GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

Thursday, March 25, 2021
4:00pm
Grand Rapids City Hall

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in the City Council Chambers in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, March 25, 2021 at 4:00pm, some or all of the Commissioners may be participating by telephone or other electronic means.

AGENDA

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Consider approval of minutes from the March 3, 2021special meeting.
5. Consider approval of claims
6. Review *Market Assessment for Speculative Industrial Space in Grand Rapids, MN* – Mary Bujold, Maxfield Research
7. Review and discuss funding for the Grand Rapids/Cohasset Industrial Park (Ainsworth Site) Infrastructure Project.
8. Updates:
    a.
9. Adjourn

GREDA Commissioners/terms:

Rick Blake – 12/31/2022 (with council term)
Tasha Connelly– 12/31/2024 (with council term)
(Vacant) – 3/1/21
Cory Jackson – 3/1/23
Mike Korte – 3/1/22
John O'Leary – 3/1/25
Sholom Blake – 3/1/25

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
SPECIAL MEETING
WEDNESDAY, MARCH 3, 2021
4:00 P.M.
GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA

DRAFT

CALL TO ORDER: Pursuant to due notice and call thereof, a Special Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order electronically on Wednesday, March 3, 2021 at 4:00 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a Call of Roll the following members were present: Commissioners: Rick Blake, Sholom Blake, John O'Leary, Mike Korte, Cory Jackson, Tasha Connelly. Absent: None.

APPROVAL OF MINUTES:

MOTION BY COMMISSIONER O'LEARY, SECOND BY COMMISSIONER CONNELLY TO APPROVE THE MINUTES OF THE FEBRUARY 11, 2021 REGULAR MEETING. The following roll call vote was taken: Yea: R. Blake, Connelly, Jackson, Korte, O'Leary, S. Blake. Nay: None, passed unanimously.

APPROVAL OF CLAIMS:

MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER CONNELLY TO APPROVE CLAIMS IN THE AMOUNT OF 13,738.30.

City of Grand Rapids	$2,453.10	Ehlers & Associates	$405.00
Kennedy & Graven	$6,809.30	Loren Solberg Consulting	$1,200.00
Minnesota Energy Resources	$209.33	Rapids Printing	$1,654.50

The following roll call vote was taken: Yea: O'Leary, Korte, Jackson, Connelly, R. Blake, S. Blake. Nay: None, passed unanimously.

Consider approval of a resolution supporting Minnesota Senate File 1163 and Minnesota House File 1486 establishing an incentive for the production of wood pellets.

The wood pellet production industry is an emerging industry that utilizes forest and wood mill residuals to produce an alternative fuel source for power generation and home use. Due to new regulations regarding the use of coal overseas the use of wood pellets has become an alternative fuel source. This presents an opportunity for growth in our region and will also help sustain our regional sawmills and create jobs both direct and indirect in services such as logging and transportation.

MOTION BY COMMISSIONER JACKSON, SECOND BY COMMISSIONER CONNELLY TO ADOPT RESOLUTION 21-03 SUPPORTING MINNESOTA SENTATE FILE 1163 AND MINNESOTA HOUSE FILE 1486 ESTABLISHING AND INCENTIVE FOR THE PRODUCTION OF WOOD PELLETS. The following

roll call vote was taken: Yea: R. Blake, Connelly, Jackson, Korte, O'Leary, S. Blake. Nay: None, passed unanimously.

Updates:

Federal EDA Grant- GREDA's request was for 80% funding of a 3.9 million dollar infrastructure project at the former Ainsworth Site. The Federal EDA reviewed the request and has decided to fund 50% of the project which is roughly 1.96 million. In order for the project to move forward it is necessary to find other potential funding sources including bigger contributions from the City of Grand Rapids, City of Cohasset, IEDC and possibly GRPUC. Mr. Mattei is working with multiple entities to close the gap in funding on this project and will keep the GREDA updated on the progress that is being made.

There being no further business the meeting adjourned at 4:41 p.m.

Respectfully submitted:

_____
Aurimy Groom, Recorder

DATE: 03/22/2021 CITY OF GRAND RAPIDS PAGE: 1
TIME: 11:22:26 DEPARTMENT SUMMARY REPORT
ID: AP443GR0.WOW

INVOICES DUE ON/BEFORE 03/25/2021

VENDOR #	NAME	AMOUNT DUE
ECONOMIC DEVELOPMENT AUTHORITY		
1105530	KENNEDY & GRAVEN, CHARTERED	169.40
	TOTAL	169.40
EDA - CAPITAL PROJECTS		
DOWNTOWN REDVELPMNT BLK 18-21		
1201730	LATVALA LUMBER COMPANY INC.	48.33
2305451	WELLSON GROUP INC	3,000.00
	TOTAL DOWNTOWN REDVELPMNT BLK 18-21	3,048.33
GREAT RIVER ACRES DEV		
1105530	KENNEDY & GRAVEN, CHARTERED	1,068.00
	TOTAL GREAT RIVER ACRES DEV	1,068.00
MANUFACTURING HANGAR		
0718010	CITY OF GRAND RAPIDS	271.25
1105530	KENNEDY & GRAVEN, CHARTERED	3,006.25
	TOTAL MANUFACTURING HANGAR	3,277.50
AINSWORTH FACILITY REDEVELPMNT		
1215630	LOREN SOLBERG CONSULTING, LLC	1,200.00
	TOTAL AINSWORTH FACILITY REDEVELPMNT	1,200.00
	TOTAL UNPAID TO BE APPROVED IN THE SUM OF:	$8,763.23
CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
0205640	LEAGUE OF MN CITIES INS TRUST	5,805.00
0920055	ITASCA COUNTY RECORDER	92.00
1309170	MN DEED	1,000.00
1309199	MINNESOTA ENERGY RESOURCES	258.82
1415511	NORTHERN STAR COOPERATIVE SERV	526.88
1621130	P.U.C.	283.87
2209665	VISA	79.99
	TOTAL PRIOR APPROVAL	$8,046.56
	TOTAL ALL DEPARTMENTS	$16,809.79

A Market Assessment for Speculative Industrial Space in Grand Rapids, Minnesota

Prepared For:
Grand Rapids Economic Development Authority
Grand Rapids, MN

March 2021

Maxfield Research & Consulting
2823 Hamline Avenue North
Roseville, MN 55113
(612) 338-0012
www.maxfieldresearch.com

Maxfield
Research & Consulting
Breaking Ground since 1983

March 10, 2021

Mr. Rob Mattei
Executive Director
Grand Rapids Economic Development Authority
P.O. Box 124
Grand Rapids, MN 54001

Dear Mr. Mattei:

Attached is our report that provides an analysis of current market conditions, projected growth trends and recommendations for industrial space in Grand Rapids, Minnesota. The analysis identifies gaps in the industrial space market in Grand Rapids and the immediate surrounding area and provides an evaluation of the potential to develop "speculative" industrial space to attract businesses that have more immediate space and expansion needs. Additional information is provided on square footage, building sizes and features, lease rates, and estimated absorption period.

The study includes a review of demographic and business growth trends, labor force trends, and commuting characteristics of Grand Rapids and the surrounding area; a review of industrial market conditions including land availability, industrial space and building availability, interviews with business and economic development organizations, funders and owners. Maxfield calculates the demand for industrial space in Grand Rapids and provides recommendations regarding a development concept that will satisfy the current space needs in the market to expand the community's ability to attract new businesses and/or enable existing businesses to expand.

Please contact us if you have questions or require additional information.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING LLC

Mary C. Bujold
President

Attachment

(612) 338-0012 fax (612) 904-7979
2823 Hamline Avenue North, Roseville, MN 55113
www.maxfieldresearch.com

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Purpose and Scope of Study

- Maxfield Research and Consulting LLC was engaged by the Grand Rapids Economic Development Authority (EDA), the "Client," to complete an analysis of the potential to develop additional industrial space with a focus toward constructing a "speculative" building that would address potential gaps in the current market. The building would be constructed on property owned by the EDA in one of two existing business parks. The analysis identifies current gaps in the market and provides recommendations and development considerations for a proposed building to meet projected needs.

- The scope of this study includes: a review of the demographic characteristics of the Market Area and considerations of labor/workforce; an analysis of current and projected employment, commuting and business growth and development trends in the Market Area; a review of the availability of industrial space in Grand Rapids and the immediate surrounding area, interviews with economic development staff, lending organizations, business development organizations, private developers/owners, commercial real estate agents and others familiar and involved with business development in the Region.

Land Availability

- The City of Grand Rapids has three business parks with land available for commercial and industrial development, Grand Rapids Industrial Park II, Industrial Park East and the Airport South Industrial Park. There is one parcel available in Industrial Park II which has 2.4 acres.

- The Grand Rapids Industrial Park East is situated adjacent to Highway 3, in the southeast quadrant of Grand Rapids. The industrial park is home to ASV Holdings, Inc., Minnesota Diversified Industries, Arrowhead Promotion and Fullfillment and other successful Grand Rapids industries. The park is linked to US Highway 2 (primary east-west highway across northern Minnesota and to US Highway 169 (primary north-south Highway from north central Minnesota to the Twin Cities Metro Area). The park is adjacent to the Grand Rapids/Itasca County Airport. Seven parcels remain in the Industrial Park East and may be combined as needed. A total of 9.7 acres is available in lot sizes ranging from 1.4 to 2.4 acres. All parcels are contiguous. Pricing includes all street, sanitary sewer and water main improvements and all utilities are available.

- The Airport South Industrial Park, 2901 Airport Road, was developed through a public/private partnership between the Grand Rapids Economic Development Authority and Round Development and is centrally located in the expanding South Highway 169 trunk corridor. The Park's zoning allows for a full range of industrial, warehouse, wholesale distribution and professional office uses. There are 14 parcels available in this industrial park. The north portion of the park has eight parcels, of which six are contiguous to the east of 6th Avenue SE and two larger parcels are contiguous west of 6th Avenue SE. The remaining parcels are

south of 33rd Street SE, a total of six parcels with three each contiguous on each side of an easement for the extension of 6th Avenue SE. All parcels combined have a total of 33.2 acres. Parcel sizes range from 1.3 acres to 7.6 acres. Most parcels are between 1.3 and 1.6 acres. Parcels may be easily combined to create larger size properties as needed.

- A new speculative industrial building most likely would be developed in the Airport South Industrial Park.

- Industrial Park East and Airport South each have convenient access to major thoroughfares and are situated near other community amenities. Both are near the Grand Rapids airport. While neither of the parks has rail access, this has not been an obstacle to attracting industrial businesses to Grand Rapids. The Industrial Park East property has many successful industrial businesses. Land availability is not the challenge. Rather, it is the availability of move-in ready space suited to business prospects.

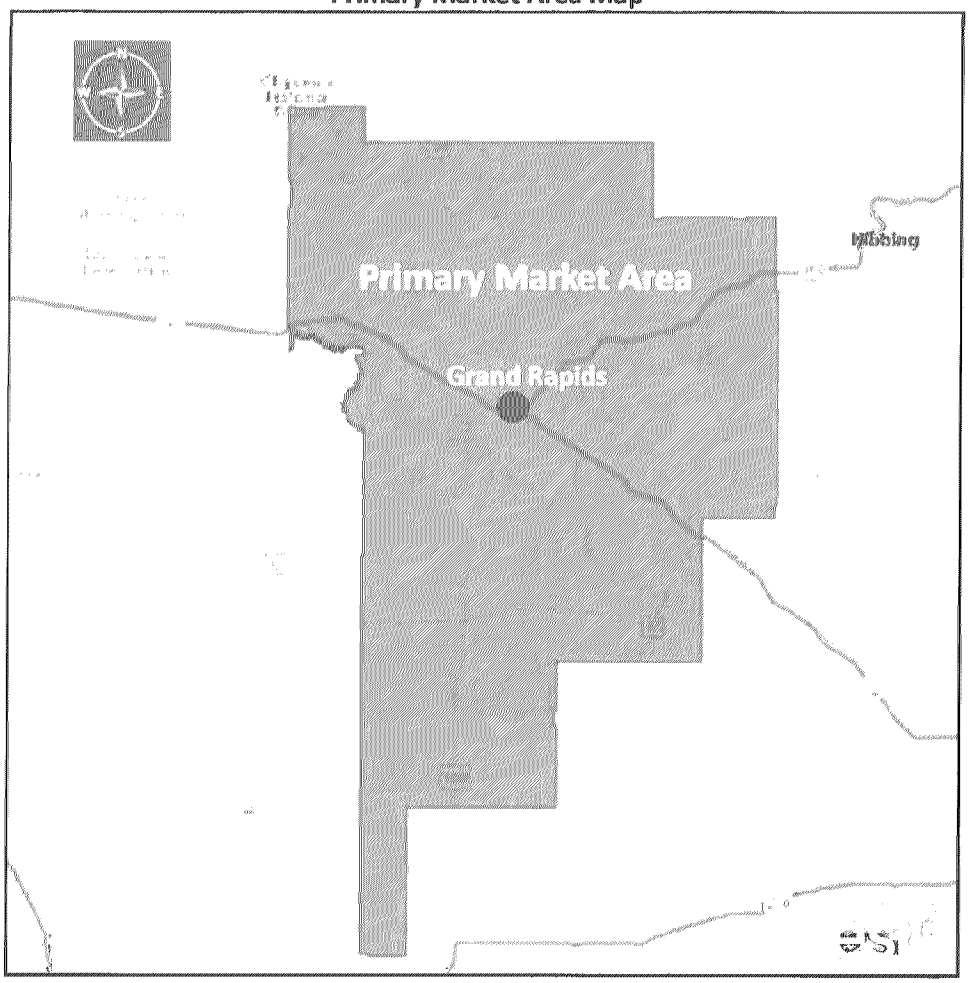
Demographic Analysis

- Maxfield Research developed a Primary Market Area to analyze and review demographic and general employment and commute trends of the resident population and household base to consider how current growth trends may impact the potential to attract various types of businesses to the Grand Rapids area. Industrial users will often base location decisions on land availability, real estate costs, proximity to labor and access to distribution and transportation corridors. In order to consider the potential characteristics of the area for new businesses, we identified a Primary Market Area (PMA) that extends east to Keewatin, west past Deer River, south beyond Hill City and Swatara.

- As of 2010, the City of Grand Rapids had 10,869 people and 4,615 households. Between 2000 and 2010, the population increased by 3,105 people (40.0%) while the number of households grew by 1,169 households (33.9%). This substantial increase reflects annexation of land during this period by the City, which resulted in a substantial resident base being incorporated into the municipality.

- Between 2010 and 2020, Grand Rapids grew by an estimated 650 people (6.0%) and 305 households (6.6%). These growth rates are still quite healthy but consistent with growth trends that have occurred in other communities over the past decade. The PMA population and household bases also grew during the period, increasing by 3.5% in population (1,411) and 4.1% in households (694).

Primary Market Area Map



- From 2010 to 2020, Grand Rapids' workforce population (age 20 to 64) was estimated to have increased by 280 people or 4.8%. Conversely, the Primary Market Area population is estimated to have decreased by 277 people or -1.2%. Growth in the workforce population between 2020 and 2030 is anticipated to be modest in Grand Rapids (1.6%). There is projected to be a further decline in the workforce population in the PMA over the decade, another 3.0%. Limited workforce growth in the region PMA during the 2020 to 2030 period creates concerns about the ability of area businesses to find skilled labor, limiting their capacity to increase earnings. Flat or declining earnings could stifle potential demand for industrial real estate. However, technological advances could help increase worker productivity, generating earnings growth.

- Between 2010 and 2020, the median household income increased 15.6% in Grand Rapids and 18.8% in the PMA. Median family and nonfamily incomes however, were estimated to have remained relatively flat. The median household income is projected to increase by

7.7% in Grand Rapids between 2020 and 2025 and by 3.1% in the PMA during the same period.

- As of 2020, an estimated 94.4% of Grand Rapids' and 94.2% of the PMA's 25 and older population had at least a high school diploma, compared to 94.0% and 92.1%, respectively in 2010. These proportions were modestly higher than Minnesota (93.5%) and substantially higher than the US (88.6%). In addition, 66.4% of the Grand Rapids' and 65.0% of the PMA's 25+ population had at least some college or a college degree.

Employment and Workforce/Labor Force Trends

- Between 2010 and 2020, employment in Grand Rapids increased modestly while employment in the Primary Market Area decreased. The PMA lost 305 jobs (2.1%) while Grand Rapids gained 64 jobs (0.7%) during the decade. The estimated number of jobs at businesses that typically use industrial space decreased by 140 in Grand Rapids (10.3%) and by 105 in the PMA (7.0%) between 2010 and 2020. Employment is projected to increase by 153 (12.5%) jobs in Grand Rapids and 136 (9.8%) jobs in the PMA from 2020 to 2030.

- Employment growth in the PMA was limited between 2010 and 2020 as significant job losses occurred in the region's forest products industry. Job growth in Grand Rapids and the PMA is projected to be modest between 2020 and 2030, 3.3% in Grand Rapids and 3.4% in the PMA. We anticipate that job growth will be tied primarily to jobs added in health care, light manufacturing, construction and professional and business services. The projected flat growth anticipated between 2020 and 2030 in the age groups that comprise the workforce population, suggests that to support and sustain employment growth, proximity to labor and skilled labor will increase in importance. NE Minnesota is projected to add 1,984 jobs between 2020 and 2030.

- According to the most recent employment projections published by MN DEED (2018-2028), service jobs, professional and related, management and financial, construction and installation and repair positions are projected to have the largest growth rates. We note however, that, despite a modest projected decline in production jobs between 2018 and 2028, many manufacturers in Minnesota increased employment between 2010 and 2020. In addition, COVID-19 has positively impacted some production businesses in the State. Growth in jobs that typically utilize industrial space will depend somewhat on the availability of that type of space in Grand Rapids and the PMA. Providing space to accommodate new users can increase employment overall as well as employment in goods producing industries.

- The unemployment rate in Itasca County dropped steadily to 6.5% by 2015, then rose again in 2016 and dropped to a low of 5.4% in 2018. The impacts of COVID and a slowdown in the economy caused the unemployment rate to rise to 8.1% in 2020. The labor force has

fluctuated consistently over the past ten years, appearing to be tied closely to employment opportunities.

- Grand Rapids is a net importer of workers as a significantly higher number of people commute into Grand Rapids City for work than residents leave the City. An estimated 7,286 workers come into the City for work (inflow) while 2,123 leave the City (outflow) and 2,563 live and work in Grand Rapids (interior flow). Overall, most workers are traveling less than ten miles for employment, although the second highest proportion are workers that travel more than 50 miles to their place of employment.

- To evaluate the potential demand for a new speculative industrial building in Grand Rapids, MN, Maxfield Research examined demand and supply trends for industrial space in the local/regional north central/northeast Minnesota market. For demand, we identify potential employment growth in business sectors most likely to require industrial space (Construction, Manufacturing, Wholesale Trade, and Transportation and Warehousing). The number of businesses in these categories in Itasca County increased from 317 in 2010 to 396 in 2018, the most recent information available through County Business Patterns (US Census). Grand Rapids experienced a slight decrease in the number of businesses in these sectors, declining from 139 businesses in 2010 to 131 businesses in 2018.

Industrial Market Analysis

- Several economic development organizations exist in north central and northeast Minnesota to assist in attracting and retaining businesses. The Iron Range Resources and Rehabilitation Board (IRRRB), is the largest of these organizations and has been in existence for many years. The organization is a State of Minnesota economic development agency that reinvests local taconite production taxes back into northeastern Minnesota businesses to strengthen and diversify the economy. The agency provides funding, marketing of properties, networking connections and other key resources to businesses, communities and local economic development agencies. IRRRB's service area includes 53 cities, 134 townships and 14 school districts. There are also tribal nations within the organization's service area.

- Other organizations that serve northern and northeastern Minnesota include Northspan Group, Apex, Arrowhead Growth Alliance, Northland Foundation and the Entrepreneur Fund, among others.

- There are several industrial land parcels available for sale in Grand Rapids and in Cohasset and some additional parcels in Deer River. Despite the availability of sites with utilities and infrastructure, market conditions have shifted and many companies do not want to wait the length of time it takes to construct a new building. Many companies want to be able to occupy space within three to six months and often prefer to lease initially, especially if they are expecting to grow rapidly and may outgrow the space. Without expansion space at the

ready, the company would need to look for a new building or build a new building. Most companies prefer to focus on their business rather than deal with real estate development.

