

# ECONOMIC DEVELOPMENT

## LYON COUNTY COMPREHENSIVE PLAN

Economic health is an important component of a healthy and thriving community. A strong commercial and industrial base provides jobs to community residents, contributes to a community's tax base, provides needed goods and services to residents and visitors, and can be a source of psychological strength to a community.

### INVENTORY AND ANALYSIS

A number of factors were examined to assess the county's economic conditions, including countywide sales and tax revenues, property values and taxes, employment, income, industries, patterns of work, regional position and economic development activities.

#### SALES AND TAX

One measure of economic health is the level of sales of goods and services in the county. Sales transactions translate directly into income potential for the county through sales tax. Sales are also a good indicator of business health and production, which can translate into jobs for county residents. Total sales from all industries and the sales and use taxes they generated are shown in Table 3-1 below for 1994 through 1998. The data shows that sales have increased steadily. Gross sales increased by 21 percent while the sales and use taxes generated increased by 27 percent, indicating growth in the sale of taxable goods and services. The number of establishments, however, only increased by 4 percent, indicating a trend toward fewer and larger businesses and industries.

**Table 3-1**  
**Gross Sales and Use Taxes Generated**  
**Lyon County**  
**1998**

Year	Gross Sales (All Industries)	Total Sales & Use Taxes Generated	Number	Percent Change 1994 - 1998		
				Gross Sales	Total Tax	Number
1994	\$566,060,996	\$11,180,705	858	21%	27%	4%
1995	\$622,720,539	\$13,235,079	839			
1996	\$827,070,956	\$14,111,158	892			
1998	\$684,662,466	\$14,161,815	893			

Source: MN Department of Revenue

An examination of sales and tax figures for Lyon and surrounding counties, as shown in Table 3-2, shows that Lyon County outpaces its neighboring counties by a significant margin. In 1998, Lyon County had a total of \$685 million in sales, 43 percent greater than the next highest county (Redwood), which had \$390 million. Lyon County's 1998 sales generated \$14 million in sales and use taxes, which was 57 percent higher than that generated in Redwood County.

Although the county's total sales increased 21 percent from 1994 to 1998, this was the lowest increase among surrounding counties, which ranged from 22 percent to 63 percent. Lyon County's sales growth rate was also lower than the state as a whole.

**Table 3-2  
Sales and Tax  
Lyon County Area  
1994 & 1998**

County	1994		1998		% Change	
	Gross Sales	Total Tax	Gross Sales	Total Tax	Gross Sales	Total Tax
Cottonwood	\$135,643,991	\$2,878,996	\$196,968,591	\$3,486,274	45%	21%
Lincoln	\$47,783,340	\$904,864	\$68,289,356	\$1,323,089	43%	46%
Lyon	\$566,060,996	\$11,180,705	\$684,662,466	\$14,161,815	21%	27%
Murray	\$108,795,955	\$1,957,990	\$132,701,838	\$2,127,139	22%	9%
Pipestone	\$207,092,304	\$2,797,213	\$312,517,041	\$3,083,619	51%	10%
Redwood	\$238,887,613	\$5,252,769	\$390,152,216	\$6,051,099	63%	15%
Renville	\$237,975,724	\$3,909,885	\$373,217,072	\$4,954,625	57%	27%
Yellow Medicine	\$92,380,244	\$2,223,358	\$142,793,423	\$2,569,321	55%	16%
Minnesota	\$131,243,367,269	\$2,630,999,432	\$171,625,897,815	\$3,370,985,346	31%	28%

Source: MN Department of Revenue

**PROPERTY VALUE AND TAX**

As shown in Table 3-3, agricultural uses comprised the greatest source of local property tax capacity, 32 percent, of all properties in 1992. Table 3-4 shows that the total value of agricultural land was \$3.5 million in the same year, the highest property category. As of 2001, agricultural tax capacity had remained about the same while residential had steadily increased. Commercial and industrial tax capacities have fluctuated. The overall value of all property has increased.

