749	13,240	509	3.7%	5.2%	
1993	14,495	13,974	521	3.6%	5.1%	
1994	14,720	14,237	483	3.3%	4.0%	
1995	14,824	14,321	503	3.4%	3.7%	
1996	14,869	14,337	532	3.6%	4.0%	
1997	14,710	14,234	476	3.2%	3.3%	
1998	14,975	14,602	373	2.5%	2.5%	
1999	14,923	14,530	393	2.6%	2.8%	
2000	14,784	14,326	458	3.1%	3.3%	
Change, 1990-2000						
No.	1,718	1,840	-122	n/a	n/a	
Pct.	13.1%	14.7%	-21.0%	-1.3%	-1.6%	
Surrounding Counties (SMA)						
Year	Labor Force	Employment	Unemployment	Comparative Rates		
				County	State	
1990	26,281	25,084	1,197	4.6%	4.9%	
1991	26,957	25,867	1,090	4.0%	5.1%	
1992	26,866	25,592	1,274	4.7%	5.2%	
1993	26,607	25,226	1,381	5.2%	5.1%	
1994	27,447	26,313	1,134	4.1%	4.0%	
1995	26,719	25,613	1,106	4.1%	3.7%	
1996	26,937	25,687	1,250	4.6%	4.0%	
1997	26,613	25,564	1,049	3.9%	3.3%	
1998	26,832	26,010	822	3.1%	2.5%	
1999	26,126	25,225	901	3.4%	2.8%	
2000	26,485	25,395	1,090	4.1%	3.3%	
Change, 1990-2000						
No.	204	311	-107	n/a	n/a	
Pct.	0.8%	1.2%	-8.9%	-0.4%	-1.6%	
Sources: Minnesota Workforce Center Maxfield Research Inc.						

- When compared with the surrounding counties, Lyon County has continued to report lower unemployment, and considerably more growth in its number of employees. The surrounding

counties added only 204 workers (0.8% growth) to their labor forces in the 1990s, compared to Lyon County's addition of 1,718 workers over the same period.

Table E-2 Covered Employment by Industry Lyon & Surrounding Counties Annual Average 1990 & 2000										
<i>Lyon County</i>	1990			2000			Change 1990-2000			
	Employment		Avg. Wage	Employment		Avg. Wage	Employment		Avg. Wage	
Const. & Mining	548	4.9%	\$26,821	622	4.3%	\$36,900	74	13.5%	\$10,079	37.6%
Manufacturing	2,762	24.9%	\$20,985	4,530	31.4%	\$30,817	1,768	64.0%	\$9,832	46.9%
Wholesale Trade	475	4.3%	\$22,612	632	4.4%	\$33,271	157	33.1%	\$10,659	47.1%
TCU ¹	401	3.6%	\$20,992	492	3.4%	\$26,354	91	22.7%	\$5,362	25.5%
Retail Trade	2,204	19.9%	\$9,085	2,520	17.4%	\$12,670	316	14.3%	\$3,585	39.5%
FIRE ²	491	4.4%	\$19,337	849	5.9%	\$34,174	358	72.9%	\$14,837	76.7%
Services	1,888	17.0%	\$13,595	2,174	15.1%	\$19,419	286	15.1%	\$5,824	42.8%
Government	2,322	20.9%	\$21,182	2,624	18.2%	\$29,013	302	13.0%	\$7,831	37.0%
Total	11,091	100.0%	\$13,254	14,443	100.0%	\$20,751	3,352	30.2%	\$7,497	56.6%

<i>Surrounding Counties</i>	1990			2000			Change 1990-2000			
	Employment		Avg. Wage	Employment		Avg. Wage	Employment		Avg. Wage	
Const. & Mining	626	4.1%	\$17,387	905	4.7%	\$23,971	279	44.6%	\$6,584	37.9%
Manufacturing	2,283	14.9%	\$19,104	3,032	15.6%	\$26,531	749	32.8%	\$7,427	38.9%
Wholesale Trade	1,163	7.6%	\$18,688	1,349	6.9%	\$31,441	186	16.0%	\$12,752	68.2%
TCU ¹	698	4.5%	\$20,699	856	4.4%	\$26,042	158	22.6%	\$5,343	25.8%
Retail Trade	3,004	19.5%	\$8,047	3,372	17.4%	\$11,448	368	12.3%	\$3,401	42.3%
FIRE ²	653	4.2%	\$17,897	755	3.9%	\$25,506	102	15.6%	\$7,609	42.5%
Services	2,860	18.6%	\$10,856	4,756	24.5%	\$17,730	1,896	66.3%	\$6,874	63.3%
Government	4,083	26.6%	\$17,350	4,403	22.7%	\$23,221	320	7.8%	\$5,872	33.8%
Total	15,370	100.0%	\$10,253	19,428	100.0%	\$15,906	4,058	26.4%	\$5,653	55.1%

¹Transportation, Communication, and Public Utilities
²Finance, Insurance, and Real Estate

Sources: Minnesota Workforce Center; Maxfield Research Inc.

- Lyon County's unemployment rate consistently remained at or below that of the State of Minnesota in the 1990s. The County's unemployment rate was at its lowest point, 2.5 percent, in 1998.

COVERED EMPLOYMENT BY INDUSTRY

- A comparison of Tables E-1 and E-2 show that in 2000, the number of jobs (14,443) was slightly higher than the number of employed persons (14,326) in Lyon County. Although this could indicate that workers do not travel into the County for employment purposes, it is important to note that covered employment figures do not include all employed positions in Lyon County, in particular, agricultural (farm) workers.
- If we assume that Table E-2 accounts for 90% of the employed positions, and a limited number of County residents commute to jobs outside of the County, then a discrepancy would be noted between the two tables. This indicates that Lyon County attracts a number of its workers from surrounding counties. The majority of workers commuting from surrounding counties, in all likelihood, would be employed in Marshall, as it serves as a regional base for several industries, namely Manufacturing.
- The Manufacturing sector accounted for the largest portion (nearly 1/3) of the jobs in Lyon County as of 2000. The Retail Trade and Services sectors also accounted for a significant percentage (4,694 jobs, or 33%) of covered jobs in the County. The location of Southwest State University, as well as regional State, County and Federal offices in Marshall contribute to the sizable percentage of Government jobs in the County. As of 2000, 2,624 government jobs were located in the County.
- Every industry experienced increases in employment during the 1990s. The most significant growth occurred in both the Manufacturing and FIRE (Finance, Insurance & Real Estate) sectors, which grew by 64 and 73 percent, respectively. Overall, the number of covered jobs in Lyon County increased by 3,352 (30%) between 1990 and 2000.
- When compared to the surrounding area, economic growth in Lyon County (3,352 new jobs) was equivalent to 83 percent of the five surrounding Counties (4,058 new jobs) combined.

Recent Building (Development) Trends in the Corridor Area

We analyzed recent trends in residential (owner-occupied and rental housing) and commercial (retail, office, and industrial) development in the Corridor Area and throughout Lyon County over the past decade.

Residential Development

Table B-1 shows the growth in owner-occupied and rental housing units in the Corridor Area between 1990 and 2000, according to the U.S. Census. Key points identified in the table are:

- Lyon County and the communities within added 623 housing units in the 1990s. The Highway 23 Corridor Area accounted for 504 (81%) of these units, while the Remainder of the County added a total of 119 housing units over the decade.
- As the table displays, the three rural townships in the Corridor Area all lost rental units over the course of the decade, but each added to their total number of owner-occupied homes. These figures indicate an increasing desire for rural acreages and hobby farms in the rural areas near to Marshall (Corridor Area townships), with the rental demand being accommodated in the incorporated cities, particularly Marshall.