- The survey of available industrial space (some properties include office, warehouse and shop spaces) identified four properties in Grand Rapids with a total of 318,076 square feet of space. Most of this space is in the former Ainsworth property (estimated 295,000 square feet). There are plans to rehabilitate this property and offer it as industrial space. It is uncertain at this time, when this property would be available for occupancy by potential users. Excluding the Ainsworth site, the amount of square footage available is 23,076 in three properties, only one of which has more than 10,000 square feet. Cohasset has two properties, both less than 10,000 square feet and Deer River has a total of 39,000 square feet in three properties. Two of the properties are larger, one with 10,000 square feet and one with 27,000 square feet.

- Cohasset recently received approval from a federal economic development agency for a grant to construct a speculative industrial building in the City with an estimated 25,000 to 30,000 square feet. Construction is anticipated to begin this year with completion by late 2022 or early 2023. An estimated 5,000 square feet was to be set aside as "incubator" space, although that is not certain at this time. The building will be for-lease. Once the first building is completed and absorbed, the intent is to construct a second building, which may be for-lease or purchase.

Industrial Demand Summary

- Demand for industrial space is determined based on forecasted employment growth trends in the industrial-using industries. Our calculations indicate that there will be demand for an estimated 84,150 square feet of new industrial space in the PMA by 2030, requiring an estimated 13 acres of land depending on ancillary parking and outdoor space needs. The PMA is projected to be able to capture 85% of this demand and from that total, we estimate that Grand Rapids could capture 80% of the PMA demand or an estimated 60,000 square feet of space between now and 2030.

ABSORPTION ESTIMATES
GRAND RAPIDS PRIMARY MARKET AREA
2021 - 2035

Period	Bldg No.	Building Space Square Feet	Absorption Estimate	Floor Area Ratio	Land Area (Acres)
2021 - 2025	I	30,000	20,000	0.30 - 0.15	2 - 5
2025 - 2030	I-II	30,000	30,000	0.30 - 0.15	2 - 5
2030 - 2035	II	--	10,000		
Total		**60,000**			**4 - 10**

Source: Maxfield Research and Consulting LLC

- The demand analysis identified a potential need for 84,150 square feet of industrial space between 2021 and 2030, equating to an average of 8,415 square feet per year. Most often, however, the need for space does not equate to an average per year, but rather comes in peaks and valleys. One company may need 15,000 square feet while another may need 9,000 square feet. Some companies may elect to take more space initially considering potential expansion while another may prefer to relocate if their space needs change. The demand calculation excludes the former Ainsworth property as it is uncertain how the space in the building would be reconfigured and how various spaces would appeal to prospective users.

- Based on a review of land available in industrial parks in the PMA, it appears that the current supply of available industrial land is more than sufficient to support the projected demand for industrial space in the PMA and in Grand Rapids. There is however, very little available industrial space Grand Rapids and in the PMA that is new with the characteristics and features desired by many industrial businesses. It is likely that without new industrial space in Grand Rapids, it will be very difficult for the City to attract new industry and to retain existing businesses that need to expand.

Development Recommendations

- While the Manufacturing sector has experienced substantial job losses in the past ten years, the sector has been gradually recovering over the past couple years. The Manufacturing outlook is positive, and companies will be focused on hiring a more skilled workforce than in the past. Manufacturers will also be developing highly automated processes and seeking access to distribution channels. The Midwest is expected to experience growing demand from the Manufacturing sector, as access to labor grows in importance. The Midwest has a good employment base with mid- to high-skilled labor along with a solid freight infrastructure system.

Building Feature	Recommended Parameter
Building Size	30,000 to 35,000 square feet
Ratio of Office/Warehouse Space	10%/90% or 15%/85%
Partitions	Suggested at 8,000 to 10,000 square feet
Ceiling Heights	24 ft clear
Overhead Doors	20 ft to 24 ft clear
Loading Docks	Minimum of two per finished bay
Loading Area	Sufficient turning radius for semi-trailers
Parking Area	Employee pkg separate from loading dock
Flooring	Concrete slab on grade-addtl weight allowance if needed

Types of Businesses

We anticipate that Grand Rapids will attract a mix of manufacturing, processing and distribution businesses. Some spaces may have very specialized operations and others may only require warehousing and office operations. It seems more prudent to design the building to target either warehouse/distribution or light manufacturing assembly, but not both within the same building.

If warehouse/distribution space is needed, that space could be incorporated within a separate building and usually will have less need for a heavier floor weight. Distribution/warehouse space however, will still likely require high ceiling heights for stacking and may require an indoor crane, again for stacking materials or shipments and to assist with loading and unloading.

Lease Rates

We recommend that a new industrial speculative building in Grand Rapids should charge a lease rate of $6.50 overall with $4.00 for warehouse space and $8.00 for office space, this pricing structure should be flexible based on current market conditions and the type of space needed by the tenant. Additional customized build-outs make increase this suggested pricing.

Study Purpose

Maxfield Research and Consulting LLC was engaged by the Grand Rapids Economic Development Authority (the "Client") to conduct an analysis of the market potential to develop an industrial park in the City of Grand Rapids, Minnesota. In addition to an analysis of industrial market conditions and demand trends for industrial space in the defined Market Area, the Study considers the potential to develop a speculative industrial building to spur additional business growth and development and meet the needs of businesses seeking to locate in Grand Rapids.

Scope of Services

The scope of this study includes: a review of land availability; a review of the demographic characteristics of the Market Area; an analysis of employment, labor force, commuting, and business growth trends in the Market Area; a review of industrial market conditions and available space, an assessment of demand for industrial space and recommendations for the development of additional industrial space to serve identified needs.

This report includes both primary and secondary research. Primary research includes interviews with local officials and real estate professionals. Secondary research is credited to the source when used, and is usually data from the U.S. Census, the Minnesota Department of Employment and Economic Development, and/or regional or state planning agencies. Secondary research is used as a basis for analysis and is carefully reviewed considering other factors that may impact projections such as building permit data or migration trends.

Introduction

This section of the report identifies land availability in Grand Rapids and the surrounding area which would be appropriate and suitable for the location of one or more industrial buildings. Topics addressed include the location of the properties, key characteristics of each location such as nearby amenities and infrastructure and number/size of parcels that would be available. If needed, options exist to combine properties to create larger parcels or have adjacent properties available for potential expansion by existing businesses or as new businesses are attracted to the area. All properties are considered appropriate for industrial development although some parcels and their locations may be more attractive/desirable than others.

Regional Location

Grand Rapids is a city of 11,519 people (estimated population 2020) in Itasca County, Minnesota which had an estimated population of 46,383 as of 2020. Itasca County is adjacent to St. Louis County on the east (the State's largest county in land area), Koochiching County to the north, Aitkin County to the south and Beltrami County to the west.

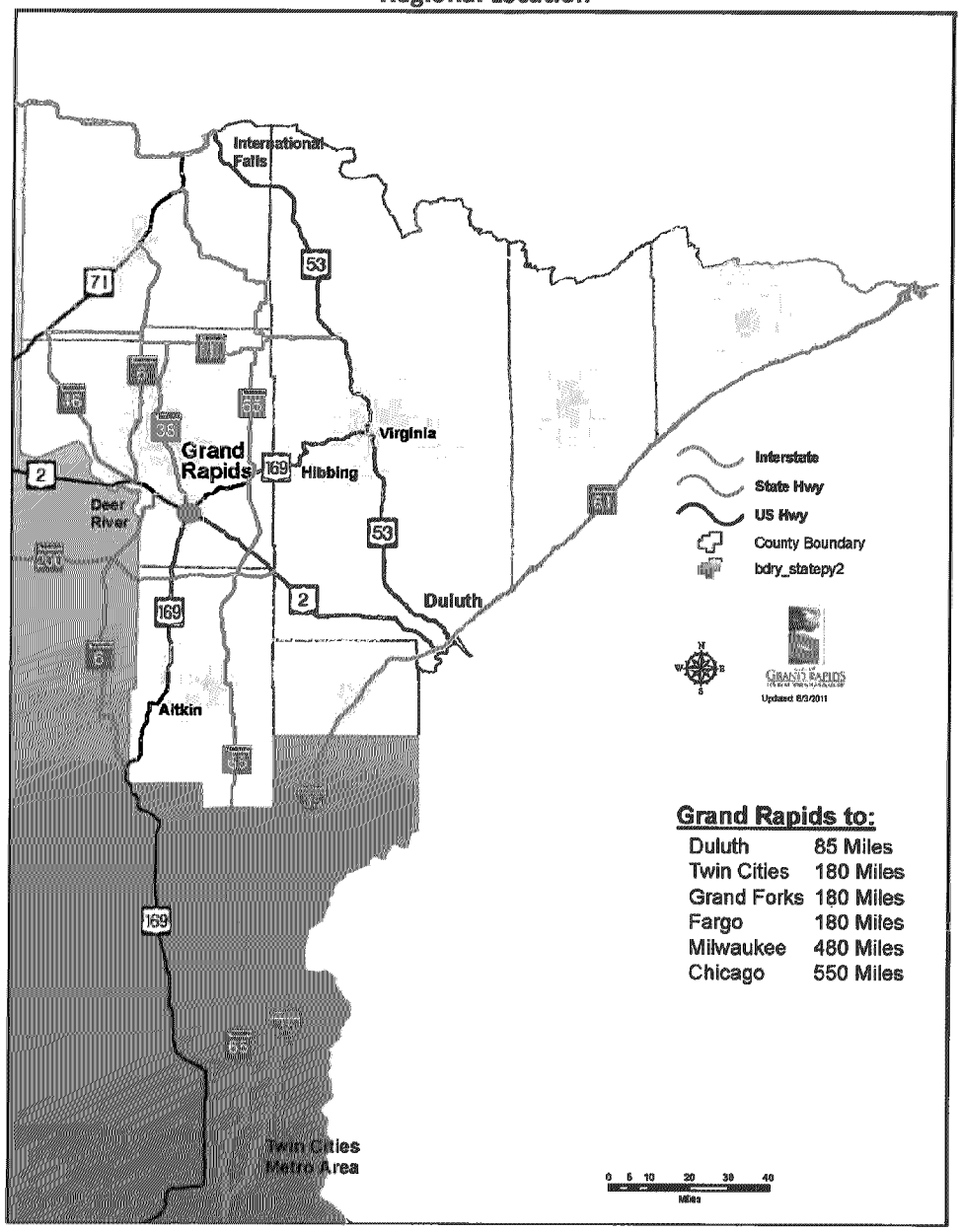
Grand Rapids Characteristics

Grand Rapids covers 24.4 square miles in the middle of Itasca County. Communities surrounding Grand Rapids include Cohasset, La Prairie, Deer River and Bovey. Itasca County consists of roughly 2,928 square miles, of which 260 square miles is water. St. Louis County is Minnesota's largest county in land area, 6,860 square miles.

Grand Rapids is named for the 3.5 miles of local rapids in the Mississippi River which was the uppermost limit of practical steamboat travel in the late 19th century. There are many lakes surrounding Grand Rapids, which provide the region with a diverse array of recreational amenities and water sports.

The City has three industrial parks along with other locations in the City that allow the development of industrial space. The parks with the most land are Industrial Park East and Airport South Industrial Park.

Regional Location



Grand Rapids to:

Duluth	85 Miles
Twin Cities	180 Miles
Grand Forks	180 Miles
Fargo	180 Miles
Milwaukee	480 Miles
Chicago	550 Miles

Grand Rapids Zoning Map

Industrial Park Location Summaries

Several factors guide site selection decision-making for manufacturing and industrial companies. Key considerations are summarized below:

- Convenient access to highways;
- Availability of skilled labor and labor costs;
- Real estate costs and tax rates;
- Logistics and distribution costs;
- Energy and infrastructure availability and costs; and,
- Availability of buildings/space and space configurations.

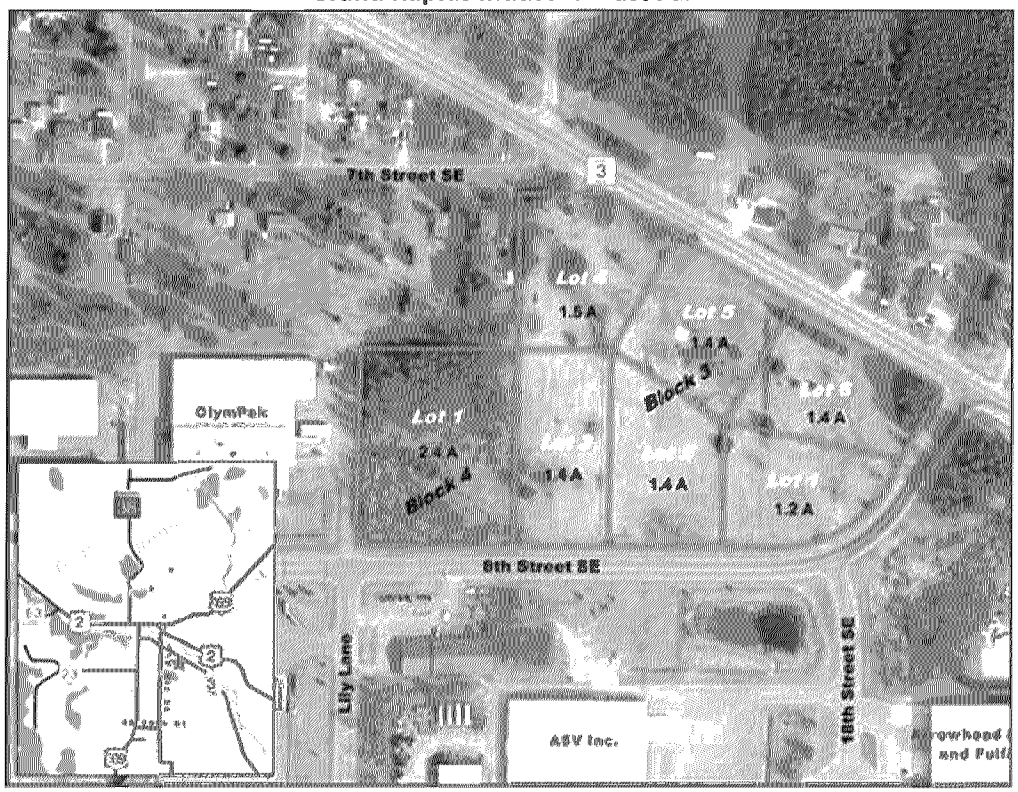
Table A-1 and the maps on the following pages summarize the primary properties available for the location of a new industrial building in Grand Rapids. It is likely that a new speculative industrial building would be developed in the Airport South Industrial Park. Parcels available in each park are listed below.

TABLE A-1
SUMMARY OF EXISTING INDUSTRIAL PARK SITES
February 2021

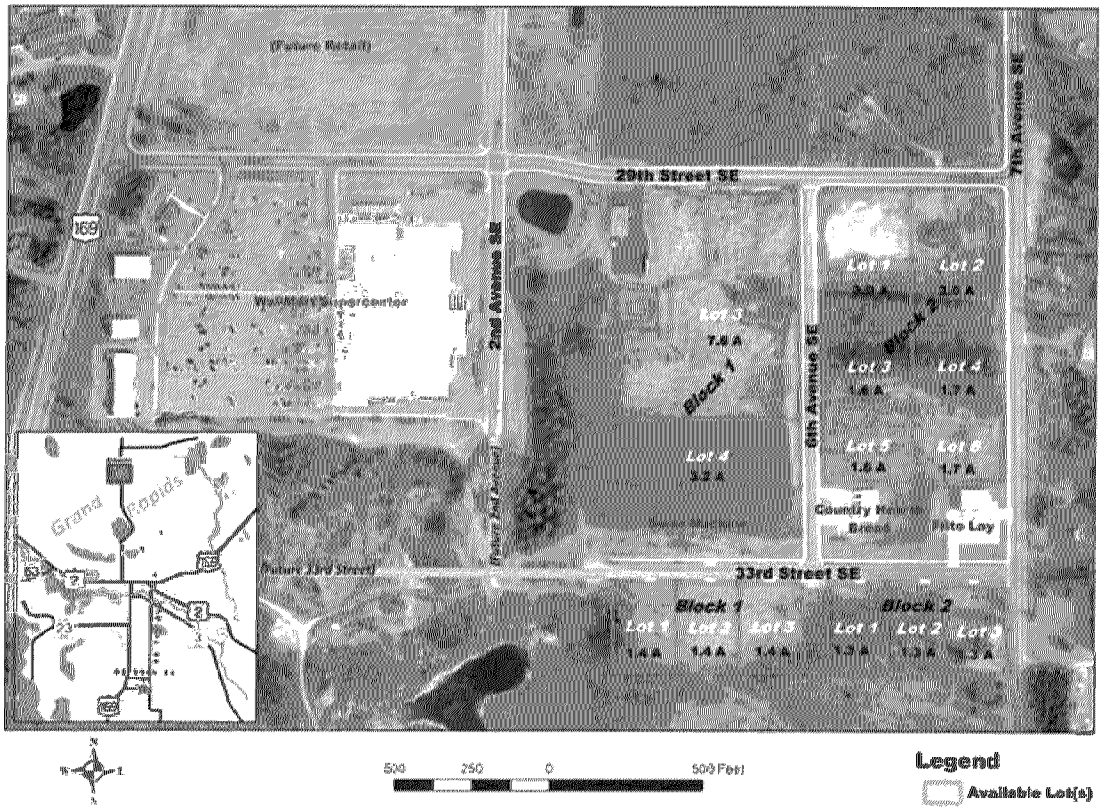
Site No.	Parcel Size	Parcel Name	Preferred Land Use	Notes
		Industrial Park East		
1	1.2	Lot 1, Block 3	Industrial	Adjacent to 8th Street SE
2	1.4	Lot 2, Block 3	Industrial	Adjacent to 8th Street SE
3	1.4	Lot 3, Block 3	Industrial	Adjacent to 8th Street SE
4	1.5	Lot 4, Block 3	Industrial	Adjacent to Hwy 3
5	1.4	Lot 5, Block 3	Industrial	Adjacent to Hwy 3
6	1.4	Lot 6, Block 3	Industrial	Adjacent to Hwy 3
7	2.4	Lot 1, Block 4	Industrial	Adjacent to 8th Street SE
		Airport South Industrial Park		
1	3.0	Lot 1, Block 2	Industrial	Phase I - 29th Street SE/6th Ave SE
2	3.0	Lot 2, Block 2	Industrial	Phase I - 29th Street SE/7th Ave SE
3	1.6	Lot 3, Block 2	Industrial	Phase I - 29th Street SE/6th Ave SE
4	1.7	Lot 4, Block 2	Industrial	Phase I - 29th Street SE/7th Ave SE
5	1.6	Lot 5, Block 2	Industrial	Phase I - 29th Street SE/6th Ave SE
6	1.7	Lot 6, Block 2	Industrial	Phase I - 29th Street SE/7th Ave SE
7	7.6	Lot 3, Block 1	Industrial	Phase I - 29th Street SE/6th Ave SE
8	3.2	Lot 4, Block 2	Industrial	Phase I - 29th Street SE/6th Ave SE
9	1.4	Lot 1, Block 1	Industrial	Phase II - 33rd Street SE
10	1.4	Lot 2, Block 1	Industrial	Phase II - 33rd Street SE
11	1.4	Lot 3, Block 1	Industrial	Phase II - 33rd Street SE
12	1.3	Lot 1, Block 2	Industrial	Phase II - 33rd Street SE
13	1.3	Lot 2, Block 2	Industrial	Phase II - 33rd Street SE
14	1.3	Lot 3, Block 2	Industrial	Phase II - 33rd Street SE

Sources: Grand Rapids EDA; Maxfield Research and Consulting LLC

Grand Rapids Industrial East Park



Grand Rapids Airport South Industrial Park: Phases I & II



Land Availability Summary

Based on the information, there is ample land with sufficient infrastructure available in Grand Rapids to support the development of speculative industrial space. There is availability for more than one building based on the sites, but at this time, the EDA is considering only a first building.