In each year shown in Tables 3-3 and 3-4, agricultural uses accounted for a greater percent of the total property value in the county than they do in tax capacity. For example, in 1992 agricultural property accounted for 48 percent of the county's property value, but only 32 percent of its property tax base.

Conversely, residential, commercial and industrial uses each comprised more of the county's tax base than

they did in the value of property in the county. This is because state property tax capacity rates are lower for agricultural uses than commercial, residential or industrial uses. In addition, the value of farmland is generally considerably lower than the value of land for residential, commercial or industrial development. This is evidenced by the fact that in 1992, agricultural uses comprised 82 percent of the total land area in the county, but only 48 percent of its total property value.

**Table 3-3  
Property Tax Capacity by Class  
Lyon County  
1992 - 2001**

Tax Class	1992 Tax Capacity	% of Total	1997 Tax Capacity	% of Total	2001 Tax Capacity	% of Total	Change		Change in % of Total
							Value	%	
Agriculture	\$4,581,147	32%	\$5,026,898	28%	\$4,623,795	26%	\$42,648	1%	-6.1%
Residential	\$2,904,243	21%	\$4,787,282	27%	\$5,570,567	32%	\$2,666,324	92%	11.1%
Commercial	\$2,500,280	18%	\$2,927,416	16%	\$2,713,203	15%	\$212,923	9%	-2.3%
Industrial	\$1,557,588	11%	\$2,383,011	13%	\$1,966,654	11%	\$409,066	26%	0.2%
Apartment	\$920,021	6%	\$1,192,712	7%	\$890,079	5%	-\$29,942	-3%	-1.4%
Personal Property	\$1,330,197	9%	\$1,212,573	7%	\$1,005,904	6%	-\$324,293	-24%	-3.7%
Total	\$14,163,842	100%	\$17,912,450	100%	\$17,628,906	100%	\$3,465,064	24%	N/A

Source: Lyon County Assessor

**Table 3-4  
Property Values by Class  
Lyon County  
1992 - 2001**

Tax Class	1992 Property Value	% of Total	1997 Property Value	% of Total	2001 Property Value	% of Total	Change		Change in % of Total
							Value	%	
Agriculture	\$353,907,500	48%	\$454,440,200	43%	\$533,904,000	42%	\$179,996,500	51%	-6.7%
Residential	\$247,735,100	34%	\$394,189,100	37%	\$490,587,100	38%	\$242,852,000	98%	4.4%
Commercial	\$58,130,300	8%	\$74,945,400	7%	\$93,607,900	7%	\$35,477,600	61%	-0.6%
Industrial	\$35,068,200	5%	\$53,708,400	5%	\$60,627,200	5%	\$25,559,000	73%	-0.1%
Apartment	\$30,151,100	4%	\$39,924,100	4%	\$45,578,000	4%	\$15,426,900	51%	-0.6%
Personal Property	\$29,360,000	4%	\$26,720,900	3%	\$29,507,300	2%	\$147,300	1%	-1.7%
Total	\$734,255,400	100%	\$1,060,032,700	100%	\$1,285,928,000	100%	\$551,672,600	75%	N/A

Source: Lyon County Assessor

**EMPLOYMENT**

Table 3-5 shows in what industries Lyon County residents work. The wholesale and retail trade industry employs more of Lyon County's citizens, 3,108, than any other industry. This industry provides 26 percent of the jobs for the county's employed residents. The professional services industry follows closely, employing about 25 percent of the county's workforce. Health care and education account for the majority of these professional service jobs. Agriculture and manufacturing provide a large number of jobs for Lyon County residents as well.