Commercial Development

Tables B-2, B-3 and B-4 show the total valuation and number of permits issued for commercial development in the Highway 23 Corridor Area over recent years. The information was obtained from Lyon County's Office of Planning and Zoning, as well as the Corridor Cities of Marshall and Lynd. The tables and our interviews revealed the following key points:

- When totaled, permits were issued over the past ten years for 124 new commercial structures in Marshall, at a total value of \$36.9 million. Permits were also issued for 436 remodeling projects and additions over the same period, totaling \$44.2 million. The sizable capital investment in the local business economy has greatly enhanced Marshall's position as an economic center for much of Southwestern Minnesota.
- Nearly half of the new construction and slightly more than one-half of the remodels/additions were in the local retail market (Table B-2). Retail options are extremely limited in the smaller communities throughout Lyon County, hence the sizable investment in Marshall, where County residents tend to focus their buying. Despite the notable development, however, our interviews revealed that local residents are still not satisfied with their existing retail options and travel outside of Lyon County to shop at larger retail centers in the Twin Cities and Sioux Falls, South Dakota.

**Table B-1
 Housing Gains
 Lyon County
 1990 Census - 2000 Census**

	1990				2000				Change 1990-2000			
	Owner	Renter	Vacant	Total	Owner	Renter	Vacant	Total	Owner	Renter	Vacant	Total
Fairview Township	130	36	10	176	139	20	3	162	9	-16	-7	-14
Lake Marshall Township	140	38	5	183	150	33	10	193	10	-5	5	10
Lynd City	86	28	8	122	96	34	4	134	10	6	-4	12
Lynd Township	118	28	11	157	137	18	8	163	19	-10	-3	6
Marshall City	2,557	1,886	249	4,692	2,784	2,130	268	5,182	227	244	19	490
Highway 23 Corridor Area	3,031	2,016	283	5,330	3,306	2,235	293	5,834	275	219	10	504
Remainder of Lyon County	3,176	850	319	4,345	3,337	837	290	4,464	161	-13	-29	119
Lyon County Total	6,207	2,866	602	9,675	6,643	3,072	583	10,298	436	206	-19	623

Sources: U.S. Census
 Maxfield Research Inc.

Year	New		Additions/Remodel		Total	
	No. of Permits	Valuation	No. of Permits	Valuation	No. of Permits	Valuation
2001	4	\$773,700	30	\$743,700	34	\$1,517,400
2000	4	\$305,300	25	\$387,400	29	\$692,700
1999	12	\$5,857,600	24	\$444,100	36	\$6,301,700
1998	3	\$1,324,000	25	\$1,275,200	28	\$2,599,200
1997	4	\$264,000	16	\$264,500	20	\$528,500
1996	4	\$770,500	23	\$687,900	27	\$1,458,400
1995	2	\$300,000	23	\$1,020,000	25	\$1,320,000
1994	3	\$969,000	22	\$510,600	25	\$1,479,600
1993	7	\$2,310,000	13	\$460,900	20	\$2,770,900
1992	3	\$133,700	13	\$135,700	16	\$269,400
1991	1	\$1,366,400	12	\$215,500	13	\$1,581,900
Totals	47	\$14,374,200	226	\$6,145,500	273	\$20,519,700

Sources: City of Marshall
 Maxfield Research Inc.

- As Table E-2 displayed, nearly one-third of Lyon County's covered jobs are in the Manufacturing sector, and the vast majority of these jobs are located in Marshall. Table B-3 shows that industrial development has remained consistently active in Marshall throughout the past 10 years. Recently, the County's largest employer (Schwans Corporation) built a new Research and Development (R&D) facility in Marshall. The new facility will add roughly 75 new professional/technical jobs to the area. Schwans also recently announced plans to construct an additional R&D facility (100 new jobs) in the City in the near future.
- Office development (Table B-4) has also been recently active in Marshall, as permits totaling \$12.2 million were approved in 2001. In the five years preceding the \$6 million worth of new construction in 2001, very little new office development occurred in the City. However, the recent addition of US Bancorp's new facility in western Marshall will eventually bring roughly 50 new clerical/administrative jobs to the Corridor Area.

Year	New		Additions/Remodel		Total	
	No. of Permits	Valuation	No. of Permits	Valuation	No. of Permits	Valuation
2001	2	\$574,000	5	\$641,000	7	\$1,215,000
2000	4	\$531,800	12	\$7,147,500	16	\$7,679,300
1999	6	\$448,000	3	\$191,300	9	\$639,300
1998	3	\$347,700	8	\$978,100	11	\$1,325,800
1997	3	\$121,000	11	\$2,478,200	14	\$2,599,200
1996	6	\$595,000	8	\$261,100	14	\$856,100
1995	14	\$4,824,000	11	\$1,540,100	25	\$6,364,100
1994	9	\$782,800	14	\$920,800	23	\$1,703,600
1993	3	\$72,000	5	\$369,800	8	\$441,800
1992	6	\$1,391,000	8	\$597,500	14	\$1,988,500
1991	4	\$1,792,500	15	\$4,566,700	19	\$6,359,200
Totals	60	\$11,479,800	100	\$19,692,100	160	\$31,171,900

Sources: City of Marshall
 Maxfield Research Inc.

- Commercial development has been extremely limited in the rural townships and the City of Lynd over the 1990s. Lynd's City Clerk reported only 3 retail businesses in the city limits, and only a handful of service-providers. Most recently, a deli-style restaurant was opened in the old post office, with remodeling costs valued at \$25,000. Our conversations with Lyon County's Planning and Zoning Administrator revealed that very few new commercial structures have been built in rural Lyon County over recent years, with the exception of agriculture-related facilities.

Conditional Use Permits in Rural Lyon County

We attempted to inventory historic absorption and development trends in the three rural townships located in the Highway 23 Corridor Area through a review of data maintained by the Lyon County Planning and Zoning Office. The office does not track land absorption involved in new development in rural areas, so data on the annual acreage committed to residential and commercial development was not available. However, our conversations with the Zoning Administrator revealed that virtually all undeveloped land in the rural townships is zoned for agricultural use, and any person or business wishing to build a home, start a business or use the land for other purposes must obtain an approved Conditional Use Permit (CUP).

Year	New		Additions/Remodel		Total	
	No. of Permits	Valuation	No. of Permits	Valuation	No. of Permits	Valuation
2001	3	\$5,798,000	15	\$6,402,300	18	\$12,200,300
2000	0	\$0	16	\$1,899,500	16	\$1,899,500
1999	1	\$679,700	15	\$2,676,000	16	\$3,355,700
1998	0	\$0	11	\$351,200	11	\$351,200
1997	1	\$82,000	13	\$160,000	14	\$242,000
1996	1	\$190,000	8	\$494,200	9	\$684,200
1995	4	\$2,403,100	6	\$92,200	10	\$2,495,300
1994	2	\$603,000	5	\$132,000	7	\$735,000
1993	2	\$709,000	8	\$3,305,100	10	\$4,014,100
1992	3	\$602,000	4	\$19,100	7	\$621,100
1991	0	\$0	9	\$2,865,200	9	\$2,865,200
Totals	17	\$11,066,800	110	\$18,396,800	127	\$29,463,600

Sources: City of Marshall
 Maxfield Research Inc.