Key Advantages and Benefits

We highlight the key benefits and strengths of the properties that are available for development regardless of whether the EDA or a private business would be involved in their development.

- Properties are centrally situated in Grand Rapids, near to major transportation routes and the Grand Rapids Airport;
- Grand Rapids is the County seat of Itasca County and its largest city.
- Grand Rapids is home to the Itasca Community College with an estimated enrollment of 1,400 students and 40 faculty. The College offers programs in Nursing, Natural Resources, Firefighting, GIS, Law Enforcement, Engineering, Environmental Studies, Accounting, Applied Psychology and others.
- The area surrounding Grand Rapids has many recreational lakes and natural amenities abound.
- Properties range in size from 1.3 to 3.23 acres, with many parcels contiguous so they may be easily combined to create larger parcels.
- Full infrastructure and utilities are available to all parcels, enabling construction to occur almost immediately.
- Properties are owned by the Grand Rapids EDA.

Introduction

Demographic characteristics and trends are important components in assessing the real estate needs of any given market area. This section of the report begins by identifying a draw area for a general labor shed for most workers that would be available for employment in Grand Rapids. This is not an absolute draw area as many workers in north central Minnesota will travel more than 50 miles one way for work depending on wages. This section examines an area that contains a population and household base that is somewhat larger than that of Itasca County and includes nearby and surrounding areas where workers are likely to be drawn to employment in Grand Rapids.

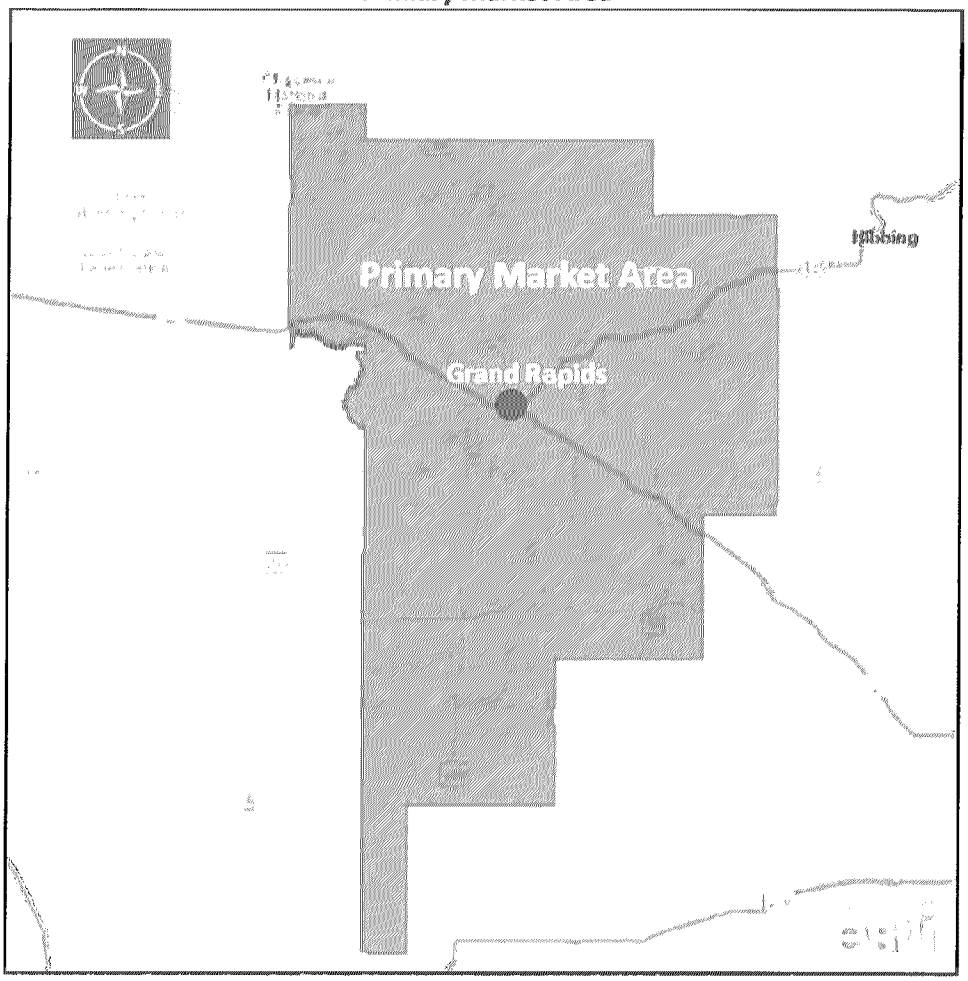
Market Area Definition

Maxfield Research determines the Market Area for industrial space based on geographic and man-made boundaries, commuting patterns, community orientation, places of employment, and our knowledge of the area. Industrial users often base location decisions on land availability, real estate costs, proximity to labor, and access to distribution channels and transportation corridors. As such, companies are likely to canvas a much larger geographic area or multiple areas when considering potential locations. Within the larger geographic area, companies will consider access to labor force, labor costs, availability of space or land, within smaller submarkets.

Considering these factors, Maxfield Research compiled a Primary Market Area (PMA) that consists of 37 county subdivisions in north central Minnesota within Itasca and Aitkin Counties that is considered to represent a general labor shed for the City based on commuting data and general settlement patterns. The following county subdivisions are included in the Primary Market Area:

Grand Rapids city	Deer River UT	Iron Range Twp	Ball Bluff Twp
La Prairie city	Northwest Aitkin UT	Spang Twp	Goodland Twp
Cohasset city	Morse Twp	Wildwood Twp	Little Sand Lake UT
Deer River city	Deer River Twp	Hill Lake Twp	Lone Pine Twp
Hill City city	Arbo Twp	Harris Twp	Sago Twp
Coleraine city	Balsam Twp	Blackberry Twp	Trout Lake Twp
Bovey city	Wabana Twp	Feeley Twp	Oteneagan Twp
Keewatin city	Lawrence Twp	Macville Twp	
Warba city	Nashwauk Twp	Bowstring Twp	
Zemple city	Greenway Twp	Splithand Twp	

Primary Market Area

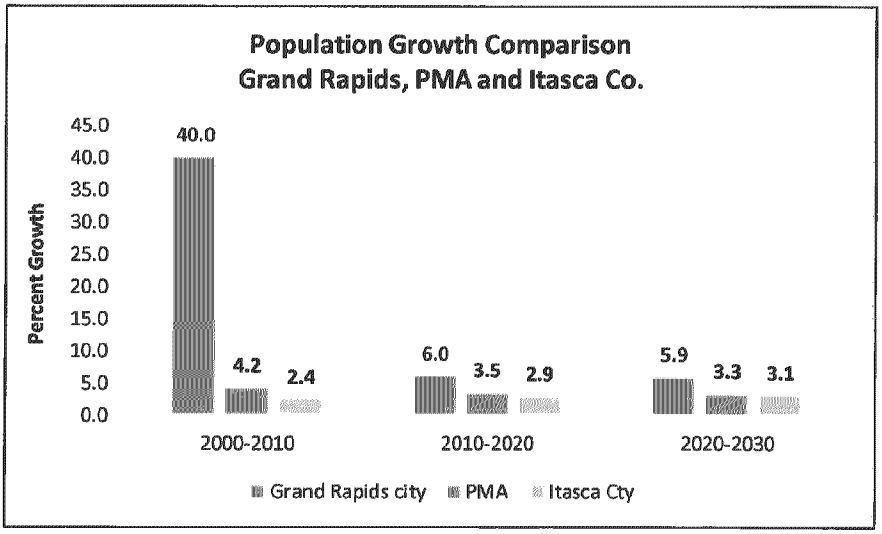


Population and Household Growth Trends

Table D-1 presents population and household growth trends in the Market Area from 2000 TO 2030. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. The 2020 estimate and 2025 forecast are based on information provided by ESRI (a nationally recognized demographics firm). Maxfield Research arrived at the forecast for 2030 by applying ESRI's five-year annual growth rate to the 2025 forecast. Consideration was also given to the MN State Demographer's estimates and forecasts, but these have traditionally proven to be very conservative.

- As of 2010, the City of Grand Rapids had 10,869 people and 4,615 households. Between 2000 and 2010, the population increased 40.0% while the number of households climbed 33.9%. The significant increase in population and households that occurred during the decade resulted from the annexation by the City of Grand Rapids of a portion of Grand Rapids Township. Grand Rapids Township was entirely annexed by the Cities of Grand Rapids, La Prairie and Coleraine. Actual growth, less annexation increase, was much lower.

- Population growth in Grand Rapids between 2010 and 2020 was 6.0% versus 3.5% for the Primary Market Area, much of which consists of rural townships and less populated areas. The number of households expanded 6.6% in Grand Rapids and 4.1% in the PMA.



- By comparison, Itasca County increased its population by 2.4% and its households by 5.5% from 2000 to 2010. From 2010 to 2020, the County increased its population by 2.9% and households by 3.6%. Growth in the County has been lower than growth in either Grand Rapids or in the PMA. The remaining areas of Itasca County not included in the PMA have lower population density.

- Population and household growth in Grand Rapids between 2010 and 2020 accounted for 49% of the population growth and 46% of the household growth in the County. Projected forward to 2030, population and household growth is forecast to be highest on a proportional basis in Grand Rapids with the PMA and the County.

- The average household size has remained very stable over the past several years. Grand Rapids has remained at between 2.3 and 2.4 people per household while the PMA and Itasca County have remained at 2.4 people per household since 2000 and are projected to stay at these household sizes to 2030. This trend suggests that there continues to be a balance between younger and older households.

TABLE D-1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
GRAND RAPIDS MARKET AREA
2000-2030

	Census		Estimate	Forecast		Change 2010-2020		Change 2020-2030	
	2000	2010	2020	2025	2030	No.	Pct.	No.	Pct.
POPULATION									
Grand Rapids	7,764	10,869	11,519	11,806	12,195	650	6.0	676	5.9
Market Area Total	**39,180**	**40,816**	**42,227**	**42,934**	**43,640**	1,411	3.5	**1,413**	**3.3**
Itasca County	*43,992*	*45,058*	*46,383*	*47,097*	*47,810*	1,325	2.9	*1,427*	*3.1*
HOUSEHOLDS									
Grand Rapids	3,446	4,615	4,920	5,054	5,230	305	6.6	310	6.7
Market Area Total	**16,115**	**17,001**	**17,695**	**18,027**	**18,380**	**694**	**4.1**	**685**	**4.0**
Itasca County	*17,789*	*18,773*	*19,443*	*19,782*	*20,120*	*670*	*3.6*	*677*	*3.6*

Sources: U.S. Census Bureau; MN State Demographics Center; ESRI; Maxfield Research and Consulting LLC

Age Distribution-Workforce Population

The age distribution of a community's population helps in assessing future workforce trends, which will influence demand for industrial real estate in the Market Area. As the size of the workforce population changes over time, the availability of labor also changes which impacts the ability of a business to increase earnings or the amount of goods produced. Unless worker productivity is increased, a flat or declining workforce would likely result in flat or declining earnings. Conversely, workforce expansion would generate growth in the amount of goods and services produced, increasing earnings.

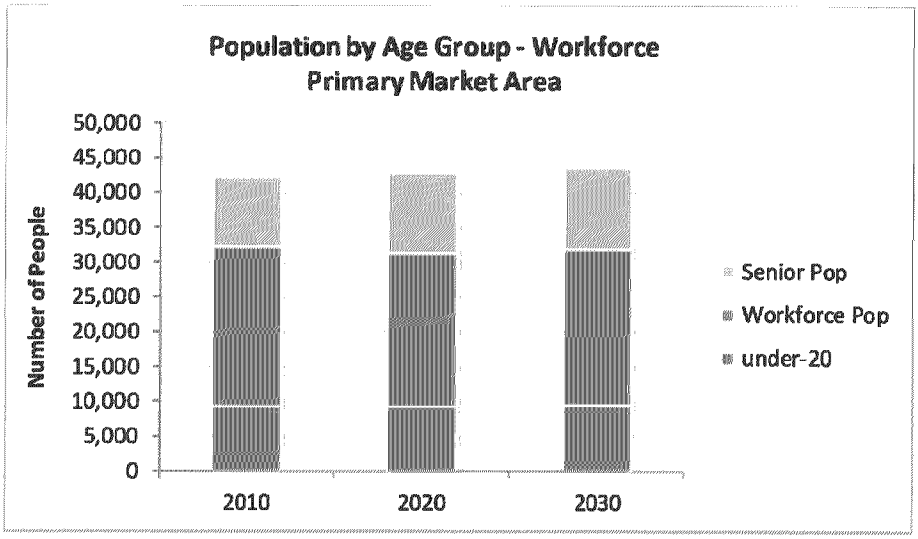
Table D-2 presents the age distribution for Grand Rapids and the PMA population from 2010 to 2030. Information from 2010 is sourced from the US Census. The 2020 and 2025 estimates and the projection for 2030 were calculated by Maxfield Research based on information provided by ESRI, a reputable national demographics firm. The following highlights key findings about

the age distribution of the Market Area's population, a factor in considering the workforce available to potential employers.

- In 2010, the largest adult cohort by age in Grand Rapids was 45 to 54 (i.e. baby boomers), totaling 1,448 people (13.3% of the total population), followed by the 55 to 64 age group, with 1,386 people (12.8%). In total, the workforce population (ages 20 to 64) was 5,832 people in Grand Rapids in 2010 (53.7% of the total population).

- In the PMA, the total workforce population as of 2020 was 54.5% of the total population, slightly higher than in Grand Rapids. In Grand Rapids, the workforce population as of 2020 decreased slightly to 53.1% of the population.

- The 55 to 64 age group was the largest adult cohort in Grand Rapids and the PMA as of 2020 (13.2% and 16.5%, respectively of the total population), followed by the 24 to 34 age group in Grand Rapids with 11.7% of the population and the 45 to 54 age group in the PMA with 12% of the population. As of 2020, the PMA workforce population represented 55% of the population. This compares to 52% for Minnesota.



- Greatest growth is projected to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 518 people (62%) in the 65 to 74 population between 2010 and 2020 in Grand Rapids. As this group ages, all cohorts age 65 years or older are expected to see increases over the ten years, particularly the 65 to 74 age group which is projected to increase another 19.7% in Grand Rapids and 17.7% in the PMA.

- The 35 to 44 age group is estimated to have experienced notable growth between 2010 and 2020, increasing 21.2% in Grand Rapids. In contrast, the 25 to 34 age group experienced more substantial growth in the PMA, 5.8%. Between 2020 and 2030 however, the 45 to 54

age group is forecast to experience the largest growth in Grand Rapids, 7.8%, while the 35 to 44 age group in the PMA is projected to have the highest growth, 3.3%.

TABLE D-2
AGE DISTRIBUTION
GRAND RAPIDS PRIMARY MARKET AREA
2010 to 2030

	Census	Estimate	Forecast		Change 2010-2020		Change 2020-2030	
Age	2010	2020	2025	2030	No.	Pct.	No.	Pct.
Grand Rapids								
Under 20	2,763	2,680	2,734	2,817	-83	-3.0	137	5.1
Workforce	**5,832**	**6,112**	**6,020**	**6,207**	**280**	**4.8**	**95**	**1.6**
20 to 24	581	676	682	707	95	16.4	31	4.6
25 to 34	1,315	1,344	1,380	1,427	29	2.2	83	6.2
35 to 44	1,102	1,336	1,296	1,354	234	21.2	18	1.3
45 to 54	1,448	1,233	1,305	1,329	-215	-14.8	96	7.8
55 to 64	1,386	1,523	1,357	1,390	137	9.9	-133	-8.7
Senior	**2,264**	**2,725**	**3,054**	**3,171**	**461**	**20.4**	**446**	**16.4**
65 to 74	837	1,355	1,563	1,622	518	61.9	267	19.7
75+	1,427	1,370	1,491	1,549	-57	-4.0	179	13.0
Total	**10,859**	**11,517**	**11,808**	**12,195**	**658**	**6.1**	**678**	**5.9**
Primary Market Area								
Under 20	10,025	9,300	9,367	9,514	-725	-7.2	214	2.3
Workforce	**23,303**	**23,026**	**22,018**	**22,344**	**-277**	**-1.2**	**-682**	**-3.0**
20 to 24	1,811	1,943	1,853	1,877	132	7.3	-66	-3.4
25 to 34	4,225	4,470	4,277	4,320	245	5.8	-150	-3.3
35 to 44	4,480	4,603	4,674	4,757	123	2.7	154	3.3
45 to 54	6,410	5,061	5,000	5,062	-1,349	-21.0	1	0.0
55 to 64	6,377	6,949	6,214	6,328	572	9.0	-621	-8.9
Senior	**7,488**	**9,896**	**11,564**	**11,783**	**2,408**	**32.2**	**1,887**	**19.1**
65 to 74	4,023	5,820	6,723	6,851	1,797	44.7	1,031	17.7
75+	3,465	4,076	4,841	4,931	611	17.6	855	21.0
Total	**40,816**	**42,222**	**42,949**	**43,640**	**1,406**	**3.4**	**1,418**	**3.4**

Sources: U.S. Census Bureau; ESRI; Maxfield Research and Consulting LLC

- The greatest growth is anticipated to occur among the senior population in Grand Rapids and in the PMA between 2020 and 2030. The senior population is expected to increase by 16.4% in Grand Rapids and 19.1% in the PMA.

- Conversely, the workforce population however, is projected to increase by only 1.6% in Grand Rapids and decrease by 3.0% in the PMA. Grand Rapids is forecast to experience growth in all workforce age cohorts between 25 and 54, but only the 35 to 44 age group is expected to experience growth in the PMA (3.3%) between 2020 and 2030.

- The loss of people projected for the 55 to 64 population is a result of the comparatively small number of people who will move into those age cohorts between 2020 and 2030, a phenomenon known as the "baby bust." The "baby bust" is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.

- The decline in workforce growth anticipated in the PMA during the 2020 to 2030 period creates concerns about the ability of area businesses to find skilled labor, limiting their capacity to increase earnings. Flat or declining earnings could stifle potential demand for industrial real estate. However, technology advances could help increase worker productivity, generating earnings growth.

Income

Household income data is useful in that it can reflect wage trends and helps assess living conditions and ascertain demand for different types of services, particularly retail services. This data also helps determine demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30 percent of income are considered affordable by the Department of Housing and Urban Development (HUD).

Data on income trends can also be used to gauge the overall health of the economy in a particular region. Rising average incomes suggest that productivity is increasing, creating higher earnings among business establishments, and the new income generated from increased productivity is being returned to the workers in the form of higher wages.

D-3 presents data on per capita and household income by household type in Grand Rapids and the Primary Market Area. Data for the year 2000 is sourced from the United States Census Bureau, while data for 2010 and 2020 is obtained from the 2010 and 2019 American Community Surveys. The forecast for 2025 is based on income growth projections provided by ESRI, a nationally recognized demographic services firm.

Per capita income represents the annual income per person, while household income is often the combination of two income earners. Family income represents only those households with two or more persons related through blood, marriage or adoption. Nonfamily income is based on nonfamily households, which are generally single-person households or households with two or more non-relatives living together as roommates. The following are key points.

- In 2010, the median household income was estimated to be $41,776 in Grand Rapids and $44,000 in the PMA compared to $55,459 in Minnesota. As such, it appears that PMA residents are somewhat less affluent compared to the State.