**Table 3-5  
Employment by Industry  
Lyon County**

Industry	Number of Persons	Percent of Total
Ag, Forestry, Fisheries	1,258	10.5%
Mining	8	0.1%
Construction	595	5.0%
Manufacturing	1,784	14.9%
Transportation/Communications/Other public utilities	549	4.6%
Wholesale/Retail Trade	3,108	26.0%
Finance, Insurance, and Real Estate	548	4.6%
Business, repair, personal services	649	5.4%
Entertainment and Recreation services	135	1.1%
Professional and Related services (health, educational, other related)	3,003	25.2%
Public Administration	303	2.5%
Total	11,940	100.0%

Source: 1990 U.S. Census

## **INCOME**

Lyon County has a slightly higher proportion of residents in the lower income brackets than the state as a whole. The median household income in 1979 was \$14,830 compared to \$17,761 for the state as a whole. The 1989 median household income was \$24,689 compared with \$30,909 for the state. Lyon County saw an increase of 66 percent in median household income from 1979 to 1989 while the state median household income rose 74 percent.

**Table 3-6  
Household Income  
Lyon County  
1990**

Income	Lyon County		Minnesota	
	Number	Percent	Number	Percent
Less than \$15,000	2,729	30%	369,292	22%
\$15,000 - \$24,999	1,832	20%	289,134	18%
\$25,000 - \$39,999	2,308	26%	395,538	24%
\$40,000 - \$59,999	1,474	16%	343,135	21%
\$60,000 - \$74,999	308	3%	117,357	7%
\$75,000 - \$99,999	171	2%	74,782	5%
\$100,000 - \$149,999	112	1%	38,185	2%
\$150,000 or more	83	1%	21,402	1%
Total	9,017	100%	1,648,825	100%
Median Household Income:	\$24,689		\$30,909	

Source: 1990 US Census

While income in Lyon County did not increase as strongly as the state as a whole, the overall cost of goods increased only 59 percent during the same decade, indicating that, in general, Lyon County wages are maintaining pace with the cost of living.

An examination of per capita personal income trends shows that, while Lyon County income is somewhat lower than the state and national averages, it is above average when compared to other Minnesota Counties. According to the Bureau of Economic Analysis, Lyon County had a per capita personal income (PCPI) of \$22,532 in 1997. This PCPI ranked 16th (out of 87 counties) in the state. A decade earlier, in 1987, the PCPI of Lyon County was \$14,264 and ranked 28th in the state. This climb in rank indicates that, while the county's per capita income is still not as high as the state as a whole, it fared well compared to most other counties during the decade from 1987 to 1997. The average annual growth rate of PCPI over these 10 years was 4.7 percent. The average annual growth rate for the state was 4.8 percent and for the nation it was 4.7 percent.

**EARNINGS BY INDUSTRY**

According to the Bureau of Economic Analysis, total earnings of persons employed in Lyon County increased from \$256,729,000 in 1987 to \$425,799,000 in 1997, an average annual growth rate of 5.2 percent. The largest industries in 1997 were nondurable goods manufacturing, which accounted for 24.4 percent of total earnings in the county; state and local government with 16.4 percent; and services with 14.3 percent. In 1987, the largest industries were: farm related, which produced 17.0 percent of total earnings in the county; state and local government with 16.5 percent; and nondurable goods manufacturing with 15.9 percent. Of the industries that accounted for at least 5 percent of earnings in 1997, the slowest growing from 1987 to 1997 was retail trade (8.7 percent of earnings in 1997), which increased at an average annual rate of 4.5 percent. The fastest was wholesale trade (6.7 percent of earnings in 1997), which increased at an average annual rate of 10.6 percent.

More recent trends show that earnings by persons employed in Lyon County decreased from \$440,848,000 in 1996 to \$425,799,000 in 1997, a decrease of 3.4 percent. The largest industries in 1997 were nondurable goods manufacturing, 24.4 percent of earnings; state and local government with 16.4 percent; and services with 14.3 percent. Of the industries that accounted for at least 5 percent of earnings in 1997, the slowest growing from 1996 to 1997 was construction (8.3 percent of earnings in 1997), which decreased 12.9 percent; the fastest was finance, insurance and real estate (5.8 percent of earnings in 1997), which increased 11.6 percent.