Our review of the permit history revealed the following key points:

- 248 CUPs were approved in rural Lyon County between 1990 and November 2001. Of these, 132 had expired or been revoked by the County for various purposes, and 116 were currently active and renewable. 86 CUPs were issued and approved in the Corridor Area, with 52 expired/revoked and 34 active and renewable.
- The vast majority of all CUPs were issued for either essential services (pipelines, waterlines, switching stations, etc.), material extraction, or mobile homes. A limited number were issued for businesses and residential subdivisions.
- The expired/revoked CUPs in the Corridor Area were for a variety of these aforementioned uses, with only 7 pertaining to commercial businesses, including a recycling center, bed and breakfast, antique shop, dog kennel, and a childcare facility.
- Of the 34 active and renewable CUPs in the Corridor Area, 18 were for small businesses, including cabinetry, dog kennel/groomers, auto sales and maintenance, antiques, mini-storage, and various other services. One permit was issued for the operation of a readi-mix

concrete plant/rock and gravel sales facility, while another was issued for the development of a new golf course and clubhouse (although not along Highway 23).

It should be noted that the majority of all business-related permits and a number of Corridor Area residential CUPs were issued in Fairview and Lake Marshall Townships. These townships surround the incorporated City of Marshall, so it would appear that rural commercial enterprises and new owner-occupied housing developers have been more likely to develop in close proximity to the economic and demographic hub of Lyon County, which is Marshall.

Actively Marketing and Pending Residential Developments

In September and October 2001, Maxfield Research Inc. interviewed City Administrators/Clerks and developers/builders of owner-occupied residential developments currently being marketed in Lyon County as well as those currently proposed (pending). We identified 14 developments located on property currently within or soon-to-be annexed into four communities (Marshall, Lynd, Cottonwood, and Tracy) and 6 developments in rural (unincorporated) parts of Lyon County.

Combined, the 7 subdivisions identified in Marshall encompass a total of 483 single-family and 20 multifamily residential lots, 223 of which are listed as available or pending, as of August 2001. The remaining lots (rural Lyon County and smaller communities) total 377 owner-occupied single-family and multifamily sites at the 13 developments. According to developers and building officials, 312 sites remained available for either single-family or multifamily development. Specific information regarding lot sizes and prices, target markets, new home values, development amenities and building considerations are explained in the following paragraphs.

Marshall

Pat McFarland began marketing the *Viking 9th and 10th Additions* in 1996, and is preparing infrastructure (utility services, curb and gutter, etc.) for the *11th and 12th Viking Additions* for future housing development. As of September 2001, the *Viking 6th Addition* still had five lots available for development, but traffic density has diminished their marketability over recent years. Both the 9th and 10th Additions encompass a total of 27 single-family lots, with 1 (9th) and 3 (10th) of the 54 lots remaining for sale at the time the study was conducted. Lots sizes range from 14,000 to 25,000 square feet, with prices ranging from \$26,500 to \$35,000 (cul-de-sac lots). The 11th Addition consists of a single lot, but the 12th Addition will contain 41 single-family lots spread over 25 acres. Lot sizes will be proximate to the 9th and 10th Additions, and sell for between \$31,500 (standard) and \$37,500 (cul-de-sac). Targeted at move-up buyers, homes built in the development must have a minimum foundation size of 1,200 square feet and one garage.

Pricing for homes begins at roughly \$125,000. Mr. McFarland's current developments can be summarized as follows:

<u>Addition</u>	<u>Total No. of Lots</u>	<u>Total No. Available</u>	<u>Lot Size</u>	<u>Price Range</u>
Viking 6th	n/a	5	n/a	n/a
Viking 9th	27	1	14,000 - 25,000	\$26,500 - \$35,000
Viking 10th	27	3	14,000 - 25,000	\$26,500 - \$35,000
Viking 11th	1	1	14,000 - 25,000	\$31,500 - \$37,500
Viking 12th	41	41	14,000 - 25,000	\$31,500 - \$37,500

The development is located on the southern periphery of Marshall, fairly near to the high school. Mr. McFarland has been developing residential property in Marshall since 1954 and indicated that the 12th Addition will be his final residential project in the community. However, he will continue to consult on residential projects and explore commercial development opportunities in the area. Based on his familiarity with the residential needs of the community, Mr. McFarland indicated that Marshall would be wise to explore additional owner-occupied multifamily housing in the future.

Carr Properties is also marketing multiple residential developments in the City. James Carr platted the 65-lot *Nielsen's Addition* in southern Marshall in 1994, and nine lots were available as of September 2001. Six of these are zoned for single-family development, two are zoned for 1-4 families, and one is zoned for high-density multifamily housing. The single-family lots are listed for \$25,000, and Mr. Carr did not indicate any plans for developing the multifamily lots at this time. In addition, Carr Properties has submitted a preliminary plat for the *Carr Subdivision I*, a 52-acre development in the same part of the City, to contain 91 single-family and 15 multifamily lots. The multifamily component will, most likely, be developed into a mix of rental 4-plexes and twinhomes. The single-family component will be targeted at move-up buyers in the community, with lot prices ranging from \$30,000 to \$35,000. Mr. Carr hopes to have construction underway on the first home in the new development by no later than Spring 2002, but may still attempt to break ground yet this Fall. Mr. Carr also owns a number of rental units throughout the City.

G&P Construction of Sioux Falls, South Dakota is currently marketing the *Genesis Addition*, a single-family home development located on the southern edge of Marshall, south of Highway 23 and the Village Park Mobile Home court. The initial phases of the development encompass 25 lots with preliminary plans for an additional 30 lots in the future. The development is targeted at serving the sizable local market for affordable owner-occupied housing, with lot/home prices starting at roughly \$110,000. Lot sizes average 8,625 square feet, with three different split-entry home styles available. It should be noted that homes in this price range come with unfinished rooms, allowing for additional investment by the buyer following initial construction. According

to the realty office in Marshall marketing the development, of the 12 homes that have been built 10 had been sold as of September 2001. No additional development plans had been indicated by the developer at the time the interview was conducted.

Greg Taylor's *Wilke-Miller-Buesing 2nd Addition* has a preliminary plat for 65 single-family lots. The 1st Addition has 2 single-family lots, and 2 multifamily lots remaining as of September 2001. Additional information regarding the development scope, pricing, and target market were not available from Mr. Taylor.

Scott Hiller is a local developer currently filling out his *Starlight Addition*, a development incorporating a mix of single-family homes and multifamily townhomes in southern Marshall. The development was originally platted to hold 30 lots, of which 2 were available for building in October 2001. Lot sizes range from 18,000 to 20,000 square feet and cost \$27,000. Mr. Hiller indicated that either townhomes or single-family homes could be built on the remaining lots. The single-family homes in the Starlight Addition are largely move-up homes (\$200,000 to \$300,000), but the townhomes were more affordably priced (\$135,000 to \$175,000). Mr. Hiller indicated that he believes additional owner-occupied multifamily homes would do well in the community, as the market for his townhomes grew from primarily empty-nesters, initially, to increasing interest from younger families seeking an affordable owner-occupied housing option. Mr. Hiller also indicated that he is currently investigating potentially purchasing land to build additional housing units, but has found local land prices to be far too high to justify development costs.

Through assistance from Schwan's Sales Enterprises and the Southwest Minnesota Housing partnership, the **Parkway Addition** is being marketed by the City of Marshall's Economic Development Authority to cater to those in need of affordable single-family homes, particularly first-time home buyers. The development encompasses 42 lots, ranging in size from roughly 9,100 to 14,300 square feet, and is priced for between \$13,200 and \$18,900. Model homes are also being built at the development. Multiple financing options are available to qualifying residents, including:

- Affordable Gap Financing – This program helps fill the gap between what a buyer can afford and the actual cost of the home.
- Entry Cost Assistance Program – Helps with closing costs and down payments.
- Low Interest First Mortgage – Provides mortgages with low fixed interest rates or interest reduction programs.