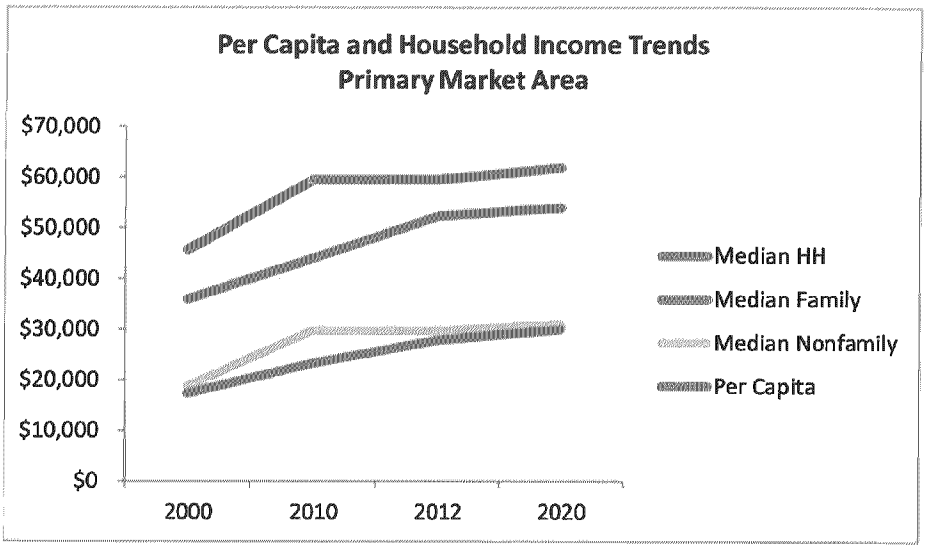
- Between 2000 and 2010, the median household income increased 41.8% in Grand Rapids and 22.2% in the PMA. Median family and nonfamily incomes increased at a similar pace in the Grand Rapids and in the PMA. Nonfamily income growth outpaced family income growth in the PMA, but the opposite was true in Grand Rapids.

TABLE D-3
PER CAPITA AND HOUSEHOLD INCOME
GRAND RAPIDS AND PRIMARY MARKET AREA
2000 - 2020

	Grand Rapids				Primary Market Area			
	2000	2010	2020	2025	2000	2010	2020	2025
Median HH Income	$29,463	$41,776	$48,287	$52,019	$36,000	$44,000	$52,277	$53,904
Median Family Income	$39,468	$59,830	$59,167	$61,663	$45,568	$59,458	$59,402	$61,908
Median Nonfamily Income	$16,398	$21,495	$21,405	$21,945	$18,750	$29,795	$29,645	$30,896
Per Capita Income	$16,759	$24,460	$26,578	$27,700	$17,302	$23,368	$27,723	$29,916
	Change by Decade				Change by Decade			
	2000-2010		2010-2020		2000-2010		2010-2020	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Median HH Income	$12,313	41.8%	$3,732	7.7%	$8,000	22.2%	$1,627	3.1%
Median Family Income	$20,362	51.6%	$2,496	4.2%	$13,890	30.5%	$2,506	4.2%
Median Nonfamily Income	$5,097	31.1%	$540	2.5%	$11,045	58.9%	$1,251	4.2%
Per Capita Income	$7,701	46.0%	$1,122	4.2%	$6,066	35.1%	$2,193	7.9%

Sources: US Census; 2010 ACS; 2019 ACS; ESRI; Maxfield Research and Consulting LLC

- As illustrated in the following chart, incomes experienced much less growth between 2010 and 2020, most likely due to the significant economic recession that occurred in the early part of the decade.



Educational Attainment

Educational attainment measures the highest level of education that individuals residing in the area have completed. This data can be used as an indicator assessing a region's quality of life, workforce preparedness and economic potential. Educational attainment can be influenced by several factors, including available of educational services, quality of those services, institutional responsiveness to the needs of a region, affordability, culture, and economic opportunity.

Table D-4 shows educational attainment for Grand Rapids city and the Primary Market Area compared to Minnesota and the US. The data for the year 2010 is compiled from the U.S. Census Bureau, while data for 2020 is obtained from the 2019 American Community Survey, the most recent data available. The table shows the number and percent of the age 25 and older population in the Market Area by the highest level of education achieved.

- Grand Rapids' age 25 and older population increased 8.6% (646) between 2010 and 2020, compared to 7.1% growth in the PMA (2,049). Based on educational attainment figures, it appears that those residing in the PMA have modestly higher educational attainment rates than those in Grand Rapids. The proportion of people age 25 years or older who have less than a 9th grade education has continued to decline substantially. As of 2020, 94.4% of Grand Rapids' 25 and older population had at least a high school diploma. In the PMA, the proportion was nearly the same at 94.2%.

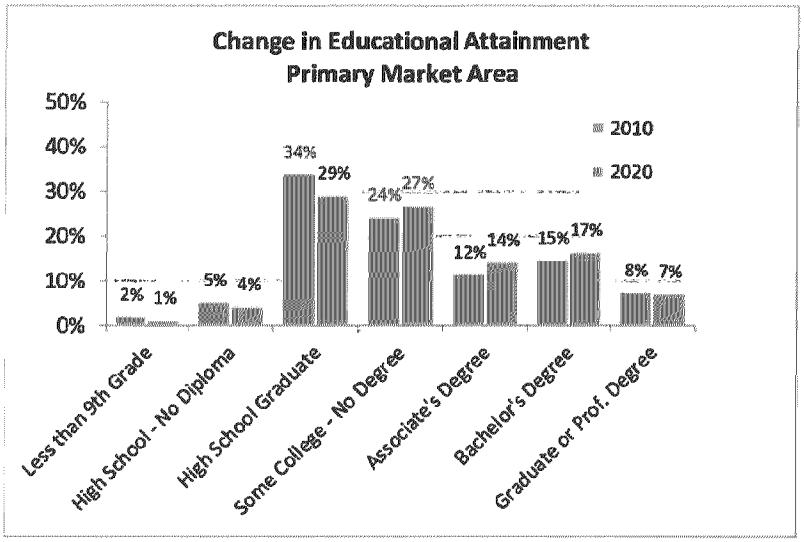
- The proportion of people in Grand Rapids and the PMA with high school diplomas (28.0% and 29.2%) was higher than Minnesota (24.4%) and the United States (26.9%).

TABLE D-4
EDUCATIONAL ATTAINMENT
GRAND RAPIDS AND PRIMARY MARKET AREA
2010 - 2020

	Grand Rapids city		PMA		MN	US
2010						
Less than 9th Grade	210	2.8%	608	2.1%	3.3%	6.3%
High School - No Diploma	240	3.2%	1,533	5.3%	4.9%	8.9%
High School Graduate	2,585	34.4%	9,807	33.9%	27.3%	28.8%
Some College - No Degree	1,728	23.0%	7,059	24.4%	22.7%	20.8%
Associate's Degree	782	10.4%	3,327	11.5%	10.0%	6.8%
Bachelor's Degree	1,285	17.1%	4,282	14.8%	21.5%	17.7%
Graduate or Professional Degree	684	9.1%	2,170	7.5%	10.3%	10.8%
Total 25+ Population	**7,515**	**100%**	**28,930**	**100%**	**100%**	**100%**
2020						
Less than 9th Grade	155	1.9%	434	1.4%	2.7%	4.8%
High School - No Diploma	310	3.8%	1,363	4.4%	3.7%	6.6%
High School Graduate	2,285	28.0%	9,046	29.2%	24.4%	26.9%
Some College - No Degree	2,261	27.7%	8,364	27.0%	20.4%	20.0%
Associate's Degree	1,012	12.4%	4,399	14.2%	11.5%	8.6%
Bachelor's Degree	1,396	17.1%	5,143	16.6%	24.5%	20.3%
Graduate or Professional Degree	751	9.2%	2,230	7.2%	12.7%	12.8%
Total 25+ Population	**8,161**	**100%**	**30,979**	**100%**	**100%**	**100%**
Change 2010 - 2020						
Less than 9th Grade	-55	-26.3%	-174	-28.6%		
High School - No Diploma	70	29.0%	-170	-11.1%		
High School Graduate	-300	-11.6%	-761	-7.8%		
Some College - No Degree	532	30.8%	1,305	18.5%		
Associate's Degree	230	29.5%	1,072	32.2%		
Bachelor's Degree	110	8.6%	861	20.1%		
Graduate or Professional Degree	67	9.8%	61	2.8%		
Total 25+ Population	**646**	**8.6%**	**2,049**	**7.1%**		

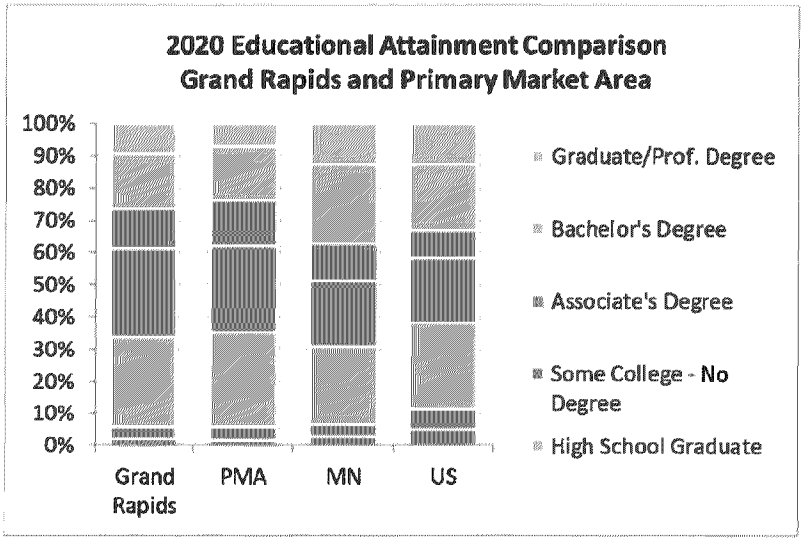
Sources: Census 2010 and 2019 American Community Survey; Maxfield Research and Consulting LLC

- In Grand Rapids and the PMA, the proportion of people with a Bachelor's Degree increased by 8.6% in Grand Rapids and by 20.1% in the PMA, between 2010 and 2020. The number of people with an Associate's Degree however increased by 29.5% in Grand Rapids and 32.2% in the PMA.



- In Grand Rapids and the PMA, the largest numerical increases occurred in the number of individuals that have some college but did not earn a degree. As shown on Table 6, this cohort increased by 532 people in Grand Rapids (30.8%) and by 1,305 people in the PMA (18.5%). Strong proportional increases also occurred among people who had Associates Degrees. While educational attainment continues to increase, the need for more education and more skills continues to rise, especially with the significant increases in technology, especially at the manufacturing level.

- As illustrated in the following graph, the proportion of people age 25+ in Grand Rapids and in the PMA that have pursued post-secondary education is 66.4% in Grand Rapids and 65.0% in the PMA compared to 69% in Minnesota and 61% in the US.



- At nearly 39% for Grand Rapids and 38% for the PMA, the proportion of residents with a college degree or degrees is somewhat lower than for Minnesota (49%) and the US (42%). It may be important to consider how post-secondary education including Associates degrees and other types of specialized technical programs may be important over time in ensuring a highly educated workforce.

Currently, there are several community and technical colleges in North Central Minnesota including Itasca, Hibbing, Virginia, Duluth and Ely. Four-year degree colleges are found in Duluth (UMD and St. Scholastica) and in St. Cloud (St. Cloud State). These post-secondary education institutions offer a diverse array of certificate, associate's and bachelor's degree programs to increase workforce skills in the region and to prepare workers for new technologies that are required as industrial businesses compete in regional, national and global markets.

Summary of Demographic Trends

The following points summarize key demographic trends that may have an impact on the ability to attract businesses seeking industrial space in Grand Rapids, especially businesses in the Manufacturing sector.

- As of 2010, Grand Rapids had 10,869 people and 4,615 households. Between 2010 and 2020, the population increased 6.0% while the number of households climbed 6.6%. The number of new households was high relative to the number of new people suggesting a trend toward shrinking household sizes. During this same period, the PMA's population grew 3.5% (1,411 people) against household growth of 4.1% (694 households). Again, the household growth rate exceeded the population growth rate indicating an overall aging population and smaller household sizes.

- In the PMA, the average household size has remained relatively flat over the years, hovering between 2.3 and 2.4 people per household since 2000. This is generally unusual in that most geographies have experienced an overall decreasing household size. Although the area is aging overall, it is interesting that this trend has not substantially impacted the average household size either in Grand Rapids, the PMA or in Itasca County.

- Between 2020 and 2030, the PMA population is expected to grow 3.3% while the household base increases by 4.0%. Grand Rapids is projected to have higher growth rates, with population increasing by 5.9% and households increasing by 6.7%.

- Greatest growth is projected to occur among older adults in Grand Rapids and in the PMA over the next ten years. Aging of baby boomers led to an increase of 2,804 people (32.2%) in the PMA and 461 people in Grand Rapids (20.4%) between 2010 and 2020. As this group ages, the senior population age 65+ is expected to have the greatest proportional growth.

- In total, the workforce population in Grand Rapids is estimated to have increased by 4.8% between 2010 and 2020. In the PMA, the workforce population decreased by 277 people or -1.2%.

- The workforce population is projected to experience limited growth in Grand Rapids, 95 people or 1.6%. The PMA is expected to experience a decrease by 682 people or 3.0%. Growth is projected among all workforce age cohorts in Grand Rapids except for the 55 to 64 age group. In the PMA, growth is only expected in the 35 to 44 age group.

- The flat workforce growth anticipated in the PMA during the 2020 to 2030 period creates concerns about the ability of area businesses to find skilled labor, limiting their capacity to increase earnings. Flat or declining earnings could stifle potential demand for industrial real estate. However, technological advances could help increase worker productivity, generating earnings growth.

- Data on income trends can be used to gauge the overall health of the economy in a particular region. Rising median and average incomes suggest that productivity is increasing, creating higher earnings among business establishments, and the new income generated from increased productivity is being returned to the workers in the form of higher wages. In 2020, the median household income was estimated to be $48,287 in Grand Rapids and $52,277 in the PMA.

- Between 2000 and 2010, the median household income increased 41.8% in Grand Rapids and 22.2% in the PMA. The significant proportional increases in the median household income is due primarily to the annexation of a portion of Grand Rapids Township into the City, which annexation added higher income households to the community. Incomes are estimated to have experienced little to no growth between 2010 and 2020, although additional modest growth is anticipated over the next five years as the region pulls out of the economic downturn due to COVID.

- The population is becoming more educated, as the number of people and proportion of people that have achieved high school graduation or higher level of education has continued to increase, while the number of people without a high school diploma has declined. As of 2010, 94.0% of Grand Rapids' 25 and older population and 92.1% of the PMA's same population had at least a high school diploma. As of 2020, these proportions have increased to 94.4% in Grand Rapids and 94.2% in the PMA. These proportions compare to 91.2% for Minnesota and 88.6% for the US. The proportion of people with post-graduate degrees however is higher in Minnesota and the US than in the PMA.

Introduction

Employment characteristics are important components in assessing real estate needs in any given market area. These trends are important to consider since job growth can generally fuel household and population growth as people typically desire to live near where they work. Job growth is a primary driver of demand for office and industrial real estate, as commercial real estate is needed to provide workspace for those employed in the production process (manufacturing, management, sales, or services).

Employment Growth

Table C-1 shows employment growth trends and projections from 2000 to 2030 based on the most recent information available from the Minnesota Department of Employment and Economic Development. Data for 2000, 2005, and 2010 represents the annual average employment for that year. The 2020 employment numbers are based on data for the third quarter, the most recent data available. The 2025 and 2030 forecasts are based on recent growth trends, an assessment of potential COVID impacts and regional employment forecasts.

We arrived at the 2025 and 2030 forecasts for Grand Rapids, the PMA and Itasca County based on a review of the historic proportion of regional jobs from 2000 through third quarter of 2020. Employment projections were derived utilizing a proportion employment ratio and identifying patterns of place of work employment from QCEW data (Quarterly Census of Employment and Wages).

Although employment growth often parallels population growth, it often is tied more strongly to transportation access. Cities with interstate access and intra- and inter-metro transportation connections attract more businesses and post higher employment gains. Manufacturers, however, will often locate in less-developed areas where there is a concentration of available land.

- In 2000, there were 14,053 jobs in the PMA, of which 9,802 jobs or 70% of which were in Grand Rapids. Employment increased between 2000 and 2005 to 14,818 jobs in the PMA, but employment decreased slightly in Grand Rapids to 9,792 jobs. With the Recession, employment decreased in the PMA and in Grand Rapids, dropping to 14,376 jobs and 9,285 jobs, respectively.

- As of 3rd Quarter 2020, employment in the PMA had dropped to 14,071 jobs although employment rose modestly in Grand Rapids (64 jobs) and slightly in Itasca County (13 jobs).

- Despite the negative impacts of COVID-19, several industry sectors have continued to experience job growth including construction, manufacturing and professional services. Job growth is anticipated to occur in the PMA from 2021 to 2030, as an increasing number of

companies are expressing interest in locations in northeastern Minnesota and in the Grand Rapids area.

TABLE C-1
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
GRAND RAPIDS, PRIMARY MARKET AREA AND ITASCA COUNTY
2000-2030

	Annual Data			Estimate	Forecast		Change 2010-2020		Change 2020-2030	
	2000	2005	2010	2020 est	2025	2030	No.	Pct.	No.	Pct.
Primary Market Area	**14,053**	**14,818**	**14,376**	**14,071**	**14,350**	**14,550**	**-305**	**-2.1%**	**479**	**3.4%**
Grand Rapids city	**9,802**	**9,792**	**9,285**	**9,349**	**9,525**	**9,660**	**64**	**0.7%**	**311**	**3.3%**
Itasca County, MN	15,502	16,035	15,556	15,569	15,879	15,950	13	0.1%	381	2.4%
NE Minnesota	140,048	140,024	137,438	131,891	132,990	133,875	-5,547	-4.0%	1,984	1.5%
Minnesota	2,608,844	2,637,323	2,563,391	2,680,627	2,738,130	2,894,500	117,236	4.6%	213,873	8.0%

Sources: Minnesota Department of Employment & Economic Development; Maxfield Research and Consulting LLC

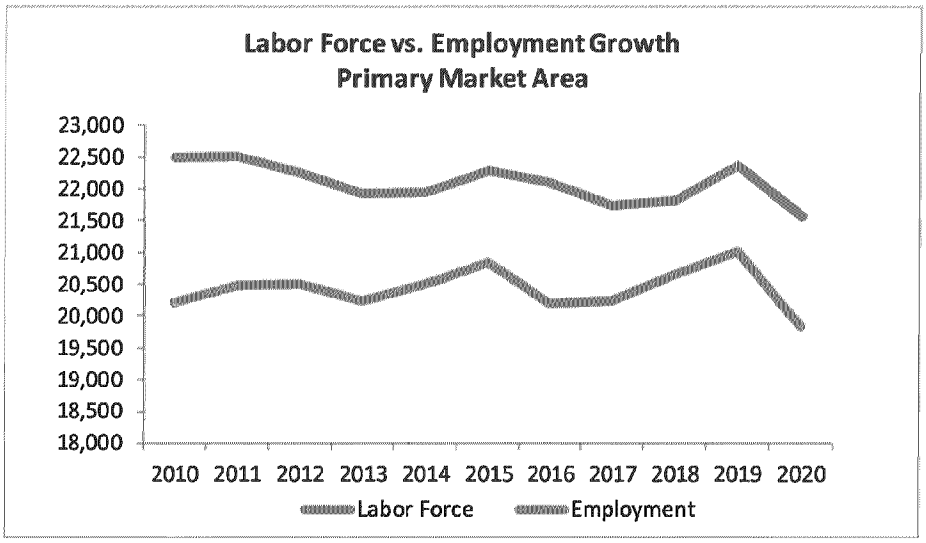
- By 2030, we anticipate that another 479 jobs will be added in the PMA, representing 3.4% growth between 2020 and 2030. Most of the job growth is anticipated to occur in Grand Rapids with an expected increase of 311 jobs (3.3%) between 2020 and 2030. As mentioned previously, job growth will be tied to transportation access and population growth. Due to the flat growth rate projected in the age groups comprising the workforce population from 2020 to 2030, proximity to labor will increase in importance.

Resident Employment

Tables C-2 displays information on labor force and resident employment trends in Itasca County as compared to Minnesota. The data is sourced from the Minnesota Department of Employment and Economic Development (DEED). Resident employment data reveals the work force and number of employed people living in the area, though not all these individuals work in the area. The points following the table summarize key resident employment trends.

- Itasca County's labor force has fluctuated throughout the past 11 years but remaining relatively consistent between 21,600 and 22,500. The peak of the labor force over the past 11 years was in 2011 at 22,519 and the lowest was in 2020 at 21,573. This suggests that Itasca County was affected less by the Recession than most recently by the impacts of COVID.

- By comparison, the labor force expanded 1.0% in St. Louis County between 2011 and 2019 with some interim fluctuations but decreased 3.3% between 2019 and 2020. Minnesota's labor force expanded by 4.2% between 2011 and 2020, despite a downturn in 2020 due to COVID.