### **PATTERNS OF WORK**

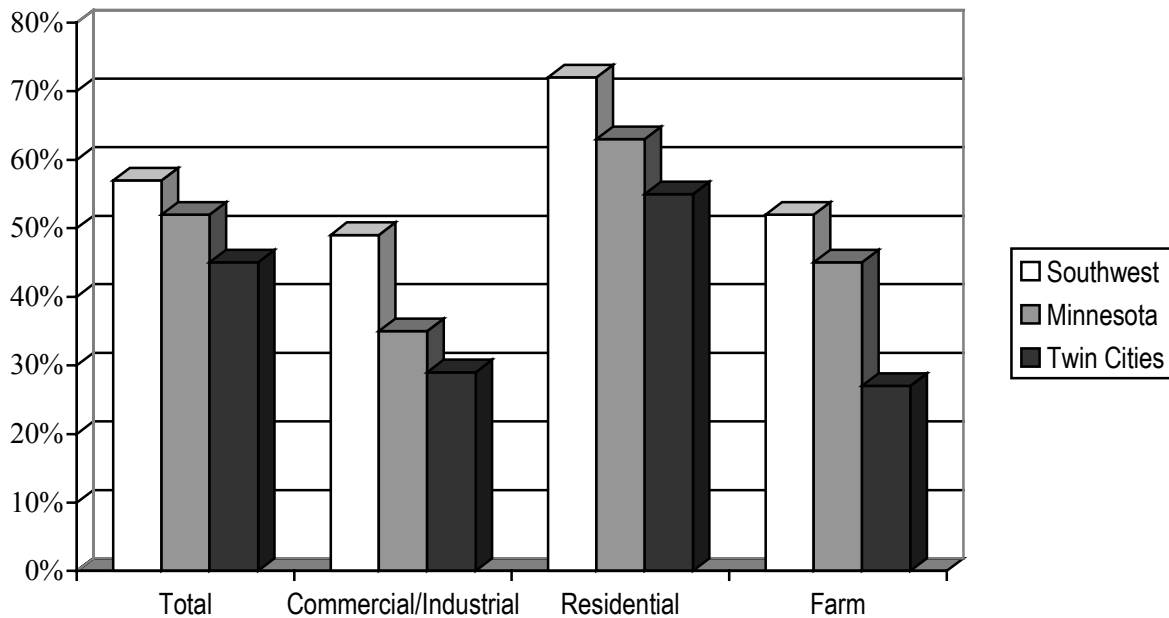
From 1990 Census data, it appears that approximately 94 percent of all Lyon County residents work within the county, while 5 percent work within Minnesota, but in a different county. The remaining 1 percent work outside the state. The vast majority of persons travel less than 20 minutes to work each day with the average commute time being just 11.6 minutes. However, it is interesting to note that nearly 200 residents travel over an hour to work; 66 of those commuting more than 1 ½ hours.

### **REGIONAL ANALYSIS**

The Minnesota Department of Trade and Economic Development produces economic comparisons for various regions of the state with the state as a whole. Lyon County falls in the Southwest Region, which includes the counties of Big Stone, Lac Qui Parle, Yellow Medicine, Lincoln, Pipestone, Rock, Nobles, Murray, Lyon, Redwood, Cottonwood, Jackson, Swift, Chippewa, Kandiyohi, Renville, Meeker and McLeod. This analysis shows several trends for the Southwest Region as a whole.

Growth in property value for the region is higher than that for the state as a whole as well as the Twin Cities metropolitan area as shown in Figure 3-1 below. This higher growth rate was seen in all categories of properties.