According to the City's EDA, the terms vary per program, but most offer a prepayment plan that provides 0% interest and puts off payments until the buyer resells the home. Income restrictions with generous guidelines apply to the program, as well. As of September 2001, 10 model homes had been built, 13 additional homes had begun construction, and roughly 30 total lots had been

reserved or sold at the development. According to a representative of the Marshall EDA, the development has been extremely successful thus far, and they are currently contemplating a second phase of the development to begin in 2002. Phase 2 would be comprised of 39 additional single-family lots.

Although it does not apply to the for-sale market, it would be important to note that 18 rental townhomes are currently being built as a part of the overall Parkway development, with an additional 30 rental units pending. The 18 units currently under construction were scheduled to be available for occupancy in late Fall 2001.

Lynd

Louis Taveirne recently begin marketing the *Lynwood Addition*, a 44-acre single-family development that will incorporate a total of 54 lots over two phases of construction. The first phase will incorporate 15 lots, each averaging between 20,000 and 22,000 square feet (1/2- acre), and priced between \$21,000 and \$25,000. Lots will be connected to Lynd's city utilities and electrical services, and curb/gutter are expected to be installed by the City of Lynd. The development will be marketed to all buyers, but is expected to attract first-time and move-up buyers from the Marshall/Lynd area.

Ted Anderson is a local business owner who owns a sizable amount of undeveloped land in the Redwood River valley, northeast of Lynd, along Highway 23. The City recently annexed the land to connect city services to the development, which will include an 18-hole public golf course. According to Mr. Anderson, the 529-acre development will eventually contain a total of 125 lots, with 55 planned for the first phase of construction. Included in the initial residential phase of construction will be 8 to 10 multifamily homes (townhomes or twinhomes). The developer provided the following breakdown of the development's components:

	<u>Acres</u>		<u>Acres</u>
Residential Development	- 75	Golf Course	- 250
Future Res. Development	- 37	Lakes	- 14
Park/Open Space	- 3	Clubhouse/Parking	- 8
Pool & Tennis Court	- 2	Maintenance Facility	- 4
Undisturbed Non-Golf	- 136		

Lot sizes will range from roughly 0.4 to 0.6 acres. Lot pricing was yet to be determined, but was expected to begin at \$50,000, including utility hook-ups and curb/gutter development. The subdivision will be targeted at upper-end buyers from both the immediate area, and from outside of Lyon County. Annexation of the property into Lynd was recently finalized. Mr. Anderson is still grading the property, with "tee-off" of the course tentatively scheduled for September 2002.

Cottonwood

The City of Cottonwood, located approximately 12 miles north and east of Marshall, has increased in desirability over recent years due to the ever-rising costs of housing in Marshall, the ever-improving business climate in the community, and the recently approved plans to build a new school in the community to serve students in the Lakeview Public School District. As a result, we identified a number of housing developments currently underway in the City.

The **Dieken family** is currently marketing the *Northwood* development, which skirts the northern edge of Cottonwood Lake on the north and northwestern edge of the City of Cottonwood. Comprising a total of 44 lots, 9 had been sold in the six months prior to our September interview. Seven of the lots sold for \$25,000 apiece and feature frontage on Cottonwood Lake. The remaining lots (\$10,000 to \$23,000) all offer views of the Lake, but no lots remain with lake frontage. On average, lots at the development are 15,000 square feet in size, and recently built homes average \$185,000 in value. A small site adjacent to the 44-lot development has room for 4 twinhomes (8 units). The developers built one spec twinhome already, but have had difficulty selling the two units, which are priced at \$120,000 each. The units feature double-car attached garage, two bedrooms and two baths, and 1,500 square feet of finished space.

David Idso of Alexandria began marketing the 2nd *Addition* to his development on the extreme western periphery of Cottonwood in 1995. The Addition is comprised of 5 ½-acre lots, of which 4 remain available for sale at the current time. Lots are priced for \$15,000, and feature access to the City's sewer/water utility systems, as well as nearby access to Cottonwood Lake. The lots are also located near the Cottonwood Golf Course, increasing their marketability to move-up buyers or empty-nesters. The development was originally planned as a rural subdivision, but the City has since annexed the land into the City limits. Mr. Idso indicated that he also owns some land in a rural area near to Cottonwood but does not have any plans to develop it in the near future.

Only a handful of lots (5 to 6) remain at Cottonwood's *Lakeview Estates*, a sizable development begun in the 1970s adjacent to the golf course on the west side of the community. Multiple owners own the remaining lots, and we were able to contact only one current owner of a buildable lot, Adrian Goldberg. Mr. Goldberg owns two of the available lots, which are priced at \$17,500 and \$19,000, offering 16,500 and 17,500 square feet, respectively. Mr. Goldberg indicated that the development has catered to move-up and upper-end buyers, and would anticipate a similar clientele to show interest in his properties. We assume that pricing and sizes of the remaining available lots would be comparable to Mr. Goldberg's properties.

Brian Gniffke is a local resident who recently developed land in preparation of selling 10 lots for single-family residential construction at his *Southeast Addition*. As of September 2001, two lots had been sold, with the remaining priced between \$4,300 and \$11,800. Prices are for raw

land only, with no assessments or improvements included. Lots range in size from 15,000 to 33,000 square feet (0.3 to 0.8 acres), and are situated on a cul-de-sac in southeast Cottonwood, next to the recently built Fieldcrest assisted living facility. According to the listing office for the properties, homes starting at between \$130,000 and \$150,000 are expected to be built on the site, with construction on the first two commencing in late Fall 2001.

Tracy

The **Tracy Economic Development Authority** is currently marketing the *Eastview Addition*, a single-family development located on the eastern edge of the City. The development will be comprised of a total of 23 13,000-square-foot lots, of which 16 have received connections to the City's utility services and are being actively marketed. Of these lots, 10 remained available for sale in September 2001 at a price of \$9,000, having recently been reduced by \$5,500 to entice further interest in the development. In addition to the price reduction, the EDA has solicited involvement from members of the local business community to offer additional incentives (reduced insurance premiums, free cable TV hook-up, etc.) to potential homebuyers. According to the City's EDA Director, the City does not have any other plans for residential development at the current time.

Rural Lyon County

Maxfield Research identified and surveyed three residential developments that are either currently marketing or in the planning stages for unincorporated parcels in rural Lyon County. Each of the developments is located within five miles of the southern and southwestern edge of the City of Marshall, along the Highway 23 Corridor.

Don Klein has been developing the *Klein Addition* on a parcel of land located across Highway 23, immediately outside Marshall's City Limits, since the mid-1990s. The 40-lot development has experienced fairly rapid absorption, as only 14 lots remained unsold in September. Lots range in size from 1 to 5 acres, with most averaging 1¾ acres. Lot prices begin at \$22,000, but utility hook-up fees add roughly \$17,000 to the lot price. According to Mr. Klein, homes built in the development have averaged approximately \$270,000. The primary market for the development has been Marshall area residents (30-40 years old) in search of move-up housing options. Mr. Klein indicated that he did not have plans to develop any additional residential properties in the near future.

Robert Tholen, owner of what is known as the *Deer Park Estates*, will soon submit a Preliminary Plat for the 48-lot development located on the northwestern side of Highway 23, between the City of Marshall and Ted Anderson's Golf Course development near Lynd. Virtually all lots contain at least 2 acres, with starting prices of \$30,000, not including hook-up fees for each septic system and well. Mr. Tholen anticipates that the development will be most

marketable to upper-end homebuyers from within Lyon County and new residents. Pre-development work was scheduled to begin in late Fall 2001. Mr. Tholen indicated that he also has some property in the City of Marshall that he intends to develop into additional residential units, but the scope of development is still in the early planning stages.