- Other factors may also be present, including challenges to attracting businesses to the area and therefore workers leaving the area to find work elsewhere. If workers are leaving the area, then developing space that would be occupied by businesses paying living wages could increase the labor force to attract workers from outside of Itasca County.

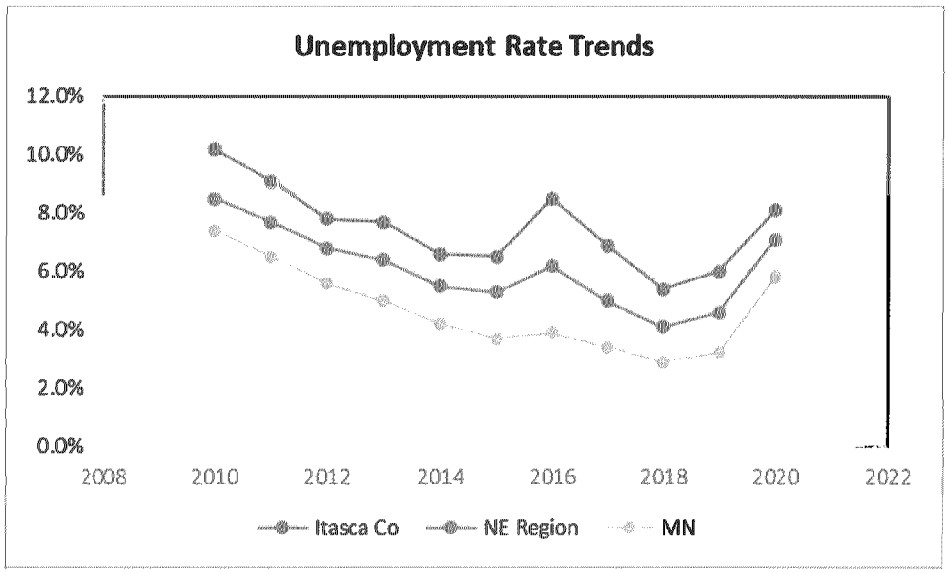


TABLE C-2
LABOR FORCE AND RESIDENT EMPLOYMENT TRENDS
ITASCA COUNTY
February 2021

	Labor Force	Employment	Unempl.	Unempl. Rate	Unempl. Rate MN
Itasca County					
2010	22,499	20,214	2,285	10.2%	7.4%
2011	22,519	20,478	2,041	9.1%	6.5%
2012	22,248	20,502	1,746	7.8%	5.6%
2013	21,916	20,238	1,678	7.7%	5.0%
2014	21,948	20,500	1,448	6.6%	4.2%
2015	22,291	20,852	1,439	6.5%	3.7%
2016	22,086	20,201	1,885	8.5%	3.9%
2017	21,731	20,238	1,493	6.9%	3.4%
2018	21,820	20,645	1,175	5.4%	2.9%
2019	22,357	21,016	1,341	6.0%	3.2%
2020	21,573	19,831	1,742	8.1%	5.8%
NE Minnesota Planning Region					
2010	166,769	152,547	14,222	8.5%	7.4%
2011	165,208	152,451	12,757	7.7%	6.5%
2012	163,766	152,586	11,180	6.8%	5.6%
2013	163,998	153,487	10,511	6.4%	5.0%
2014	163,754	154,751	9,003	5.5%	4.2%
2015	163,651	154,948	8,703	5.3%	3.7%
2016	164,530	154,328	10,202	6.2%	3.9%
2017	163,687	155,516	8,171	5.0%	3.4%
2018	163,057	156,357	6,700	4.1%	2.9%
2019	165,413	157,861	7,552	4.6%	3.2%
2020	160,127	148,815	11,312	7.1%	5.8%

Sources: MN DEED; Maxfield Research and Consulting LLC

- Similar labor force and employment trends occurred in the NE Minnesota Planning Region which encompasses all Northeastern Minnesota. The labor force dropped between 2010 and 2015, reaching a low of 163,351 before rising again in 2016. After dropping again in 2017 and 2018, the labor force rose significantly in 2019, only to decrease again in 2020 by its largest amount in the period. The number of people unemployed as of 2020 was 11,312, still below the high of 14,222 in 2010 during the Great Recession.

- After its low in 2018 at 5.4%, the unemployment rate in Itasca County increased in 2019 and again in 2020. Similarly, the NE Planning Region experienced a low of 4.1% in 2018 which rose in 2019 and 2020.

Commuting Patterns of Area Workers

Proximity to employment is often a primary consideration when choosing where to live and work, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. Table C-3 highlights the commuting patterns of workers in Grand Rapids based on data from the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD) program for 2018, the most recent data available.

- As the table illustrates, 26% of the workers employed in Grand Rapids also live in the City, with the remainder living in other communities, several of them near to Grand Rapids, such as Cohasset, Coleraine, La Prairie and Deer River. Most workers work in Grand Rapids, but higher proportions are also Cohasset, Duluth, Coleraine, Hibbing and La Prairie.

TABLE C-3
COMMUTING PATTERNS
CITY OF GRAND RAPIDS, MINNESOTA
2018

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Grand Rapids city, MN	2,563	26.0%	Grand Rapids city, MN	2,563	54.7%
Cohasset city, MN	592	6.0%	Cohasset city, MN	204	4.4%
Coleraine city, MN	306	3.1%	Duluth city, MN	143	3.1%
Hibbing city, MN	192	1.9%	Coleraine city, MN	111	2.4%
Duluth city, MN	186	1.9%	Hibbing city, MN	103	2.2%
La Prairie city, MN	156	1.6%	La Prairie city, MN	92	2.0%
Deer River city, MN	142	1.4%	Deer River city, MN	82	1.7%
Bovey city, MN	103	1.0%	Minneapolis city, MN	55	1.2%
Taconite city, MN	91	0.9%	Remer city, MN	53	1.1%
Marble city, MN	77	0.8%	St. Paul city, MN	38	0.8%
Bemidji city, MN	65	0.7%	Mountain Iron city, MN	36	0.8%
Keewatin city, MN	57	0.6%	Bemidji city, MN	34	0.7%
Nashwauk city, MN	50	0.5%	Calumet city, MN	33	0.7%
All Other Locations	5,269	53.5%	All Other Locations	1,139	24.3%
Distance Traveled			Distance Traveled		
Total Primary Jobs	9,849	100.0%	Total Primary Jobs	4,686	100.0%
Less than 10 miles	5,544	56.3%	Less than 10 miles	3,104	66.2%
10 to 24 miles	1,864	18.9%	10 to 24 miles	335	7.1%
25 to 50 miles	846	8.6%	25 to 50 miles	220	4.7%
Greater than 50 miles	1,595	16.2%	Greater than 50 miles	1,027	21.9%

Home Destination = Where workers live who are employed in the selection area
Work Destination = Where workers are employed who live in the selection area

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research and Consulting LLC

- An estimated 56% of the workers in Grand Rapids reside within 10 miles of their place of employment while 19% travel from 10 to 24 miles. Another 9% of Grand Rapids' workers commute from a distance of 25 to 50 miles, but 16% work more than 50 miles away.

- Of those that commute to Grand Rapids for work, 66% travel less than 10 miles, while 7% have a commute distance of 10 to 24 miles. Another 5% commute between 25 and 50 miles to their job while 22% commute more than 50 miles. Overall, a relatively high proportion of workers that work in Grand Rapids are commuting greater distances. This could have an impact on the ability of businesses to access labor if commute distances are more than 50 miles.

- An estimated 26% of workers both live and work in Grand Rapids, which is somewhat lower than many other areas of the State. This indicates that there is a substantial amount of commuting for work between local communities in the region including cities along Highway 53/2 as well as Duluth and Bemidji.

Table C-4 provides a summary of the inflow and outflow characteristics of the workers in Grand Rapids. Outflow reflects the number of workers living in Grand Rapids but employed outside the City while inflow measures the number of workers that are employed in the City but live outside Grand Rapids. Interior flow reflects the number of workers that both live and work in Grand Rapids.

- As the table shows, Grand Rapids is a net importer of workers as a higher number of non-residents commute into the City for work than residents leave the City. An estimated 2,123 residents leave Grand Rapids for work (outflow) while 7,286 come into the City (inflow) and 2,563 live and work in the City (interior flow).

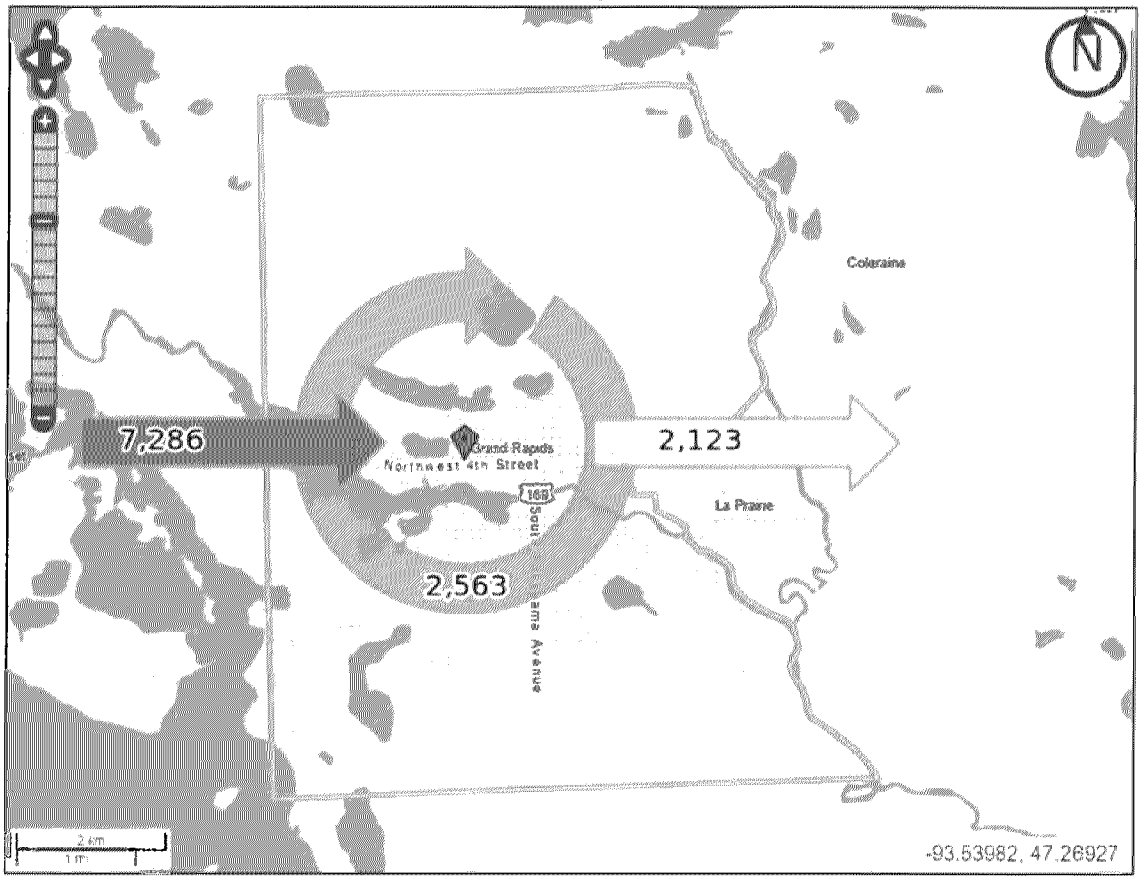
TABLE C-4
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
CITY OF GRAND RAPIDS, MINNESOTA
2018

	Outflow		Inflow		Interior Flow	
City Total	**2,123**	**100.0%**	**7,286**	**100.0%**	**2,563**	**100.0%**
By Age						
Workers Aged 29 or younger	500	23.6%	1,584	21.7%	604	23.6%
Workers Aged 30 to 54	1,102	51.9%	3,769	51.7%	1,345	52.5%
Workers Aged 55 or older	521	24.5%	1,933	26.5%	614	24.0%
By Monthly Wage						
Workers Earning $1,250 per month or less	570	26.8%	2,040	28.0%	765	29.8%
Workers Earning $1,251 to $3,333 per month	719	33.9%	2,538	34.8%	946	36.9%
Workers Earning More than $3,333 per month	834	39.3%	2,708	37.2%	852	33.2%
By Industry						
"Goods Producing"	380	17.9%	659	9.0%	198	7.7%
"Trade, Transportation, and Utilities"	439	20.7%	1,402	19.2%	511	19.9%
"All Other Services"*	1,304	61.4%	5,225	71.7%	1,854	72.3%

*includes the following sectors: Information, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality, Other Services and Public Administration

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research and Consulting LLC

City of Grand Rapids Commuting Patterns
Worker Inflow/Outflow



- An estimated 74% of the jobs in Grand Rapids are filled by outside residents. Most of the workers coming into the City are age 30 to 54 (52%) and work in the "All Other Services" sector (72%), while the Goods Producing and Trade, Transportation, and Utilities sectors employ 29% of the workers coming into Grand Rapids for work.

Business Growth by Type of Business

To assess the need for additional industrial space, Maxfield Research examines demand and supply trends affecting the industrial real estate market. The following paragraphs focus on employment and business expansion trends in sectors most likely to need or want industrial space. The primary business sectors that have an impact on the demand for industrial real estate typically include Construction, Manufacturing, Wholesale Trade and Transportation and Warehousing. The following definitions for these sectors are from the US Census Bureau NAICS definitions.

Construction

The construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector. There are substantial differences in the types of equipment and work force skills required by establishments in this sector. To highlight these differences and variations in the underlying production functions, this sector is divided into three subsectors.

- Construction of Buildings, comprises establishments of the general contractor type and operative builders involved in the construction of buildings.

- Heavy and Civil Engineering Construction, comprises establishments involved in the construction of engineering projects.

- Specialty Trade Contractors, comprises establishments engaged in specialty trade activities generally needed in the construction of all types of buildings.

Manufacturing

The Manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing. Establishments in the Manufacturing sector are often described as plants, factories, or mills and characteristically use power-driven machines and materials-handling equipment. However, establishments that transform materials or substances into new products by hand or in the worker's home and those engaged in selling to the public products made on the same premises from which they are sold, such as bakeries, candy stores, and custom tailors, may also be included in this sector. Manufacturing establishments may process materials or may contract with other establishments to process their materials for them. Both types of establishments are included in manufacturing.

The materials, substances, or components transformed by manufacturing establishments are raw materials that are products of agriculture, forestry, fishing, mining, or quarrying as well as products of other manufacturing establishments. The materials used may be purchased directly from producers, obtained through customary trade channels, or secured without recourse to the market by transferring the product from one establishment to another, under the same ownership. The new product of a manufacturing establishment may be finished in the sense that it is ready for utilization or consumption, or it may be semi-finished to become an input for an establishment engaged in further manufacturing.

Wholesale Trade

The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries. The wholesaling process is an intermediate step in the distribution of merchandise. Wholesalers are organized to sell or arrange the purchase or sale of the following: Goods for resale (i.e., goods sold to other wholesalers or retailers); Capital or durable non-consumer goods; and, Raw and intermediate materials and supplies used in production.

Wholesalers sell merchandise to other businesses and normally operate from a warehouse or office. These facilities are characterized by having little or no display of merchandise. In addition, neither the design nor the location of the premises is intended to solicit walk-in traffic. Wholesalers do not normally use advertising directed to the public. Customers are generally reached initially via telephone, in-person marketing, or by specialized advertising that may include Internet and other electronic means. Follow-up orders are either vendor-initiated or client-initiated, generally based on previous sales, and typically exhibit strong ties between sellers and buyers. In fact, transactions are often conducted between wholesalers and clients that have long-standing business relationships. This sector comprises two main types of wholesalers: Merchant wholesalers that sell goods on their own account; and, Business to business electronic markets, agents, and brokers that arrange sales and purchases for others generally for a commission or fee. Many wholesalers have created strong public retail components of their business operations, selling direct to consumers at a discount or wholesale price, or selling items that are not of first quality through an outlet area on-site.

Transportation and Warehousing

The Transportation and Warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation facilities as a productive asset.

> The Transportation and Warehousing sector distinguishes three basic types of activities: subsectors for each mode of transportation; a subsector for warehousing and storage; and, a subsector for establishments providing support activities for transportation. In addition, there are subsectors for establishments that provide passenger transportation for scenic and sightseeing purposes, postal services, and courier services. A separate subsector for support activities is established in the sector because, first, support activities for transportation are inherently multimodal, such as freight transportation arrangement, or have multimodal aspects. Secondly, there are production process similarities among the support activity industries. Warehousing establishments in this sector are distinguished from merchant wholesaling in that the warehouse establishments do not sell the goods

Table C-5 on the following page presents the distribution of typical industrial space-using businesses by location and by number of employees in Itasca County in the years 2010 and 2018, the most recent data available. The data is extracted from the Business Register, a database of all known employer companies which is maintained and updated by the U.S. Census Bureau and is accumulated based on ZIP Code boundaries and by County based on the establishment's physical location. We have used County-wide business data to provide a broader picture of business and employment distribution.

While the industries shown do not represent all users of industrial space, these industries account for most users. Growth in these sectors is an important indicator of total demand for industrial space and the size of businesses provides an indication of the type and sizes of spaces required.

Table C-5 compares business growth trends for Itasca County and Grand Rapids between 2010 and 2018 (most recent data available through County and Zip Business Patterns). The following are key points.

- The number of businesses in these categories in Itasca County increased by 20% from 317 businesses in 2010 to 396 businesses in 2018. Conversely, the number of businesses in Grand Rapids decreased slightly over the same period, from 139 in 2010 to 131 in 2018 (5.8%).

- In Itasca County, the number of construction businesses increased by 21% to 190 businesses, while the number of businesses in the manufacturing sector decreased, by 53%. The number of wholesale trade businesses increased by 38 and the number of businesses in transportation and warehousing increased by 33. The total number of businesses in Itasca County also increased over the period, from 1,207 in 2010 to 1,411 by 2020 (17%).

- In Grand Rapids, increases occurred in wholesale trade and transportation and warehousing while the number of businesses in construction and manufacturing decreased. The number of industrial businesses contracted by seven (5%), while the total number of business establishments in Grand Rapids declined by -7% (18 businesses).