**Figure 3-1  
Growth in Property Value, by Class  
Southwest Region  
1990-1998**



From 1990 to 1998, the Southwest Region experienced comparable employment growth as the state overall, but growth in average wages lagged those of the state. Employment growth for the region was 20 percent; for the state it was 21 percent. However, the increase in average wages was 35 percent in the Southwest Region compared to 41 percent in the state. This shows that while the region is keeping up with employment growth, the wages of these jobs are not keeping pace with the statewide average. Comparing the region’s wage growth to the growth in residential property values also reveals an interesting trend. While residential property values rose by 72 percent, average wages only rose by 36 percent, indicating that housing may be becoming less affordable in the region.

The fastest growing industries in the Southwest Region are shown in Table 3-7 below. Among the fastest growing industries, the social work sector employs the most people in Southwest Minnesota but the industry with the fastest rate of growth is the plastics products sector followed second by livestock production.

**Table 3-7  
Fastest Growing Industries \*  
Southwest Region  
1990 - 1998**

Industry	Southwest Employment	Employment Growth Rate, 1980 - 1998		
		Southwest	Twin Cities	Minnesota
Plastics Products	308	450%	27%	34%
Livestock	1,503	78%	-38%	61%
Agricultural Services	714	74%	31%	35%
Lumber Products	1,104	73%	-48%	23%
Social Services	4,004	68%	39%	40%
Business Services	1,462	67%	70%	74%
Misc. Repair Services	447	66%	-17%	-5%
Local/Suburban Transportation	709	62%	19%	28%
Real Estate	575	47%	14%	21%
Membership Organizations	1,220	42%	8%	18%

\* Industries with at least 250 employees in the region.

Source: MN Department of Trade and Economic Development

## **ECONOMIC DEVELOPMENT ACTIVITIES & PLANNING**

Lyon County does not currently have a countywide economic development authority nor a countywide economic development plan. However, the Lyon County Enterprise Development Corporation (EDC) does engage in limited economic development activities. The EDC is a non-profit, private corporation, but does receive some funding from the County as well as cities. The EDC is not a branch or function of the county government, but is housed in the County Government Center.

The EDC functions according to a "facilitation" approach to economic development. This type of program was first developed in Australia and the Lyon County EDC was the first economic development corporation in the United States to be modeled on this concept. Now there are three in South Dakota, one in Mankato and a few in Minneapolis as well. The concept is centered on facilitating the business development and management process. The EDC provides information about the business development process for individuals interested in potentially starting a business as well as management guidance for existing businesses.

These services include assistance with writing a business plan, identification of potential financial tools, and



assistance with market research, site location, profitability analysis and financial management. The EDC's services are free to anyone. Although it primarily serves Lyon County, the EDC is available to assist outside businesses as well. The EDC does not provide financing directly, but provides businesses with information on possible outside sources. The EDC also does not solicit or recruit businesses because of its "facilitation-based" concept.

## **ISSUES**

As part of the Comprehensive Planning process, the County hosted a project kick-off meeting on April 12, 2001. Meeting participants were led through a number of exercises to elicit Task Force and resident views on the issues, opportunities and threats facing the county as well as its strengths and weaknesses. Participants listed and then ranked their ideas in order of importance.

Participants in the workshop identified a number of positive aspects of the county's economy (the number of votes received is in parentheses):

- Strong Economic Diversity (5)
- Schwan's (3)
- Industry/Value Added (3)
- Varied Employment Opportunities (2)
- Good Industry/Employment (2)
- MCP
- Jennie-O
- Increase in Wholesale Businesses
- Diversified Non-Polluting Economy
- Progressive Economy