River Oaks is 13-lot development owned and marketed by **F.J. Crow** of San Diego, California. Lots on the property range from 3 to 4 acres in size, with prices starting at \$35,000, not including rural septic system or well hook-up costs. Of the platted 13 lots, eight remained available for sale and development as of October 2001. Mr. Crow indicated that the development has been popular with families seeking move-up housing with larger lot sizes than would be available in the City of Marshall. *River Oaks* is also located in the Marshall School District, increasing its desirability with families. Mr. Crow stated that he did not have plans for any other residential housing development in the future. He did state that he owns property adjacent to *River Oaks* that will be most likely dedicated as a ‘nature’ area. The property abuts the Redwood River, immediately west of the housing portion of the development.

Additional housing development was rumored to be considered by other landowners in rural Lyon County. **Tom Geske** had submitted plans for a 6-lot development, but his request for approval was denied and he has shelved the project for the time being. **Reinhold Mathiowetz** and **Jack McLaughlin** are local residents owning sizable tracts of land being considered for housing development, but development plans had not been submitted for consideration by the County as of September 2001.

Economic Factors for Consideration

To better evaluate the existing and potential market for commercial development in the Highway 23 Corridor Area, we reviewed retail sales data in the Area and all of Lyon County. Consumer Expenditure data was obtained from Claritas Inc., and historic trends in sales tax were analyzed for the City of Marshall and Lyon County.

Consumer Expenditures

Tables R-1 and R-2 show estimated consumer expenditures in 2001 for the Corridor Area and for all of Lyon County. The following are the key points from the tables.

Table R-1
Consumer Expenditures by Product Category, 2001
Highway 23 Corridor Area

Category	Annual Expenditures			
	Total (\$000's)	Average Per Capita	Average Per Household	Percent of U.S. Average
Food at Home	24,018	1,545	4,289	0.94
Food away from Home	22,826	1,468	4,076	0.99
Alcoholic Beverages at Home	4,424	285	790	1.09
Alcoholic Beverages away from Home	4,284	275	765	1.08
Over the Counter Drugs	907	58	162	0.95
Housekeeping Supplies	1,529	98	273	0.93
Smoking Products/Supplies	4,586	295	819	1.12
Personal Care Products	4,274	275	763	0.94
Household Textiles	2,804	180	501	0.90
Furniture/Floor Coverings	3,534	227	631	0.86
Major Appliances	1,693	109	302	0.87
Small Appliances/Housewear	3,273	210	584	0.94
Misc. Household Equipment	2,637	170	471	0.92
Home Computer Software/Access	210	14	38	0.92
Home Computer Hardware	1,571	101	281	0.92
Women's Apparel	6,526	420	1,165	0.92
Men's Apparel	3,908	251	698	0.94
Girls' Apparel	1,447	93	258	0.92
Boys' Apparel	1,147	74	205	0.94
Infants' Apparel	640	41	114	0.89
Footwear	2,306	148	412	0.93
Other Apparel Products & Services	5,244	337	936	0.93
Sports & Recreation	6,000	386	1,071	0.92
TV, Radio & Sound Equipment	8,088	520	1,444	0.92
Reading Materials	2,920	188	521	0.96
Travel	7,072	455	1,263	0.85
Photographic Equipment	1,040	67	186	0.97
New Autos/Trucks/Vans	10,761	692	1,922	0.92
Used Autos/Trucks/Vans	10,449	672	1,866	0.95
Gasoline	7,602	489	1,358	1.05
Motor Oil	167	11	30	0.92
Automotive Maintenance & Repair	7,905	508	1,412	0.93
Total	\$165,792	\$10,662	\$29,606	0.94

Sources: Claritas, Inc.
 Maxfield Research Inc.

Table R-2
Consumer Expenditures by Product Category, 2001
Lyon County

Category	Annual Expenditures			
	Total (\$000's)	Average Per Capita	Average Per Household	Percent of U.S. Average
Food at Home	42,738	1,674	4,357	0.96
Food away from Home	38,647	1,514	3,940	0.96
Alcoholic Beverages at Home	7,151	280	729	1.01
Alcoholic Beverages away from Home	6,994	274	713	1.00
Over the Counter Drugs	1,638	64	167	0.98
Housekeeping Supplies	2,717	106	277	0.94
Smoking Products/Supplies	7,995	313	815	1.14
Personal Care Products	7,140	280	728	0.91
Household Textiles	4,575	179	466	0.85
Furniture/Floor Coverings	5,750	225	586	0.81
Major Appliances	2,816	110	287	0.84
Small Appliances/Housewear	5,396	211	550	0.90
Misc. Household Equipment	4,437	174	452	0.89
Home Computer Software/Access	334	13	34	0.85
Home Computer Hardware	2,528	99	258	0.86
Women's Apparel	10,388	407	1,059	0.85
Men's Apparel	6,229	244	635	0.87
Girls' Apparel	2,396	94	244	0.88
Boys' Apparel	1,933	76	197	0.92
Infants' Apparel	1,071	42	109	0.86
Footwear	3,741	147	381	0.88
Other Apparel Products & Services	8,479	332	864	0.87
Sports & Recreation	9,629	377	982	0.85
TV, Radio & Sound Equipment	13,057	511	1,331	0.86
Reading Materials	4,747	186	484	0.91
Travel	11,480	450	1,170	0.80
Photographic Equipment	1,702	67	174	0.92
New Autos/Trucks/Vans	17,596	689	1,794	0.87
Used Autos/Trucks/Vans	17,461	684	1,780	0.92
Gasoline	13,183	516	1,344	1.06
Motor Oil	282	11	29	0.91
Automotive Maintenance & Repair	13,147	515	1,340	0.90
Total	\$277,377	\$10,863	\$28,278	0.91

Sources: Claritas, Inc.
 Maxfield Research Inc.

- Average annual per capita expenditures for consumer goods and services totaled \$10,662 in the Corridor Area in 2001. Average household expenditures totaled \$29,606. The largest expenditures were for food, both at home and away from home, as well as transportation-related expenditures.
- The tables show that households in the Corridor Area and throughout Lyon County spend somewhat more than the average U.S. household on gasoline expenses. This is logical given the number of people who commute within the County (primarily to and from Marshall) for work daily.
- Higher than average expenditures were also noted in the alcohol- and smoking-related categories. The expenditure levels for all other products/items were primarily less than those for the average U.S. household. The par value is 1.00. The lower averages point to the generally lower cost of living in Greater Minnesota, rather than an indicator of a slowed local economy.

Consumer expenditures in Lyon County are somewhat similar to those in the more urbanized Corridor Area, but the lowered market indexes (percent of U.S. Average) reflect the more rural character of much of the County.

Retail Sales

Table R-3 shows retail sales in the City of Marshall and Lyon County in 1996 and 1998. These two samples represent the most recent and detailed information available pertaining to the retail growth of the Highway 23 Corridor Area. The information was obtained from the Minnesota Department of Revenue, Tax Research Division.

- The table shows that retail sales in Marshall (including services categories) increased from \$258.9 million in 1996 to \$284.0 million in 1998, an increase of \$25.1 million or almost 10 percent.

Those categories that exhibited the greatest percentage gains during this period were:

- Personal Services - \$433K (65%);
- Auto Dealers, Stations - \$19.3 million (27%); and
- General Merchandise - \$5.2 million (13%).