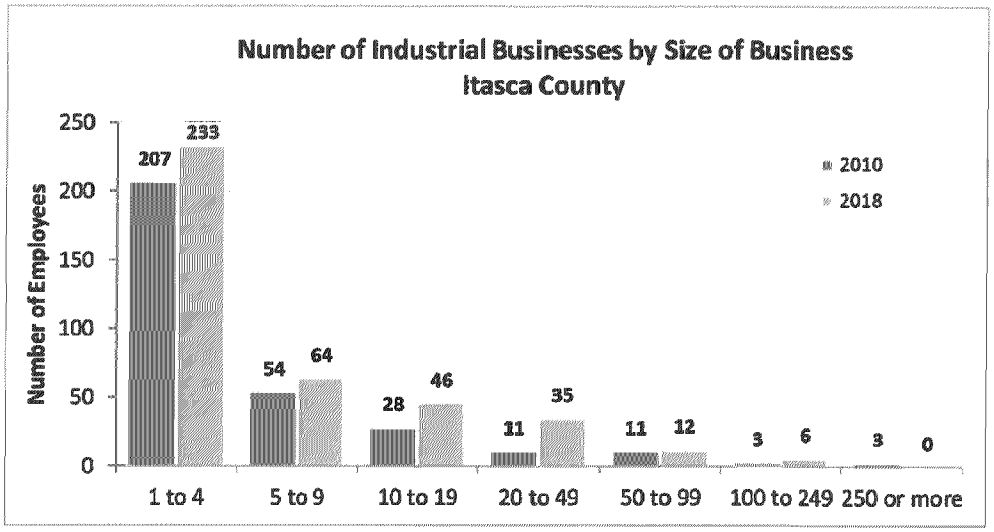
TABLE C-5
INDUSTRIAL BUSINESSES BY INDUSTRY AND SIZE OF BUSINESS
GRAND RAPIDS AND ITASCA COUNTY
2010 AND 2018

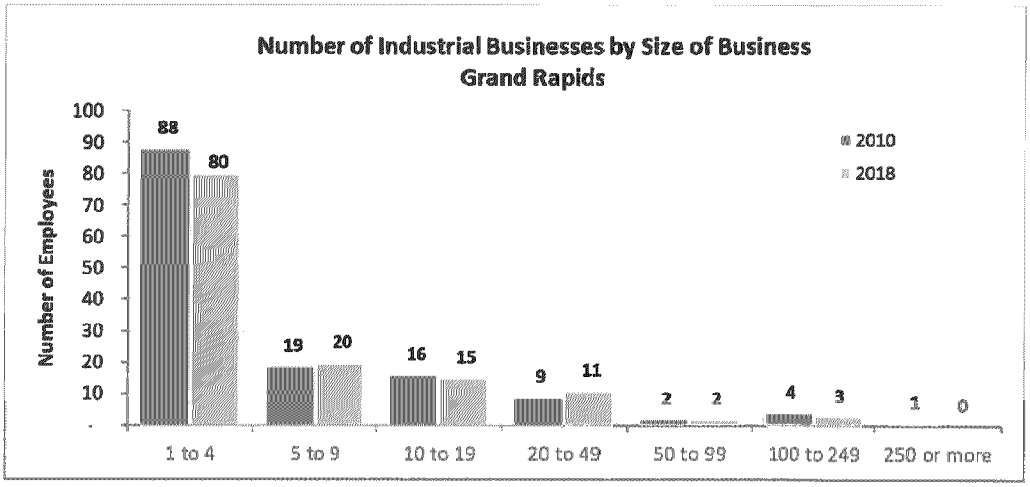
	Construction		Manufacturing		Wholesale Trade		Transportation/ Warehousing		*County Total*		*Grand Rapids Total*	
	Co.	Gr. Rpds	Co.	Gr. Rpds	Co.	Gr. Rpds	Co.	Gr. Rpds	*No.*	*Pct.*	*No.*	*Pct.*
2010												
1 to 4	127	54	50	17	18	12	12	5	***207***	***65.3***	***88***	***63.3***
5 to 9	15	6	26	5	9	6	4	2	***54***	***17.0***	***19***	***13.7***
10 to 19	9	7	8	2	4	3	7	4	***28***	***8.8***	***16***	***11.5***
20 to 49	1	1	5	5	1	1	4	2	***11***	***3.5***	***9***	***6.5***
50 to 99	2	1	8	0	1	1	0	0	***11***	***3.5***	***2***	***1.4***
100 to 249	3	3	0	1	0	0	0	0	***3***	***0.9***	***4***	***2.9***
250 or more	0	0	3	1	0	0	0	0	***3***	***0.9***	***1***	***0.7***
Total	***157***	***72***	***100***	***31***	***33***	***23***	***27***	***13***	***317***	***100.0***	***139***	***100.0***
2018												
1 to 4	135	47	30	14	25	14	43	5	***233***	***58.8***	***80***	***61.1***
5 to 9	28	8	12	4	18	6	6	2	***64***	***16.2***	***20***	***15.3***
10 to 19	17	4	11	2	13	4	5	5	***46***	***11.6***	***15***	***11.5***
20 to 49	8	6	12	0	10	3	5	2	***35***	***8.8***	***11***	***8.4***
50 to 99	1	2	6	0	4	0	1	0	***12***	***3.0***	***2***	***1.5***
100 to 249	1	0	4	3	1	0	0	0	***6***	***1.5***	***3***	***2.3***
250 or more	0	0	0	0	0	0	0	0	***0***	***0.0***	***0***	***0.0***
Total	***190***	***67***	***75***	***23***	***71***	***27***	***60***	***14***	***396***	***100.0***	***131***	***100.0***

Sources: Bureau of the Census; County Business Patterns; Maxfield Research and Consulting LLC

- As of 2010, an estimated 65% of the industrial businesses in Itasca County and 63% in Grand Rapids had fewer than five employees. Another 17% of industrial businesses in Itasca County and 13.7% in Grand Rapids had between five and nine employees. Nearly 9% of businesses in Itasca County had between 10 and 20 employees, while this figure was 11.5% in Grand Rapids. Grand Rapids had a higher proportion of businesses with between 100 and 249 employees versus Itasca County (2.9% versus 0.9%).

- By 2018, the proportion of larger size businesses in Itasca County increased, while in Grand Rapids, it remained nearly the same. Itasca County experienced increases in the proportion of businesses with 10 to 19 employees, 20 to 49 employees and 100 to 249 employees. In Grand Rapids, the proportion of businesses with 5 to 9 employees increased as did the proportion of businesses with 20 to 49 employees. The proportion of businesses with 100 or more employees decreased over the period.



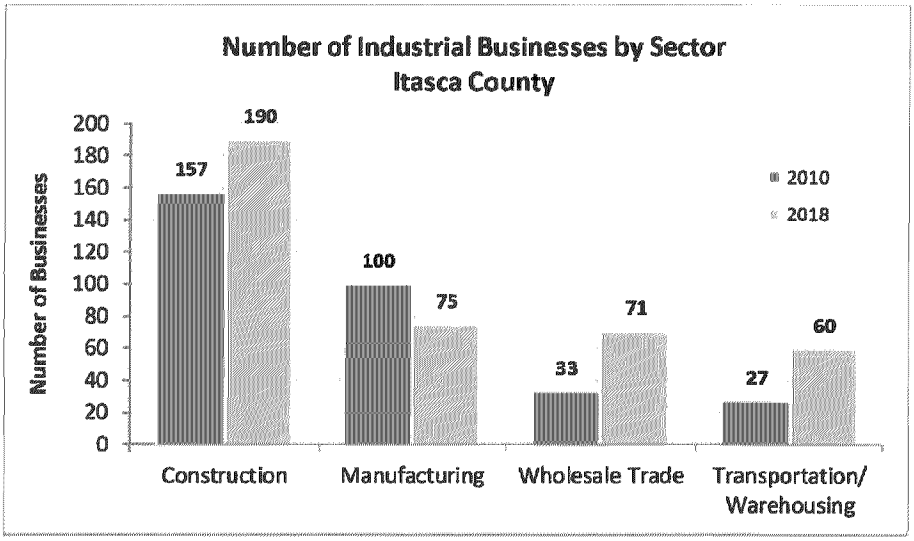


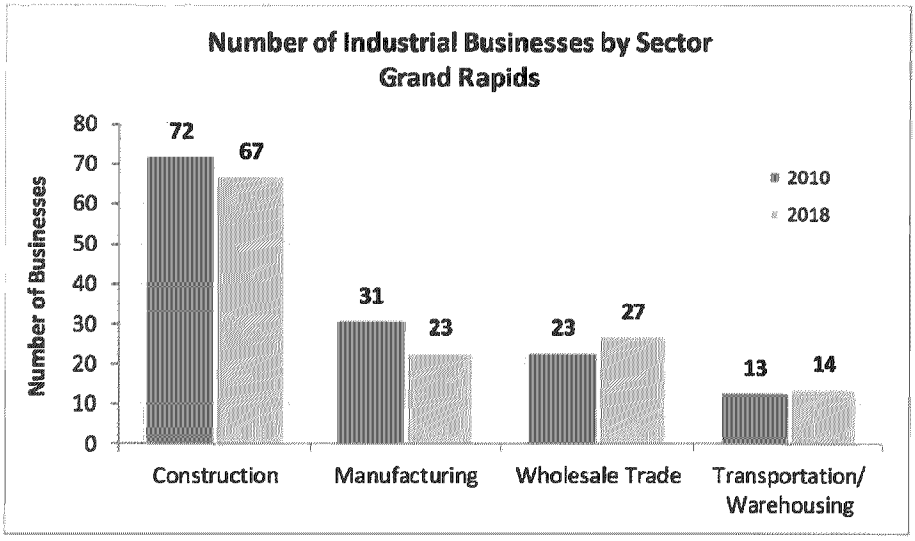
- Most of the Construction industry growth in Itasca County occurred in the 5 to 9 employee size range, which added 13 businesses (87%). In Grand Rapids, most of the growth occurred in the larger size range, with between 20 to 99 employees, although there was some contraction in the larger size employee ranges of 100 employees or more.

- In the Manufacturing sector in Itasca County, contractions occurred among the smaller business size ranges, fewer than 10 employees, but increases occurred in the businesses with between 10 to 49 employees and between 100 and 249 employees. Most of the increase in the larger size Manufacturing businesses occurred in Grand Rapids.

- In the Transportation and Warehousing sector, nearly all the growth occurred in establishments with fewer than 10 employees, although there was also growth in the categories 20 to 49 employees and 50 to 99 employees.

- The Wholesale Trade sector experienced strong growth among all employee size categories under 50 employees with the largest increases occurring in the 1 to 4 and 5 to 9 employee size groups.





- Of the sectors that typically utilize industrial space, the Wholesale Trade industry experienced the most dramatic growth between 2010 and 2018, adding 38 businesses in Itasca County, more than doubling. Four of those businesses were added in Grand Rapids. The Construction industry in Itasca County added 33 new businesses, an increase of 21%, while the number of construction businesses in Grand Rapids decreased from 72 to 67, a drop of 6.9%.

- In Grand Rapids, only modest increases occurred in the Wholesale Trade and Transportation/Warehousing sectors over the period. Growth in these sectors was offset by losses in the Construction and Manufacturing sectors. Some of the loss may be a result of a lack of space suitable to accommodate businesses in these sectors.

- Growth that occurred during the period was often in the large size employee categories. This signifies that businesses were adding employees and growing. This is likely to place some pressure on space needs for certain types of businesses. If there is no expansion space in their current facilities or if new space is not available, this could have an impact on losing the business to another community within Itasca County or losing the business to a location outside of the County.

- These trends suggest there would be a growing demand for industrial spaces to accommodate small to mid-size businesses across all four sectors, with an estimated 10 to 50 employees.

Growth of Jobs Occupying Industrial Space

The following table presents total employment growth trends and projections in Grand Rapids and the PMA from 2000 to 2030, including the percentage (historic and projected) of total employment among jobs that typically occupy industrial space. The figures were compiled by Maxfield Research, based on information from the MN Department of Employment and Economic Development (DEED).

- Between 2000 and 2010, the PMA's employment increased by 323 jobs (2.3%) while the number of jobs in Grand Rapids decreased by 517 (-5.3%). The number of jobs in industries that typically utilize industrial space decreased by 929 in the PMA and by 697 in Grand Rapids. The closures of Blandin Paper Machine 3 and Ainsworth OSB contributed significantly to these job losses during the previous decade.

- In Grand Rapids and the PMA, the total number of jobs increased by 240 (2.6%) but decreased by 26 in the PMA. Businesses in sectors that typically occupy industrial space continued to lose jobs, decreasing by 140 jobs (-10.3%) in Grand Rapids and by 105 jobs in the PMA (-7.0%).

- Employment losses in the industrial-using sectors, particularly manufacturing, is not unique to the PMA, as the proportion of manufacturing jobs to total jobs has been declining for years in Minnesota and in the US. Declining manufacturing employment is the result of several factors, including the offshoring of jobs, but also technology improvements have allowed manufacturers to increase productivity with fewer employees. Technological advancements have created job opportunities for workers with technical skills, but demand for lower-skill assembly line positions has dropped sharply.

- Given that there are a number of manufacturing and construction businesses that have experienced an uptick in revenues recently despite the pandemic, we anticipate that efforts to create new industrial space and attract new businesses to the region will result in a turnaround in the number of jobs that occupy industrial space and that modest growth will occur over the next five years to 2025 and again between 2025 and 2030.

- Considering the proportion of industrial employment to total employment, we forecast that the total number of jobs in industries that typically occupy industrial space will increase by 153 (12.5%) between 2020 and 2030 in Grand Rapids and by 136 in the PMA (9.8%). This assumes that additional space is made available in the region and that marketing efforts are increased to attract more businesses to the area.

- The anticipated growth from 2020 to 2030 will make up for some of the job losses that occurred during the pandemic, particularly in the Manufacturing sector as markets recover over the next several years.

TABLE C-6
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS - INDUSTRIAL SECTORS
GRAND RAPIDS AND PRIMARY MARKET AREA
2000 to 2030

	Grand Rapids			Primary Market Area		
Employment	Total Jobs	Industrial Jobs*	% Ind. Jobs	Total Jobs	Industrial Jobs*	% Ind. Jobs
2000	9,802	2,056	21.0%	14,053	2,426	17.3%
2005	9,792	1,729	17.7%	14,818	1,934	13.1%
2010	9,285	1,359	14.6%	14,376	1,497	10.4%
2020 3Q	9,349	1,049	11.2%	14,071	1,279	9.1%
2025 Forecast	**9,525**	**1,219**	**12.8%**	**14,350**	**1,392**	**9.7%**
2030 Forecast	**9,660**	**1,372**	**14.2%**	**14,550**	**1,528**	**10.5%**

Change	No.	Pct.	No.	Pct.	% Ind. Jobs	No.	Pct.	No.	Pct.	% Ind. Jobs
2000 - 2010	-517	-5.3%	-697	-33.9%	-6.3%	323	2.3%	-929	-38.3%	-6.9%
2010 - 2020	240	2.6%	-140	-10.3%	-1.8%	-26	-0.2%	-105	-7.0%	-0.7%
2020 - 2030	135	1.4%	153	12.5%	1.4%	200	1.4%	136	9.8%	0.8%

*Industrial jobs include jobs in the Construction and Manufacturing industries, as well as the Wholesale Trade and Transportation and Warehousing sectors

Sources: MN DEED; Maxfield Research and Consulting LLC

Introduction

This section of the report analyzes the overall condition and size of the industrial market in Grand Rapids and in the Primary Market Area. We examine industrial absorption and vacancy trends in Itasca County and in Grand Rapids from local market reports and primary research analysis. We also consider the supply of industrial land in Grand Rapids and the immediate surrounding area and inventory the available industrial spaces and any pending industrial developments in the area.

Select Commercial/Industrial Properties in the Primary Market Area

Maxfield Research identified existing properties available for sale/lease in Grand Rapids and in communities adjacent and near to Grand Rapids. We also identified industrial properties available in Hibbing, Minnesota, the community nearest to Grand Rapids that has several available properties. We do not view Hibbing as directly competitive to Grand Rapids but wanted to provide this information to understand what options companies may have when they are looking for industrial space in the area. These buildings are available for lease or sale.

Some buildings identified as "commercial" are available and zoned for industrial use such as warehouse, storage or light manufacturing or assembly. Most of these properties have limited square feet and combine office with warehouse or "shop" space and are less than 10,000 square feet.

Table M-1 shows select commercial/industrial spaces listed as available for lease and for sale in Grand Rapids, adjacent communities and outside of the PMA, in Hibbing for comparison purposes. Based on established definitions provided by the National Association of Industrial and Office Professionals (NAIOP), a commercial real estate development association, industrial buildings are facilities in which the space is used primarily for research, development, service, production, storage, or distribution of goods. Industrial buildings are divided into three primary classifications:

- **Manufacturing** – a facility used for the conversion, fabrication and/or assembly of raw or partly wrought materials into products/goods. Manufacturing and Light Industrial properties are also often classified as Office Warehouse buildings.

- **Warehouse** – a facility primarily used for the storage and/or distribution of materials, goods, and merchandise and are commonly referred to as Bulk Warehouse properties.

- **Flex** – an industrial building designed to allow its occupants flexibility of alternative uses of the space, usually in an industrial park setting. Flex properties are often used for research and development (R&D), laboratory space, light manufacturing, high-tech uses, data/call

centers, or retail/showroom space. Flex buildings are also frequently labeled as Office Showroom.

Industrial Properties Available for Sale/Lease

Table M-1 shows information on the existing industrial spaces that are available in Grand Rapids, the immediate adjacent communities and Hibbing. Information is provided on amount of square feet, ceiling height, site acreage, price or lease rate, year built and additional notes such as the amount of office versus shop space, or office versus warehouse space. Not all information was available for each property. Information was gathered from the Grand Rapids EDA, Itasca Economic Development Corporation, IRRRB, Northspan and local real estate companies.

- As shown on the table, there are only five properties listed with space available that would be suitable for some type of industrial, light manufacturing, office/warehouse or office showroom space. Bulk warehouse space could be accommodated in the former Ainsworth property, but the other spaces do not have sufficient square footage or are not configured appropriately for this type of use.

- For companies that require a larger open area that could be reconfigured for a light industrial or light manufacturing use, the only building that would be most appropriate for that type of use would, again, be the former Ainsworth property. According to our interviews, additional renovation work must be completed prior to that property being available for occupancy.

- Maxfield Research identified 10 properties listed for sale or lease in Grand Rapids and nearby surrounding cities in the PMA. Combined, these properties have an inventory of 373,954 square feet available (excludes Buhl and Hibbing).

- The properties shown on the table do not fit "neatly" into the above-mentioned building classifications. Some are warehouse buildings, some are office/warehouse, some office showroom and some industrial buildings with office space. Some properties have different types of components combined in the same space, such as office, warehouse, shop space, cold storage, showroom space, etc.

- As such, there is virtually no mid-size industrial space available in Grand Rapids for users that are seeking an open, clear floorplate with high ceiling heights and loading docks. While Grand Rapids has properties available to develop this type of building, as do other cities nearby, there are no new buildings that are ready for move in.

- There is some warehouse space available in Deer River, but the space is older. There is only one available space that we identified that is larger than 10,000 square feet, and that building is steel construction with two, 20 x 20 commercial doors and 27,000 square feet. It is

available for $600,000. The parking area is unpaved. It is being marketed primarily as warehouse/distribution space.

- Another 11 properties shown on the table are in Hibbing, which is 34 miles east of Grand Rapids on Highway 53. These properties range in size from 7,500 square feet to 80,000 square feet. The largest building however, has only 32,600 square feet of space available. The newest building, constructed in 1999, is an office/showroom space with warehouse and is being marketed for $1.2 million. Ceiling heights are only ten feet and the property has an estimated seven acres.

- The average size of the properties in Hibbing is 28,000 square feet. Ceiling heights average 14 feet with two properties having ceiling heights of 24 feet. Most properties are for-sale, but a two are marketed for lease or sale at a lease rate of $8.00 per square foot triple net. Under a triple net lease, the client pays all utilities, building insurance, taxes and common area maintenance.

- Pricing of properties for sale varies dramatically depending on the size, age of the building, type of use, building type, space configurations and construction quality. The lowest sale price is $99,500 for the Morton Shop in Hibbing up to a high of $1.2 million for the Sim Supply property, also in Hibbing. In Grand Rapids, the highest price is $950,000 for the former Ainsworth property, which was recently purchased to be reconfigured into multi-tenant spaces. Other buildings are listed at $890,000 and $895,000.