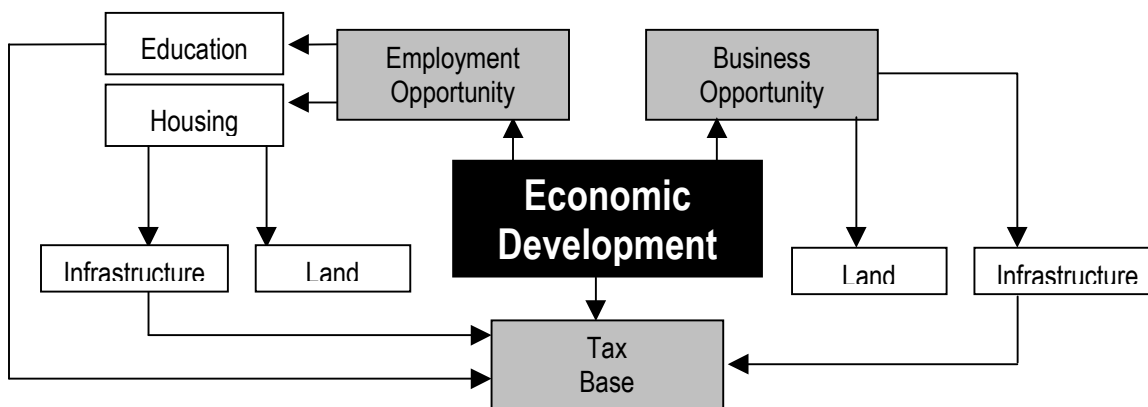
Participants also identified a number of concerns or issues related to economic conditions within Lyon County:

- Unemployment (full-time jobs pay less than a livable wage) (15)
- Farm Economy (6)
- Retail Center/Shopping Needs Improving (2)
- Lack of Diversity in Agriculture (2)
- Not Capitalizing on Recreation (1)
- Tax Structure Versus South Dakota (1)
- Distances to Barges
- Increased Health Care Costs
- Depressed Prices for Agriculture Products
- Taxes

## POLICY PLAN

Economic development is the important blending of economic opportunity with local infrastructure, land, housing and education. The primary objectives of most economic development planning are to increase local tax base, provide job opportunities and provide the goods and services local residents and visitor's desire. However, these objectives are inherently linked to the availability of skilled and educated workers, affordable housing, developable land and infrastructure. The relationship among these elements is shown in Figure 3-2 below.

Figure 3-2



Lyon County recognizes the importance of each component of the economic development cycle in the overall health and economic stability of the county. Following are the goals and policies of Lyon County to address economic development issues.

### **ECONOMIC DEVELOPMENT GOAL #1: PROMOTE COOPERATIVE EFFORTS AND UTILIZE EXISTING RESOURCES FOR ECONOMIC GROWTH IN THE COUNTY.**

#### Policies:

1. Promote cooperative efforts among the County, its cities and townships, local HRA's, local Economic Development Authorities, the Lyon County Economic Development Corporation, local Chambers of Commerce, local builders, business owners, residents and others to pursue a wide range of economic development opportunities.
2. Continue to identify and tap into local, state and federal resources to enhance economic development.
3. Explore countywide economic development coordination options.

**ECONOMIC DEVELOPMENT GOAL #2: PROMOTE ECONOMIC STABILITY AND DIVERSITY.**

Policies:

1. Support efforts to retain existing business and industry and facilitate their expansion as well as recruit additional ones.
2. Explore new economic growth opportunities, such as value-added agricultural industries and tourism.
3. Encourage commercial and industrial development that is ancillary to agricultural uses and/or supports the county's agricultural economy (such as seed manufacturers, implement dealers, etc.)
4. Recognize the need to maintain, upgrade and expand existing infrastructure in the county, including but not limited to roadways, parks/trails, utilities and telecommunications infrastructure, to support and promote continued development.
5. Encourage the availability of a range of housing types and values to accommodate an ample work force.
6. Promote coordination of the educational system and the business community to ensure the availability of qualified workers.
7. Promote the sustainability and health of the county's small towns.
8. Utilize financial resources and programs to attract businesses that have an emphasis on job creation and businesses that meet or exceed livable wage requirements.
9. Balance the need to ensure quality development with adequate infrastructure with the need to remain competitive for business and industry.