Table R-3
Retail Sales Trends
Marshall & Lyon County
1996 & 1998

SIC Code	SIC Category	Retail Sales		Change	
		1996	1998	No.	Pct.
<u>Marshall</u>					
52	Hardware, Bldg. Materials	\$34,250,179	\$34,375,182	\$125,003	0%
53	General Merchandise	\$41,186,118	\$46,400,526	\$5,214,408	13%
54	Food	\$30,057,063	\$31,331,786	\$1,274,723	4%
55	Auto Dealers, Stations	\$72,655,451	\$91,931,897	\$19,276,446	27%
56	Apparel, Accessories	\$5,389,919	\$4,259,150	-\$1,130,769	-21%
57	Furniture	\$12,539,239	\$12,112,049	-\$427,190	-3%
58	Eating, Drinking	\$15,663,868	\$10,988,892	-\$4,674,976	-30%
59	Miscellaneous	\$31,257,234	\$30,637,158	-\$620,076	-2%
72	Personal Services	\$668,813	\$1,102,451	\$433,638	65%
73	Business Services	\$9,211,881	\$15,880,680	\$6,668,799	72%
75	Automobile Services	\$6,034,547	\$4,977,465	-\$1,057,082	-18%
	Total	\$258,914,312	\$283,997,236	\$25,082,924	10%
<u>Lyon County</u>					
52	Hardware, Bldg. Materials	\$43,056,525	\$44,509,471	\$1,452,946	3%
53	General Merchandise	\$41,186,118	\$46,400,526	\$5,214,408	13%
54	Food	\$39,099,366	\$38,981,182	-\$118,184	0%
55	Auto Dealers, Stations	\$93,939,007	\$110,354,146	\$16,415,139	17%
56	Apparel, Accessories	\$6,120,699	\$4,896,281	-\$1,224,418	-20%
57	Furniture	\$13,417,743	\$13,524,285	\$106,542	1%
58	Eating, Drinking	\$18,828,017	\$14,341,808	-\$4,486,209	-24%
59	Miscellaneous	\$47,381,727	\$44,283,173	-\$3,098,554	-7%
72	Personal Services	\$970,476	\$1,404,402	\$433,926	45%
73	Business Services	\$9,756,327	\$16,556,089	\$6,799,762	70%
75	Automobile Services	\$7,187,168	\$6,032,267	-\$1,154,901	-16%
	Total	\$320,943,173	\$341,283,630	\$20,340,457	6%

Sources: Minnesota Department of Revenue: Tax Research Division
 Maxfield Research Inc.

- Business Services also experienced a substantial increase of \$6.7 million in Marshall. It should be noted that this category contains revenues that are predominantly business related and not directly consumer related. The increase, though, indicates a growing market for support of new and growing commercial enterprises in the Marshall (Corridor) Area.

- In Marshall, those categories that exhibited the greatest losses were Eating & Drinking establishments (-\$4.7 million, or -30%), Apparel/Accessories (-\$1.1 million, or -21%), and Automobile Services (-\$1.1 million, or -18%).

When compared to the figures listed for all of Lyon County, the growth or decline in sales dollars among retail categories appears to closely resemble those noted in the City of Marshall. The table's findings further illuminate Marshall's role as the commercial center of Lyon County. Our interviews with local persons indicated that they increasingly do a great deal of their retail shopping in other places, namely the Twin Cities and Sioux Fall, South Dakota. As a result, sales figures were down in some of the retail categories. Despite this, the economic health of Marshall appears to be strong, even without access to the data from the more robust economic years of 1999 through early 2001, which is not yet available for evaluation. The healthy economy in the City, therefore, serves as an indicator for likely sustainable business and residential growth in the Highway 23 Corridor Area.

Conclusions

The preceding sections of this report focused on the various market factors influencing the potential for commercial and residential development within Lyon County, Minnesota. Specific attention was paid to the higher population centers (Cottonwood, Tracy, and the predefined Highway 23 Corridor Area), as new development in these areas would have the most profound impact on the future of the County. We now offer the following conclusions and brief recommendations for sensible commercial and residential development, based on our analysis of the market data.

Residential

As our review of currently active and pending residential developments revealed, a sizable amount of new housing is planned for various rural areas and cities throughout Lyon County. The developments are planned to accommodate housing needs in various price ranges, although the majority will be targeted at upper-end buyers. We believe that the market for these homes will remain consistent, but suggest that the County consider increasing its support for more affordable housing alternatives. Marshall's Parkway and Genesis Additions, and Tracy's Eastview Addition are the only developments targeted at serving the more affordable needs of the Area's moderate-income households. Also, of these three developments, only the Parkway Addition incorporates a rental housing component.

Based on our recent interviews conducted with the Area's major employers, particularly manufacturers, the need for more affordable housing is becoming increasingly apparent. An increasing number of jobs at local manufacturers are being filled by families with varying ethnic

backgrounds (i.e. Hispanic, Somali, Hmong, etc). Often, workers have households with multiple members and are in need of housing able to accommodate their sizable extended families.

For many of these workers, single-family homes would be highly desirable, but the relatively expensive resale prices recently noted in Marshall (average sale price in 2000 was noted as \$105,000) limit the number of homes affordable at their current wages. Although some of these families have been able to find suitable owner-occupied homes, many others have to seek other options, such as rental housing. Although rental housing is often more affordable, few existing units were designed large enough to accommodate sizable families. A recent development in Marshall, Cityside Townhomes, has helped to relieve some of the rental housing needs of large families, however, maintaining nearly 100 percent occupancy since opening its 50 units in 1996. Additional rental townhomes planned as a component of the Parkway Addition will also assist in relieving some of this need. Despite these, the need for additional affordable units appears evident following our interviews.

We believe that the majority of affordable housing needs would best be satisfied through development efforts in the County's incorporated communities. Land and development costs in the rural areas continue to escalate lot prices, thereby eliminating most moderate-income households from considering new construction opportunities. Incorporated communities also have the necessary utility infrastructures in place to accommodate rental housing development. By working together, development companies and local government could increase the existing affordable opportunities through a variety of methods.

Unlike the unsatisfied need for affordable housing alternatives, multiple residential developments are either currently marketing or are planned for first-time, move-up, and executive (upper-end) buyers. As indicated earlier, many lots will soon be available for development along Highway 23, between Marshall and Lynd. We believe that the location and market positioning of these developments are well planned and appropriate. For the most part, they will draw buyers from existing homes in Marshall, as well as new Area residents. The movement of move-up and executive buyers out of Marshall to these and future developments will also aid in freeing up existing homes, creating more affordable alternatives in the City. Also, the success of these developments will have a direct impact on the need for future commercial development along the Highway, as well as in Lynd and Marshall.

Commercial

The bulk of Lyon County's commercial development has been and will continue to be in the City of Marshall. Marshall serves as a commercial hub for much of Southwestern Minnesota, as a diverse local economy is home to numerous manufacturers, government entities, office users, retail businesses and service providers.

The largest employer in the Area is Schwans Corporation, a frozen foods manufacturer and distributor, with roughly 2,700 local employees. Other sizable manufacturing businesses in the City include Heartland Foods (500 employees), Minnesota Corn Processors (410 employees), and Schott Corporation (225 employees). US Bancorp recently constructed a new office facility to accommodate a planned expansion of its current workforce (320 employees). Multiple retailers operate in the area, as well, including Wal-Mart (200 employees) and a Hy-Vee grocery store (385 employees). Public education is also a primary industry in Marshall, as Southwest State University (425 employees) and Marshall Public Schools (335 employees) employ numerous education professionals.

The diverse makeup of the local workforce results in a need for various types of development to support the local population's needs. Based on our earlier review, a great deal of housing is already pending and its success will be dependent on the expansion of local employers and attracting new business to the Area. As the number of local households increases, the need for retail service providers will also grow. Assuming that the developments planned along the Highway 23 corridor are absorbed at a consistent rate, there would most likely be a need to locate a limited number of retail enterprises along Highway 23 between Marshall and Lynd. We speculate only a limited need, though, as most residents will satisfy their buying needs in Marshall. If the high-growth scenario depicted in Table D-4 happens, however, the need for additional commercial development along the Corridor would increase.