TABLE M-1
AVAILABLE INDUSTRIAL PROPERTIES/SPACES
PRIMARY MARKET AREA
February 2021

Building/Address	City	Size (SF)	Ceiling Hgt (Feet)	Land Area (Acres)	Price (Dollars)	Year Built	Notes
Former Ainsworth Property 502 CR 63	Grand Rapids	295,000	75	223	$950,000	1971	Two overhead cranes Rail spur, 8 loading docks Redundant electrical power Slated for redevelopment
Commercial Building 816 NE 4th Street	Grand Rapids	3,078	n/a	0.28	N/A	1960	Potential to separate and lease retail/office bays; 600SF shop space one overhead door
Grand Rapids Industrial 1887 E Hwy 2	Grand Rapids	17,000	14	2.4	$890,000	1990	6,800 SF service bays 3,000 SF showroom space 7,200 SF office building
Grand Rapids Industrial 2603 Hwy 2	Grand Rapids	2,998	12	0.49	$175,000	1950	Office portion (1,068 SF) 2-Bay Warehouse (1,930 SF) Billboard Rental $800/yr)
Martin Hughes School 200 Wanless St	Buhl	180,000	10	20	$249,000	1913	7 Drive-in and 1 Dock Doors Former School
Commercial/Light Mfg. 35 NE 3rd Street	Cohasset	5,580	12	2.5	$259,000	1980	Building includes office space also suitable for lgt mfg
Industrial Space for Lease 26445 Industrial Blvd	Cohasset	5,400	20	6.6	$2,500/mo	1983	Two, 14x16 ft garage doors Cement flr; in-floor heat pot.
Warehouse 2 40815 Hwy 2	Deer River	10,000	12	26	$209,900	1964	Office/Showroom/Distribution
Warehouse 40 SE 4th Street	Deer River	27,000	22	2.1	$600,000	1993	Two, 20x20 Commercial Doors Steel Construction
Warehouse 48355 Co Rd 173	Deer River	2,000	20+	n/a	$15,900	n/a	Additional Storage Space Hangar at Bowstring Airport
Commercial/Industrial 455 Highland Avenue	Hill City	5,898	8	1.3	$245,000	1997	Warehouse, Distribution Office portion in front
Lees Central Business Ctr 2900 E Beltline Hwy 169	Hibbing	32,000 80,000	14	26	$8.00/NNN	1966	Office/Industrial space; Fully wired with CAD 5
Industrial Building 809 13th Street E	Hibbing	28,810	24	10.23	$8.00/NNN	1986	Drive-in Doors (3); Dock Doors (2)
Industrial Building 11057 Hwy 37	Hibbing	24,118	16	3.5	$210,000	1968	3,692 SF Showroom/office 9,230 SF Warehouse Space 12 x 12 and 12 x 14 and 10 x 12 overhead doors

(continued)

TABLE M-1
AVAILABLE INDUSTRIAL PROPERTIES/SPACES
PRIMARY MARKET AREA
February 2021

Building/Address	City	Size (SF)	Ceiling Hgt (Feet)	Land Area (Acres)	Price (Dollars)	Year Built	Notes
Industrial Building 1 3125 E 14th Ave	Hibbing	20,000	14	2.5	$699,900	1980	Reception area, office and warehouse; overhead door
Industrial Building 2 3127 E 14th Ave	Hibbing	20,000	14	1.55	$699,900	1982	Loading dock; slab on grade Central air;
Industrial Building 1612 E 40 Street	Hibbing	21,450	16	5	$225,000	1961	20,000 SF of free span building
Morton Shop Hwy 63	Hibbing	16,520	16	16	$99,500	n/a	5, 14x14 overhead doors 2,400 SF of office space
Sim Supply Building 1001 E 7th Ave	Hibbing	13,968	10	7	$1,200,000	1999	Heated warehouse, showroom offices, loading dock & cold Strg
Hibbing Warehouse 1440 E 34th Street	Hibbing	7,500	14	1.03	$175,000	1974	14 ft overhead door Office warehouse space
Erickson Lumber Property 1831 3rd Ave E	Hibbing	11,732	12	0.59	$650,000	1940	Established Business Four Buildings
Commercial/Industrial Bldg 604 W 41st Street	Hibbing	15,320	24	2	$198,000	1951	Lg overhead crane, new rubber roof, high bays

Sources: IRRRB; Itasca Economic Development Corporation; Grand Rapids EDA; Maxfield Research and Consulting LLC

- The one building for lease in Cohasset has a lease rate of $5.56 per square foot, while the two buildings for lease in Hibbing have lease rates of $8.00 per square foot. Lease rates are "triple net," meaning that the tenant pays the base lease rate in addition to utilities, taxes, building insurance and common area maintenance. At times, there will be different lease rates for the type of space, with a lower lease rate for warehouse or production space and a higher lease rate for finished office space.

- Lease rates in industrial properties are often quoted as two different rates if it is leased as office/warehouse; a low rate for warehouse or production space, and a higher rate for office space within the same property. We did not identify different quoted rates for different types of industrial space in the Grand Rapids market.

Existing Industrial Parks

Table M-2 identifies land currently listed as available for sale in the PMA that is being marketed as industrial land. The data is provided to show the amount of land currently available along with pricing and location. Data was collected by Maxfield Research. Note that Table M-2 does

not represent the entire inventory of industrial land in the PMA, but rather, it includes only actively-marketing properties currently listed for sale.

- According to the Grand Rapids' Economic Development Authority, there are 18 parcels with a total of 28.32 acres in three separate industrial parks available for sale. The base price is $25,000 per acre which is negotiable.

- In Cohasset, there are eight parcels available for a total of 34.43 acres. The base price is $15,000 per acre negotiable to jobs and tax base. Utilities are available. According to the City, there is 250 acres available with lots sized from 2.5 acres to 81 acres. The City markets proximity to Grand Rapids' amenities but at lower tax rates.

Note that the acres available information represents the amount of land that remains available in the industrial parks in each municipality; it does not represent the total size of each park.

TABLE M-2
LAND AVAILABLE IN EXISTING INDUSTRIAL PARKS
PRIMARY MARKET AREA
February 2021

Municipality	Industrial Park(s)	Price/Acre	Acres Avail	Utilities
Primary Market Area				
Grand Rapids	Industrial Park East	$25,000	8.2	All utilities in place
Grand Rapids	Industrial Two	$25,000	2.4	All utilities in place
Grand Rapids	Airport South Industrial Park	$25,000	17.8	All utilities in place
Cohasset	Cohasset Industrial Park - I	$15,000	2.7	All utilities in place
Cohasset	Cohasset Industrial Park - II	$17,000	250	All utilities in place
PMA Total				

Sources: City of Cohasset; GREDA; IRRRB; Itasca Co Development Corporation; Maxfield Research

Pending Developments

Maxfield Research also contacted representatives in the Market Area to identify any new industrial buildings that are proposed, planned or under construction in the area.

Based on information provided through these contacts, we summarize current industrial development activity in the immediate Grand Rapids area.

- The City of Cohasset has received final funding approval ($3.38 million grant) from the federal EDA and $847,000 from the Cohasset EDA for the development of a speculative industrial building that would be developed on property owned by the City and zoned for this use in Phase II of the City's Industrial Park. Apex and Itasca County Development Corporation have been assisting the City in this endeavor. According to Apex, the building will have an estimated 25,000 to 30,000 square feet of space, of which a portion, estimated to be 5,000 square feet, is intended to be reserved as "incubator" space. The building will have 20-foot clear heights and several loading docks. The development is estimated to create 100 jobs.

- The building will be divided as 15% office and 85% industrial space. The space(s) will be leased to businesses and partitioned according to business needs. They estimate that space sizes may be one, 5,000 square foot space with two, 10,000 square feet spaces or three, 8,000 square foot spaces. Final partitions will depend however, on the space needs of the tenants. The first building will be leased to tenants. Once the first building is full, the City will construct a second building which may be a lease to own situation or sold. The goal is to be able to provide sufficient space so that companies may evolve and expand over time and there will be space available for them to do so.

Interviews

Maxfield Research interviewed economic development organizations, local industrial landlords, economic development and marketing professionals familiar with North Central/Northeast Minnesota industrial market to solicit their input on current industrial development trends, the interest from companies seeking industrial space in the area and the potential demand for a speculative industrial building in Grand Rapids. The following points summarize the findings derived from these interviews.

Current Market Conditions

- Interviewees agreed that there is a significant scarcity of available industrial space in Grand Rapids and in the surrounding area. At the time of this analysis, there are five properties available. The largest property requires significant investment for redevelopment prior to bringing it back to the market for use. Two of the properties have less than 10,000 square feet.

- There are also two buildings available in Cohasset, each with less than 10,000 square feet and three properties in Deer River, one with 27,000 square feet, one with 10,000 square feet and one with 2,000 square feet.

- There is renewed interest over the past three to six months with companies looking for spaces and sites in northern and northeast Minnesota. The IRRB has seen an increase in inquiries, domestically and from Canada.

- There are plenty of sites available with utilities, but no buildings. Many properties are contiguous with access to airport service, major transportation routes and rail service.

Shifting Market Trends

- Many companies are no longer willing to wait 12 to 18 months or longer for a "build-to-suit" space. Those interviewed stated that companies want to move into a space within three months or less.
- As such, the lack of space in Grand Rapids and the surrounding area places it at a disadvantage to be able to attract businesses that would bringing manufacturing, production and distribution jobs to the community.

- Some companies prefer to purchase their space and others prefer to lease. This decision is, at times, driven by company culture but also by the age of the business and other financial considerations. It may be best to provide leased space initially and then if companies grow and expand, offer a purchase option or a build-to-suit option based on their needs.

- Companies seeking space will no doubt, have certain specific requirements, but those can be accommodated usually by completing a short-term build-out of an existing shell space.

- Other trends that are prominent in the marketplace include:

    - High ceiling heights (24 ft)
    - Reinforced flooring for heavy equipment (i.e. cranes)
    - Overhead doors and loading docks (multiple)
    - Sufficient loading area to support semi-trailer back-in and maneuvering
    - Separate finished office space
    - Sufficient parking for employees
    - Options for purchase/lease depending on company preferences

- Some of the challenges are identified below:

    - Skilled labor force was identified by some as a potential challenge to attracting primarily manufacturers to Grand Rapids. Although Grand Rapids has a technical and community college, many students leave the area to pursue additional education or career opportunities.

    - Although Grand Rapids is at the apex of several major US Highways, it was mentioned that some companies may not perceive that Grand Rapids has a high level of accessibility to major regional markets.

    - Grand Rapids would most likely attract light manufacturing or distribution companies, but new technologies related to manufacturing is an area that could result in benefits to the City, especially as communication infrastructure is considered robust for a community of its size.

- Absent build-to-suit, it is always challenging to adequately accommodate what may be the unique needs of individual production/manufacturing businesses. If the space needed is principally warehouse/distribution space, facility needs may be easier to fulfill.

- Potential opportunities in Grand Rapids are summarized below:

  - Grand Rapids is a highly-regarded residential community with good schools and is set in a substantial recreation area near to many lakes. These quality of life factors are attractive to companies making location decisions.

  - Business retention and the ability to provide space for existing businesses to expand is important and having sufficient commercial and industrial space for business expansions and retentions is important in the short- and long-term.

  - Grand Rapids lacks existing available space and new buildings; additional space is needed to support business expansion and new business development.

  - Communities that can offer new, contemporary space that is essentially move-in ready will have an advantage over communities that do not.

  - Northeast Minnesota has struggled to capture new business, but there is renewed interest in locating in this area. Companies with employee sizes in the 20 to 50 range have experienced more growth recently than those with fewer than five employees.

- While land pricing is an important consideration, location decisions are generally based on need and other factors, such as transportation access and costs, labor availability, and personal preferences of the decision-maker(s).

- Access to workforce and skilled labor is increasing in importance and is expected to be a higher priority in site selection for the future.

Industrial Demand Estimates

Maxfield Research projects demand for industrial space based on forecasted employment growth trends in the industrial-using industries. Table E-1 shows projected industrial absorption in the PMA from 2020 to 2030 based on the Market Area employment growth forecast in the industrial-using industries which include: Construction; Manufacturing; Wholesale Trade, and Transportation and Warehousing.

- As of 2010, there were an estimated 1,359 jobs in Grand Rapids and 1,497 jobs in the PMA in the industry sectors that typically occupy industrial space in the PMA (14.6% and 10.4%, respectively of total jobs). The PMA segment may be understated as some job figures for smaller cities and townships may have been suppressed due to disclosure requirements. These percentages had decreased to 2020 as Grand Rapids and the PMA were estimated to have lost some industrial sector jobs. Some of this loss however, may be due to a lack of available industrial space suitable for businesses considering expansion or relocation into Grand Rapids.

- We project that by 2030, the proportion of jobs in the industrial sectors that typically occupancy office space will increase to 14.2% in Grand Rapids and to 10.5% in the PMA. These proportions equate to industrial sector employment in Grand Rapids of 1,219 jobs by 2025 and 1,372 jobs by 2030.

- We estimate that 550 square feet of industrial space will be required to accommodate every new industrial job. This estimate is based on information obtained from several municipal reports across the US. Summaries identified average per square foot per employee sizes ranging from 450 to 600 square feet for production and research facilities. Bulk warehouse facilities have a higher ratio, an estimated 1,000 square feet.

- Multiplying the average space required per industrial employee results in demand for 38,500 square feet of newly-occupied industrial space in the PMA between 2020 and 2025, with another 45,650 square feet between 2026 and 2030.

- The Floor Area Ratio (FAR) range is broad given that some businesses have more outside area available than others and therefore, there is usually a significant range. We present these figures here primarily for information purposes and to determine how much property might be needed to accommodate a new speculative industrial building in Grand Rapids. We understand that the EDA will determine the most suitable location for the proposed building given the site and building parameters.

TABLE E-1
PROJECTED DEMAND FOR ADDITIONAL INDUSTRIAL SPACE
GRAND RAPIDS PRIMARY MARKET AREA
2021 to 2030

		2021 to 2025	2026 to 2030
Primary Market Area			
Projected industrial employment growth in the PMA	=	70	83
(times) Avg. space (square feet) required per employee[1]	x	550	550
(equals) Total industrial building space (square feet) required in PMA	=	**38,500**	**45,650**
(times) Projected land absorption (at 30%-15% FAR[2])	x	0.30 - 0.15	0.30 - 0.15
(equals) Total acres required to accommodate industrial demand	=	**3 - 6**	**3 - 7**
(times) Percent Capturable in the PMA	x	**85%**	**85%**
(equals) Total industrial building space (square feet) capturable in the PMA	=	**32,725**	**38,803**
(equals) Total acres required to accommodate industrial demand	=	**3 - 5**	**3 - 6**
Total Demand Capturable in Grand Rapids			
(times) Percent of PMA Demand Capturable in Grand Rapids	x	80%	80%
(equals) Total industrial building space (square feet) capturable in Grand Rapids	=	**26,180**	**31,042**
(equals) Total acres required to accommodate industrial demand	=	**2 - 4**	**2 - 5**

[1] Average for manufacturing and production facilities according to GSA and other planning resources

[2] Typical Floor Area Ratio range for industrial buildings in Grand Rapids and the surrounding Market Area

Source: Maxfield Research and Consulting LLC

- Based on employment growth projections for Grand Rapids and the PMA, the estimated growth in employment among industries that typically utilized industrial space is expected to 153 jobs in Grand Rapids and 136 jobs in the PMA. This suggests that Grand Rapids will generate more industrial employment growth over the next decade, but this will require space to be able to capture this type of employment. Between 2021 and 2030, the PMA is estimated to be able to capture 85% of all new industrial jobs that would be created in the PMA and of that, Grand Rapids is estimated to be able to capture 80% of the PMA's demand, generating demand for an estimated 32,725 square feet between 2021 and 2025 and another 38,803 between 2026 and 2030. Grand Rapids easily has sufficient land available in its industrial parks to support this demand, but currently does not have enough available "space" to support this demand.

- Based on the floor area ratio range of 0.15 to 0.30, these projections result in absorption of up to 10 acres of land in Grand Rapids by 2030.

- Remaining demand not captured is anticipated to transition to other competitive facilities and other communities where space may be available. Although some vacancies may be filled, there is very limited space in Grand Rapids and in the PMA to accommodate even small to mid-size users.

- Based on a survey of available industrial space and a review of available parcels in industrial parks in Grand Rapids and nearby, the current supply of available land is more than sufficient to support the projected demand for industrial space. The challenge is that virtually no buildings available to accommodate growth and expansion and/or to accommodate new businesses into the market. With market trends shifting, developing a new speculative industrial building could spur additional demand for industrial space. Without having new industrial space in Grand Rapids, it will continue to be difficult for Grand Rapids to attract new industry and to retain existing businesses that may need to expand.

Absorption Estimates

Table E-2 summarizes demand for industrial space in Grand Rapids from 2021 to 2035 in three periods, 2021 to 2025, 2026 to 2030 and 2030 to 2035. Absorption is not projected to occur evenly throughout these periods.

- We estimate that a new speculative industrial building in Grand Rapids could capture an estimated 57,000 to 58,000 square feet of space demand between now and 2030. This equates to demand for up to 11 to 12 acres of land by 2030. Absorption is expected to occur gradually, but there may pent-up demand for space that will occur in the first three years with additional demand occurring between 2026 and 2030 that is likely to require a second building.

- Based on job projections, we anticipate that a new speculative industrial building with 30,000 to 35,000 square feet of industrial space could be absorbed within three to four years. Another 30,000 square feet of space could be absorbed within another five years or less depending on the health of the regional economy.

TABLE E-2
ABSORPTION ESTIMATES
GRAND RAPIDS PRIMARY MARKET AREA
2021 - 2035

Period	Bldg No.	Building Space Square Feet	Absorption Estimate	Floor Area Ratio	Land Area (Acres)
2021 - 2025	I	30,000	20,000	0.30 - 0.15	2 - 5
2025 - 2030	I-II	30,000	30,000	0.30 - 0.15	2 - 5
2030 - 2035	II	--	10,000		
Total		60,000			4 - 10

Source: Maxfield Research and Consulting LLC

- Table E-2 reflects the projected demand for industrial space and estimated land requirements in five-year periods. Demand for industrial space in a single community rarely occurs evenly over time. Rather, demand often is experienced in peaks and valleys that follow changes in economic conditions.

- We anticipate that a new speculative building could be delivered to the market by 2023 at the earliest. The new building in Cohasset is estimated to be available by late 2022 or early 2023 and we anticipate there will be pent-up demand for the new building once it comes on line. If Grand Rapids were to develop a new speculative building simultaneously with Cohasset, we estimate absorption of 20,000 square feet of space almost immediately with the potential for the remaining 10,000 square feet to be absorbed by 2025. We anticipate a second building would be needed by 2026 with absorption of 20,000 square feet occurring between 2026 and 2030 and the remaining 10,000 square feet absorbing shortly after 2030. Additional buildings may be constructed from outgrowth of these first two buildings as companies expand or other businesses elect to build their own.

- The absorption projections shown above in Table E-2 exclude Cohasset as we have allocated a portion of the demand in the PMA to other communities. Because Cohasset is already planning to develop a building, the additional demand in the PMA but outside of Grand Rapids, is likely to be captured entirely by Cohasset.

- Based on this information, along with feedback provided during the interview process, it appears that industrial users in Grand Rapids will seek spaces ranging from an estimated to 10,000 to 20,000 square feet, on average. The speculative building could be constructed with more than 30,000 square feet, although that would require a larger land parcel and

could require additional parking and loading area if there are more than three users in the building.

Introduction

The previous sections focused on the "demand" and "supply" factors for industrial real estate. We calculate the Market Area demand and estimated the proportion of that demand capturable in Grand Rapids, Minnesota. This section summarizes recommendations regarding the development of a new speculative industrial building in Grand Rapids to attract new business, retain existing businesses and general additional economic development.

Economic Trends

The following provides a brief discussion regarding significant economic trends impacting demand for industrial real estate in Wisconsin and the Midwest. Key points are derived from the Minnesota Job Outlook to 2026. We also review information from the "North American Industrial Outlook, 2021," published by Cushman & Wakefield.

- The impacts of COVID-19 placed downward pressure on job expansion in Minnesota, primarily in the service-producing industries. Hardest hit were restaurants, personal care services, hotels and other sectors that primarily have direct contact with the public. The ten-year employment outlook for Minnesota projected an increase of 181,600 jobs over the period to a total of 3.2 million jobs by 2026. Minnesota's employment expanded from 2.85 million jobs in 2016 to 2.90 million jobs by the end of 2019, an increase of 52,611 jobs or 1.8% over the period. As of 3rd Quarter 2020, Minnesota was reported to have an estimated 2.68 million jobs, down by 220,823 jobs or a decrease of 7.6%. Although employment has started to recover in some areas, we anticipate that unless the job growth rate accelerates post-COVID, it is likely that Minnesota will not reach the total of 181,600 new jobs, having to recover from the loss of the 220,823 jobs in 2020. Average weekly wages though have continued to increase even during COVID. As of year-end 2016, the average weekly wage was $1,044 and had increased to $1,177 by 3rd Quarter 2020.

- Statewide employment is expected to experience modest but steady growth, although growth overall is projected to slow from the previous decade, 2010 to 2020. Job growth in the sectors that typically occupy industrial space are expected to generate demand over the next several years, although demand has been stronger in the Twin Cities Metro Area than in other parts of Minnesota. Conversations with the IRRRB indicated there has been more interest in production, distribution and technology companies in the Northeast and North Central Minnesota.

    - Employment in the Transportation and Material Moving sector was projected to increase by 4.4% from 2016 to 2026.