Local interest in industrial development is also high, as Schwans recently opened a new R&D facility that will bring 75 professional jobs (food scientists, technicians, and administrators) to the area. At the opening of the new facility, Schwans also announced its plans to build another new research/manufacturing facility, which will employ upwards of 100 new semi-skilled workers. Both facilities are located in Marshall, and additional future industrial development would also, most likely, be located in the City.

APPENDIX I – LAND ABSORPTION TRENDS AND PROJECTIONS

As requested, Maxfield Research Inc. has examined absorption for various types of land uses in Marshall, Minnesota and has developed revised employment projections by industry for low, moderate and high growth scenarios for Lyon County. The revised employment projections were compiled with the assistance of base data from the Minnesota Workforce Center. Historic land absorption figures for the City of Marshall were compiled by Maxfield Research Inc. based on an examination of building permit data and information from the Marshall City Assessor's office.

Utilizing the projected moderate employment growth scenario, we have calculated projections of land absorption over the next ten years for different types of uses. Our projections were made using accepted industry standards for average square feet of space per employee. Some

companies will differ slightly from the accepted standards, however these can serve as a reasonable benchmark for developing estimates of potential land requirements for the area.

Projected Employment Growth

Tables A-1 through A-3 show the projected employment growth for Lyon County under low, moderate and high growth scenarios. We believe that the moderate growth scenario reflects the most likely event and we have based our projections of commercial land absorption primarily on this scenario. We have also examined population and household projections as the potential demand for commercial retail space will be a result of growth among these demographic components.

As each table shows, the Manufacturing Sector in Lyon County is projected to experience the greatest growth during the next ten years, 2000 to 2010. This sector's projected growth is by far, the greatest among all of the industry sectors. Second to Manufacturing is Retail Trade. All other industry sectors trail these two with Services and FIRE tied for third. We note however, that the majority of job growth in Lyon County will be focused in Marshall as it is the County seat and is home to the area's largest employers. Previous calculations completed by our firm revealed that Marshall contains roughly 77% of the jobs in Lyon County as of 2000.

Under the high growth scenario, the projected job growth during the 2000s is expected to be roughly 80% of the growth that occurred during the 1990s. The moderate growth scenario projects 66% of the growth and the low growth scenario projects 50% of the growth. In each case, job growth during the 2000s is expected to slow from the robust increases of the 1990s.

Table A-1
Covered Employment Projections by Industry, 1990-2010
Lyon County & Southwestern Region of Minnesota
High-Growth Scenario

<i>Lyon County</i>	1990		2000		2010		Change 1990-2000		Change 2000-2010	
	Employment		Employment		Employment		Employment		Employment	
Const. & Mining	548	4.9%	622	4.3%	667	3.9%	74	13.5%	45	7.3%
Manufacturing	2,762	24.9%	4,530	31.4%	6,026	35.1%	1,768	64.0%	1,496	33.0%
Wholesale Trade	475	4.3%	632	4.4%	767	4.5%	157	33.1%	135	21.3%
TCU ¹	401	3.6%	492	3.4%	616	3.6%	91	22.7%	124	25.1%
Retail Trade	2,204	19.9%	2,520	17.4%	2,812	16.4%	316	14.3%	292	11.6%
FIRE ²	491	4.4%	849	5.9%	1,073	6.2%	358	72.9%	224	26.4%
Services	1,888	17.0%	2,174	15.1%	2,400	14.0%	286	15.1%	226	10.4%
Government	2,322	20.9%	2,624	18.2%	2,817	16.4%	302	13.0%	193	7.3%
Total	11,091	100.0%	14,443	100.0%	17,176	100.0%	3,352	30.2%	2,733	18.9%

<i>Southwest</i>	1990		2000		2010		Change 1990-2000		Change 2000-2010	
	Employment		Employment		Employment		Employment		Employment	
Const. & Mining	5,693	4.1%	7,690	4.5%	8,250	4.2%	1,997	35.1%	560	7.3%
Manufacturing	34,166	24.5%	41,179	24.2%	46,350	23.8%	7,013	20.5%	5,171	12.6%
Wholesale Trade	8,547	6.1%	9,552	5.6%	10,500	5.4%	1,005	11.8%	948	9.9%
TCU ¹	5,037	3.6%	6,827	4.0%	8,100	4.2%	1,790	35.5%	1,273	18.6%
Retail Trade	26,864	19.3%	31,020	18.2%	34,500	17.7%	4,156	15.5%	3,480	11.2%
FIRE ²	5,647	4.0%	6,568	3.9%	7,400	3.8%	921	16.3%	832	12.7%
Services	25,854	18.5%	37,168	21.8%	48,000	24.6%	11,314	43.8%	10,832	29.1%
Government	27,663	19.8%	30,161	17.7%	31,650	16.3%	2,498	9.0%	1,489	4.9%
Total	139,471	100.0%	170,165	100.0%	194,750	100.0%	30,694	22.0%	24,585	14.4%

¹Transportation, Communication, and Public Utilities

²Finance, Insurance, and Real Estate

Sources: Minnesota Workforce Center; Maxfield Research Inc.

Although we understand that Schwann's is building a new research and development facility in Marshall, the ability to attract workers to the community will also be dependent on an entire quality of life that will incorporate retail goods and services, education, community services, and health care.

Those industry sectors most likely to utilize office and retail space are Services, Retail Trade, FIRE and some sectors of Government and TCU (Transportation Communications and Utilities). We focus our calculations of demand and land absorption on projections in these sectors.

Table A-2
Covered Employment Projections by Industry, 1990-2010
Lyon County & Southwestern Region of Minnesota
Moderate-Growth Scenario

<i>Lyon County</i>	1990		2000		2010		Change 1990-2000		Change 2000-2010	
	Employment		Employment		Employment		Employment		Employment	
Const. & Mining	548	4.9%	622	4.3%	644	3.9%	74	13.5%	22	3.5%
Manufacturing	2,762	24.9%	4,530	31.4%	5,794	34.8%	1,768	64.0%	1,264	27.9%
Wholesale Trade	475	4.3%	632	4.4%	746	4.5%	157	33.1%	114	18.0%
TCU ¹	401	3.6%	492	3.4%	599	3.6%	91	22.7%	107	21.8%
Retail Trade	2,204	19.9%	2,520	17.4%	2,774	16.6%	316	14.3%	254	10.1%
FIRE ²	491	4.4%	849	5.9%	992	5.9%	358	72.9%	143	16.8%
Services	1,888	17.0%	2,174	15.1%	2,352	14.1%	286	15.1%	178	8.2%
Government	2,322	20.9%	2,624	18.2%	2,769	16.6%	302	13.0%	145	5.5%
Total	11,091	100.0%	14,443	100.0%	16,669	100.0%	3,352	30.2%	2,226	15.4%

<i>Southwest</i>	1990		2000		2010		Change 1990-2000		Change 2000-2010	
	Employment		Employment		Employment		Employment		Employment	
Const. & Mining	5,693	4.1%	7,690	4.5%	8,250	4.2%	1,997	35.1%	560	7.3%
Manufacturing	34,166	24.5%	41,179	24.2%	46,350	23.8%	7,013	20.5%	5,171	12.6%
Wholesale Trade	8,547	6.1%	9,552	5.6%	10,500	5.4%	1,005	11.8%	948	9.9%
TCU ¹	5,037	3.6%	6,827	4.0%	8,100	4.2%	1,790	35.5%	1,273	18.6%
Retail Trade	26,864	19.3%	31,020	18.2%	34,500	17.7%	4,156	15.5%	3,480	11.2%
FIRE ²	5,647	4.0%	6,568	3.9%	7,400	3.8%	921	16.3%	832	12.7%
Services	25,854	18.5%	37,168	21.8%	48,000	24.6%	11,314	43.8%	10,832	29.1%
Government	27,663	19.8%	30,161	17.7%	31,650	16.3%	2,498	9.0%	1,489	4.9%
Total	139,471	100.0%	170,165	100.0%	194,750	100.0%	30,694	22.0%	24,585	14.4%

¹Transportation, Communication, and Public Utilities

²Finance, Insurance, and Real Estate

Sources: Minnesota Workforce Center; Maxfield Research Inc.

Land Absorption

Maxfield Research Inc. compiled land absorption information from building permit data and City Assessor's records for the City of Marshall. Table A-4 shows this information. The table reveals that between 1991 and 2001, industrial development absorbed the greatest amount of land (125 acres) in Marshall, followed closely by office at 122 acres. Commercial retail uses absorbed 67 acres and warehouse absorbed nearly 83 acres. We classify warehouse as industrial land absorption.

Table A-3
Covered Employment Projections by Industry, 1990-2010
Lyon County & Southwestern Region of Minnesota
Low-Growth Scenario

<i>Lyon County</i>	1990		2000		2010		Change 1990-2000		Change 2000-2010	
	Employment		Employment		Employment		Employment		Employment	
Const. & Mining	548	4.9%	622	4.3%	635	3.9%	74	13.5%	13	2.1%
Manufacturing	2,762	24.9%	4,530	31.4%	5,492	34.0%	1,768	64.0%	962	21.2%
Wholesale Trade	475	4.3%	632	4.4%	730	4.5%	157	33.1%	98	15.5%
TCU ¹	401	3.6%	492	3.4%	587	3.6%	91	22.7%	95	19.4%
Retail Trade	2,204	19.9%	2,520	17.4%	2,719	16.8%	316	14.3%	199	7.9%
FIRE ²	491	4.4%	849	5.9%	947	5.9%	358	72.9%	98	11.6%
Services	1,888	17.0%	2,174	15.1%	2,294	14.2%	286	15.1%	120	5.5%
Government	2,322	20.9%	2,624	18.2%	2,738	17.0%	302	13.0%	114	4.3%
Total	11,091	100.0%	14,443	100.0%	16,143	100.0%	3,352	30.2%	1,700	11.8%

<i>Southwest</i>	1990		2000		2010		Change 1990-2000		Change 2000-2010	
	Employment		Employment		Employment		Employment		Employment	
Const. & Mining	5,693	4.1%	7,690	4.5%	8,250	4.2%	1,997	35.1%	560	7.3%
Manufacturing	34,166	24.5%	41,179	24.2%	46,350	23.8%	7,013	20.5%	5,171	12.6%
Wholesale Trade	8,547	6.1%	9,552	5.6%	10,500	5.4%	1,005	11.8%	948	9.9%
TCU ¹	5,037	3.6%	6,827	4.0%	8,100	4.2%	1,790	35.5%	1,273	18.6%
Retail Trade	26,864	19.3%	31,020	18.2%	34,500	17.7%	4,156	15.5%	3,480	11.2%
FIRE ²	5,647	4.0%	6,568	3.9%	7,400	3.8%	921	16.3%	832	12.7%
Services	25,854	18.5%	37,168	21.8%	48,000	24.6%	11,314	43.8%	10,832	29.1%
Government	27,663	19.8%	30,161	17.7%	31,650	16.3%	2,498	9.0%	1,489	4.9%
Total	139,471	100.0%	170,165	100.0%	194,750	100.0%	30,694	22.0%	24,585	14.4%

¹Transportation, Communication, and Public Utilities

²Finance, Insurance, and Real Estate

Sources: Minnesota Workforce Center; Maxfield Research Inc.

These absorption rates by class results in the following average annual absorption rates for each use category:

Commercial Retail = 7 acres per year

Commercial Office = 12 acres per year

Industrial (including Warehouse) = 21 acres per year

Table A-4
Commercial Land Absorption (acres)
City of Marshall
1991-2001

	Commercial/Retail	Office	Industrial	Warehouse	Total
2001	3.95	9.61	1.00	2.47	17.03
2000	1.61	--	19.86	8.15	29.62
1999	13.81	5.50	--	6.20	25.51
1998	4.19	--	0.49	2.47	7.15
1997	4.26	0.12	20.49	--	24.87
1996	1.77	1.22	7.45	2.53	12.97
1995	4.61	28.33	23.52	11.28	67.74
1994	3.83	30.22	7.67	7.38	49.10
1993	11.88	45.00	--	7.20	64.08
1992	0.47	1.06	--	18.99	20.52
1991	16.64	0.56	45.00	16.08	78.28
Total	67.02	121.62	125.48	82.75	396.87

Sources: City of Marshall - Building Inspections/City Assessor
 Maxfield Research Inc.

The 1990s was a period of very strong economic growth. Although we are currently in a recession, economists are still predicting that the next several years will continue to be periods of strong economic growth after pulling out of the recession that is projected to occur sometime after the middle of 2002. However, it is unlikely that the growth will be as robust over the next ten years as it has been during the previous ten.

Demand Calculations

However, if employment growth projections are met in the moderate growth scenario, this would account for potential demand of roughly the following acreage of land over the next ten years:

We project space demand for each use using the following industry parameters:

Office Space – 200 square feet per employee

Retail Space – 500 square feet per employee

Manufacturing – 700 square feet per employee

Warehouse – 1,000 square feet per employee

Land Utilization rates:

Office space – 30% land coverage

Retail space – 20% land coverage

Manufacturing - 15% land coverage

Warehouse – 20% land coverage

Therefore, based on employment growth in Marshall and Lyon County over the next ten years, we estimate the following land absorption to achieve projected employment growth. These projections assume that land will be available in a variety of locations suitable to meet the needs of new businesses.

	<u>Low</u>	<u>Moderate</u>	<u>High</u>
Office:	25 acres	35 acres	45 acres
Commercial Retail	30 acres	40 acres	50 acres
Industrial (includes warehouse):	110 acres	140 acres	160 acres

These figures are based on projected demand for space based on estimated employment growth and already account for growth that has occurred in 2000 and 2001. We note however that especially with retail development, land absorption may be much higher because of one or two larger users whose employee per square foot ratio is higher than the traditional average for smaller users.

Adjusting for this situation results in total demand for commercial retail of 60 acres rather than the 40 shown here. We believe that there may be demand for a larger retail user toward the end of the decade once the household base has increased substantially. Also, different uses have varying periods of expansion. As the household base increases, there is likely to be more retail development to accommodate growth. Two new larger general merchandise retailers have recently located near to Marshall. These large scale users often take a substantial amount of land especially to accommodate parking and land utilization ratios are often less than in a heavily urbanized area.

Thus, we may see slower absorption of industrial space in the short-term, but greater absorption in several years as existing land is absorbed. Many companies historically purchase more land than they require initially and then expand further on the site. This is traditionally true with industrial/warehouse uses, but is typically not the case with commercial retail or office users who usually purchase the required amount of land and then move if they need a larger size space.

During the 1990s, land absorption of industrial/warehouse uses totaled 208 acres. We are projecting less than this during the 2000s, but still a relatively significant amount at a moderate-growth scenario.

There is the potential that with strong household growth, a high-growth scenario may result for commercial retail that is generated primarily through population growth.

Absorption of land for office space is shown to be the least during this next decade, based on projected employment growth. However, it is possible that growth in this segment could be higher if a new major employer locates in Marshall or if new government offices are constructed. This land absorption demand does not account for existing structures that may be vacated due to growth, nor firms that would be located in vacant space bringing new employees.

The economy, as well, plays a major role in corporate and business investment. If the economy remains strong, there would likely be demand for land between the moderate and high-growth scenarios. However, if the economy slows and remains in a slowdown for a period of time, land absorption may resemble the low-growth scenario.