    - Construction was projected to increase by 8.4% and Installation, Maintenance and Repair by 6.5%. Production was projected to decrease by 2.0% although

some of that decrease may be a result of enhanced technologies replacing some workers.

- Nationally, COVID disrupted the entire economy in 2020. As the US recovers from the pandemic, there are several factors that are anticipated to stimulate the industrial demand in the economy: 1) drawdowns from inventories will need to be replenished; 2) pent-up demand for tourism and other services will start to be unleashed; 3) global demand will support trade recovery; and the ability to gather together again will mean that these trends will benefit a wide segment – potentially all of the national economy.

- A recovering economy is projected to drive increases in disposable income, which will lead to higher consumer and business spending. Housing remains in short supply and the need for housing and especially affordable housing will also aid in the economic recovery. Mortgage interest rates are expected to remain low and as baby boomers retire, there has been an increase in second home purchases. As demand for goods from consumers and businesses grows, manufacturing production and shipments will increase, generating demand for industrial real estate.

Warehouse Demand

- Across the United States e-commerce is driving demand for industrial space along major transportation corridors, particularly distribution space catering to e-fulfillment. As transportation costs rise, many businesses are looking to locate their distribution centers closer to end markets and activity is occurring in smaller markets. The average warehouse under construction in the United States is 300,000 to 350,000 square feet, with clear heights in many facilities reaching 36 to 40 feet. While Grand Rapids is not likely to be considered as a location for a distribution center, we anticipate there will be a continued need for warehouse space from companies involved in distribution of various types of products.

Manufacturing Demand

- While the Manufacturing sector has experienced substantial job losses in the past ten years, the sector has been gradually recovering over the past couple years. The Manufacturing outlook is positive as demonstrated by our interviews and conversations with economic development and business development organizations in northeast and north central Minnesota. Companies are likely to be focused on hiring a more skilled workforce than in the past. Manufacturers are also developing highly automated processes and seeking access to distribution channels. Minnesota and the Midwest are expected to experience growing demand from the Manufacturing sector, as access to labor grows in importance. The Midwest overall has a highly-educated and mid- to high-skilled labor force along with strong transportation infrastructure system.

Development Recommendations

Each user will have their own criteria for space. This makes it challenging to construct a spec building that can accommodate multiple users. The goal is to incorporate some consistent features that are current in the market today for many users and then allow for additional customization that can be completed quickly to enable the building to take occupancy in a shorter period (i.e. six months or less). Sufficient flexibility is needed to be able to segment spaces appropriately as needed.

Building Size and Type

We recommend that the building have between 30,000 and 35,000 square feet and constructed as an open shell with accommodation made for walls that can be erected within the structure to partition the building into smaller spaces as needed to serve more than one business. We recommend that consideration be given to spaces of 10,000 to 12,000 square feet in size. Spaces should not be less than 5,000 square feet for one user. A ratio of between 10% and 15% office space and 85% to 90% warehouse or production space is recommended for the speculative building.

Space Partitions

Most companies will require some space for offices and administrative purposes. We recommend that office space be designed for one side of the building and should be consistent across the full building so that all entries face the same direction.

For additional light within the building, skylights could be incorporated to create more natural light within the building and reduce the need for significant overhead lighting. With much higher ceiling heights, overhead lighting solutions may create further challenges for specific types of operations.

Loading docks and overhead doors should also be consistent within the building, designed on one side.

Ceiling heights should be 24' clear to accommodate interior cranes if necessary. Overhead doors should be at least 20'.

We recommend a concrete slab for the floors that can carry a weight of at least 5 to 10 tons with sufficient interior drainage as needed by the user.

Loading Area

We recommend loading area on one or two sides of the building but with sufficient space for adequate rear loading and unloading that will require larger turning radii' for semi-trailers. Employee parking areas should be separate from the loading area to not conflict with ingress and egress of deliveries and shipments.

Types of Businesses

We anticipate that Grand Rapids will attract a mix of manufacturing, processing and distribution businesses. Some spaces may have very specialized operations and others may only require warehousing and office operations. It seems more prudent to design the building to target either warehouse/distribution or light manufacturing assembly, but not both within the same building.

If warehouse/distribution space is needed, that space could be incorporated within a separate building and usually will have less need for a heavier floor weight. Distribution/warehouse space however, will still likely require high ceiling heights for stacking and may require an indoor crane, again for stacking materials or shipments and to assist with loading and unloading.

Lease Rates

We recommend that a new industrial speculative building in Grand Rapids should charge a lease rate of $6.50 overall with $4.00 for warehouse space and $8.00 for office space, this pricing structure should be flexible based on current market conditions and the type of space needed by the tenant. Additional customized build-outs make increase this suggested pricing.

Final Conclusions

- The current supply of available land is enough to support the projected demand for industrial space in the PMA. There are however, no existing industrial buildings ready to attract new businesses or provide for existing business expansion. Without new industrial space, it will be very difficult for Grand Rapids to attract new industry and to retain existing businesses that need to expand.

- An expanding economy will drive increases in disposable income, which will lead to higher consumer and business spending. Additionally, the housing recovery will lead to more construction jobs, as well as demand for goods such as furniture, appliances, utilities, and financial services. As demand for goods from consumers and businesses grows, manufacturing production and shipments will increase, generating demand for industrial real estate.

- While the Manufacturing sector has experienced substantial job losses in the past ten years, the sector has been gradually recovering over the past couple years. The Manufacturing outlook is positive, and companies will be focused on hiring a more skilled workforce than in the past. Manufacturers will also be developing highly automated processes and seeking access to distribution channels. The Midwest is expected to experience growing demand from the Manufacturing sector, as access to labor grows in importance. The Midwest has a good employment base with mid- to high-skilled labor along with a solid freight infrastructure system.

- While land pricing is an important consideration, location decisions are generally based on need and other factors, such as; transportation access and costs, labor availability, and personal preferences of the decision-maker(s). The potential for workforce shortages could negatively impact demand for new industrial space, particularly as the workforce ages into their retirement years. As such, access to workforce is growing in importance and is expected to be a major site selection factor going forward.

- Grand Rapids may need to offer incentives to gain traction for an industrial park, but any incentives should be tied to job creation and wages. Many of the industrial parks in the Market Area located in TIF districts, and most communities market various incentives to attract and retain business investment in their respective business parks.

- We estimate that a new industrial park in Grand Rapids could capture 55,000 to 58,000 square feet of space demand between now and 2030. This equates to demand for up to 12 acres of land by 2030. We anticipate that industrial users in Grand Rapids will likely be seeking buildings in the 20,000- to 30,000-square foot range, which would between three to four acres of land for buildings in this size range.

    - We estimate that 20,000 to 25,000 square feet of space could be absorbed by 2025.

    - We estimate that another 20,000 to 30,000 square feet of space could be absorbed by 2030.

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SEH
PHONE: 218.322.4500
21 NE 5TH ST STE 200
GRAND RAPIDS, MN 55744
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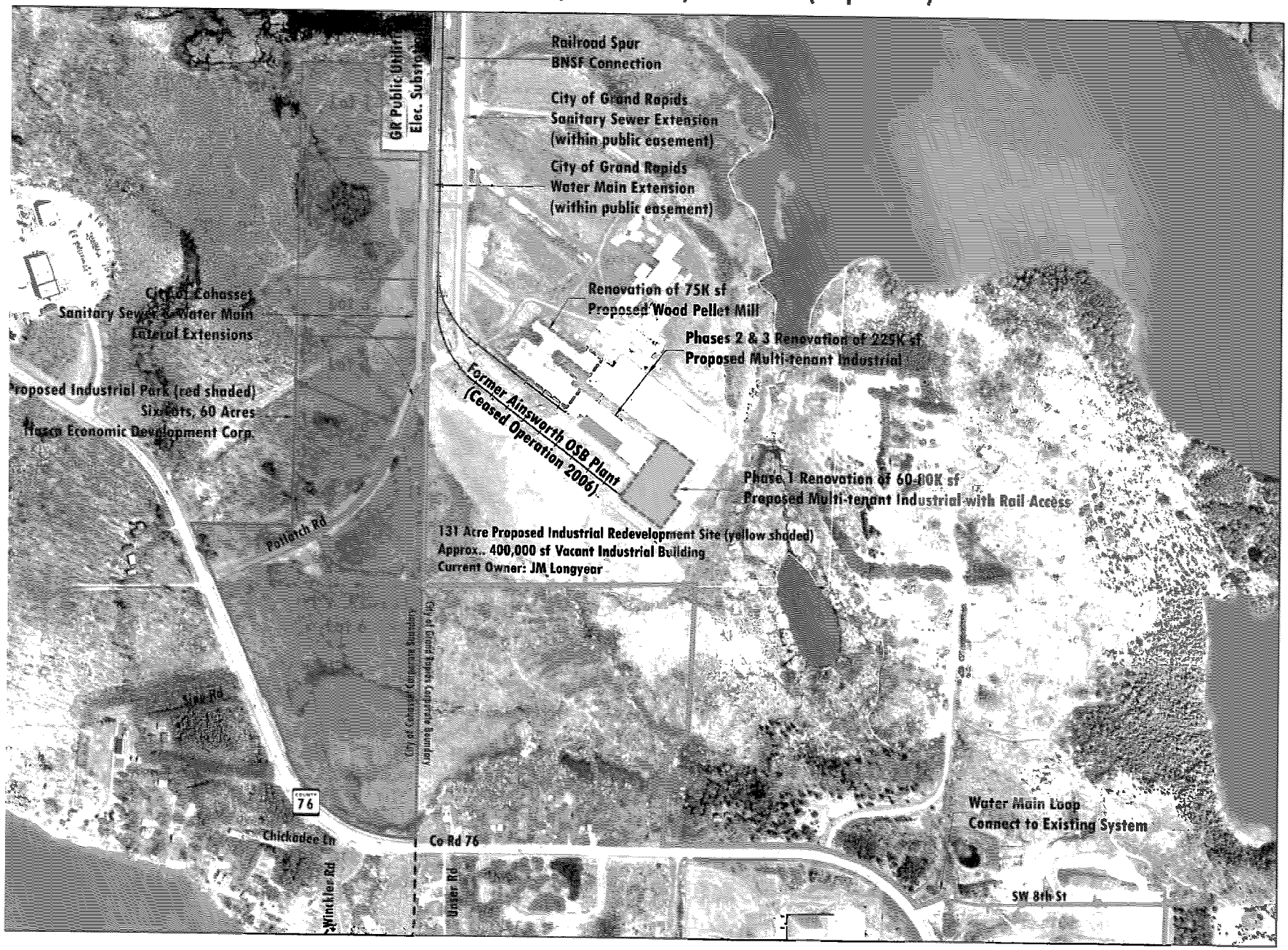
FILE NO.	OVERALL EXHIBIT ECO INDUSTRIAL PARK UTILITY EXTENSION GRAND RAPIDS, MN	EXHIBIT NO. 2
GRANR144864		
DATE: 2/13/2020		

ıpids & Cohasset Industrial Park Expansion/Redevelopment Utility Extension (Map 1 of 2)



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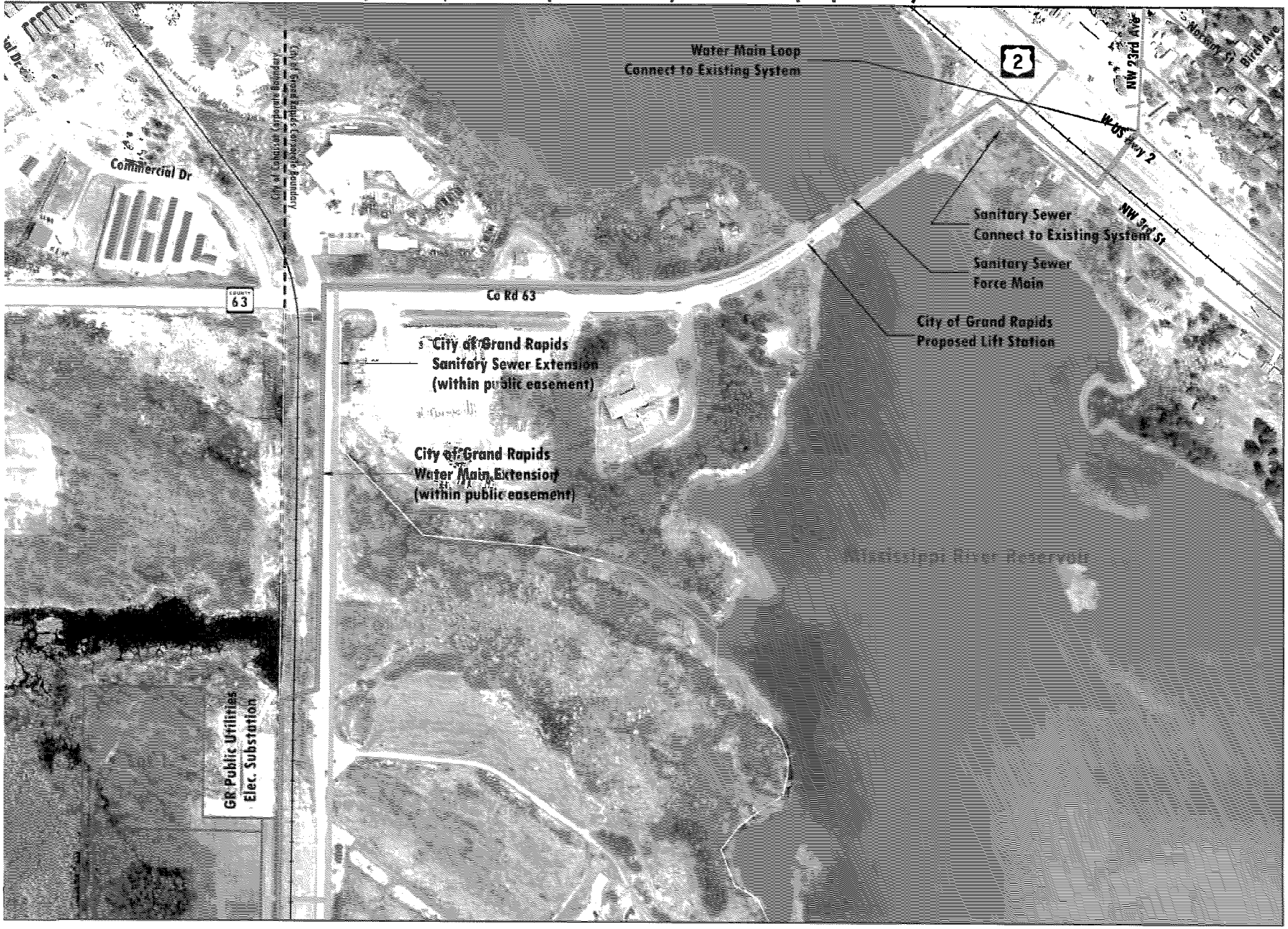
ıpids & Cohasset Industrial Park Expansion/Redevelopment Utility Extension (Map 2 of 2)



Project Name/Scenario: Grand Rapids/Cohasset Industrial Park Utility Extension/Watermain Looping
Project Location: Cohasset & Grand Rapids former Ainsworth Site
Developer:
Date: 3/1/2021

Project Sources & Uses of Funds

Uses of Funds		Sources of Funds								
Project Sources & Uses of Funds	Amount	Federal EDA	DEED BDPI	IRRR	IEDC	GRPUC	GREDA	City of Grand Rapids	City of Cohasset	Total
Construction - Segment 1 - River Crossing Sewer & Water	$559,879	$279,940		$123,114				$78,413	$78,413	$559,879
Construction - Segment 2 - County Rd. Sewer & Water Mains	$334,066	$167,033		$73,459				$46,787	$46,787	$334,066
Construction - Segment 2A - County Rd. Services & Entrance Rd. Mains	$202,726	$101,363		$44,578				$56,785		$202,726
Construction - Segment 3 - Entrance Rd. Sewer & Water Mains	$808,285	$404,143	$250,000					$77,071	$77,071	$808,285
Construction - Segment 4 - Water Loop to Co. Rd. 76	$743,868	$371,934		$163,572		$208,362				$743,868
Construction - Segment 5 - Cohasset/IEDC Sewer & Water	$433,289	$216,645		$95,277	$121,367					$433,289
Construction Contingency	$154,100	$77,050			$10,832	$18,596		$26,345	$21,277	$154,100
Engineering - Segment 1	$96,277	$48,138						$24,069	$24,069	$96,277
Engineering - Segment 2	$57,446	$28,723						$14,361	$14,361	$57,446
Engineering - Segment 2A	$34,861	$17,430						$17,430		$34,861
Engineering - Segment 3	$138,993	$69,496						$34,748	$34,748	$138,993
Engineering - Segment 4	$127,916	$63,958				$63,958				$127,916
Engineering - Segment 5	$74,508	$37,254			$37,254					$74,508
Grand Rapids GO Bond Issuance Cost	$10,000							$10,000		$10,000
Legal & Publishing	$10,000							$10,000		$10,000
Federal EDA Grant Application Preparation	$0									$0
Administration	$35,000	$17,500						$17,500		$35,000
Easement Acquisition	$100,000	$0					$100,000			$100,000
Total Uses and Sources of Funds:	**$3,921,213**	**$1,900,607**	**$250,000**	**$500,000**	**$169,453**	**$290,916**	**$100,000**	**$413,510**	**$296,727**	**$3,921,213**

Scenario Comments/Assumptions:
Federal EDA funds 50% of all construction and engineering in all Segments 1-5
IRRR Funds are applied on a prorata basis over construction costs of Segments 1, 2, 2A, 4 & 5.
DEED BDPI funds $250K of all construction in Segment 3
GRPUC funds construction and engineering of Segment 5

Project Name/Scenario: Grand Rapids/Cohasset Industrial Park Utility Extension/Watermain Looping
Project Location: Cohasset & Grand Rapids former Ainsworth Site
Developer:
Date: 8/25/2020

Project Sources & Uses of Funds

Uses of Funds		Sources of Funds					
Use	**Amount**	**Federal EDA**	**DEED BDPI**	**IRRR**	**City of Grand Rapids**	**City of Cohasset**	**Total**
Construction - Segment 1 - River Crossing Sewer & Water	$559,879	$447,903		$86,180	$12,898	$12,898	$559,879
Construction - Segment 2 - County Rd. Sewer & Water Mains	$334,066	$267,253		$51,421	$7,696	$7,696	$334,066
Construction - Segment 2A - County Rd. Services & Entrance Rd. Mains	$202,726	$162,181		$31,205	$9,341		$202,726
Construction - Segment 3 - Entrance Rd. Sewer & Water Mains	$808,285	$646,628	$161,657				$808,285
Construction - Segment 4 - Water Loop to Co. Rd. 76	$743,868	$595,094		$114,500	$34,273		$743,868
Construction - Segment 5 - Cohasset/IEDC Sewer & Water	$433,289	$346,631		$66,694		$19,964	$433,289
Construction Contingency	$154,100	$123,280	$8,083	$17,500	$3,210	$2,028	$154,101
Engineering - Segment 1	$96,277	$77,021			$9,628	$9,628	$96,277
Engineering - Segment 2	$57,446	$45,957			$5,745	$5,745	$57,446
Engineering - Segment 2A	$34,861	$27,889			$6,972		$34,861
Engineering - Segment 3	$138,993	$111,194	$27,799				$138,993
Engineering - Segment 4	$127,916	$102,332			$25,583		$127,916
Engineering - Segment 5	$74,508	$59,607				$14,902	$74,508
Grand Rapids GO Bond Issuance Cost	$10,000				$10,000		$10,000
Legal & Publishing	$10,000				$5,000	$5,000	$10,000
Federal EDA Grant Application Preparation	$0						$0
Administration	$61,642	$35,000			$13,321	$13,321	$61,642
Easement Acquisition	$100,000	$0			$90,000	$10,000	$100,000
Total Uses and Sources of Funds:	**$3,947,855**	**$3,047,970**	**$197,538**	**$367,500**	**$233,667**	**$101,181**	**$3,947,856**

Scenario Comments/Assumptions:
Federal EDA funds 80% of all construction and engineering in all Segments 1-5
IRRR Funds are applied on a prorata basis over construction costs of Segments 1, 2, 2A, 4 & 5.
DEED BDPI funds 20% of all construction and engineering in Segment 3