



**MILLE LACS**  
CORPORATE VENTURES

# Tribal Economy Business Incubator REPORT

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# Executive Summary

In fall 2020, the Mille Lacs Band of Ojibwe contracted with Mille Lacs Corporate Ventures (MLCV) to study entrepreneurship and the feasibility of a business incubator in the Mille Lacs Tribal Economy (TE). The Mille Lacs Tribal Economy encompasses the three districts of the Mille Lacs Band of Ojibwe (MLBO) territory that include Census tracts 9504, 9505, 7704, 9703, 9701, 9702. Through the work of MLCV and its partners, they conducted community research, construction cost estimates, financial feasibility analysis, and operating plans for the Tribal Economy Business Incubator (TEBI). This report collects all this background research and presents a unified concept for the creation of the TEBI.

Economic research identified a region that lagged much of Minnesota and a shifting industry mix, both within the state and in the TE, invited innovative new growth. Community engagement through both a survey and a series of focus groups led to the development of a practical vision and mission for the incubator and provided valuable context on the resources necessary for business success. Survey work with existing entrepreneurial resource providers collected information on business support already available in the region and pointed to gaps in engagement that could become opportunities for greater collaboration.

Community engagement efforts showed widespread interest in increased entrepreneurship in the TE. Participants saw the value in increasing the number of locally owned businesses and creating paths for start-up success. They emphasized the importance of a strong support network, particularly for technical assistance in the early stages as entrepreneurs navigate the challenges and complexities of launching a business and competing in the marketplace. Some focus group participants expressed pleasure that discussions around the TEBI had brought Native and non-Native residents of the TE together and created a space to potentially bridge longstanding divides for shared well-being. Entrepreneur support, however, must continue beyond the early stages of businesses' life cycles, and future economic growth will require additional resources built into the TE. These resources may include development of a business accelerator to assist businesses beyond the launch phase.

Partners on the project identified and analyzed four sites within the TE for potential incubators. A market research firm assessed the viability of proposed uses for each of the properties, while a regional construction company completed scopes of work for the renovation or new construction of four incubator buildings. A group with extensive experience in incubator creation developed proformas for the four facilities, along with an overall TEBI program budget and a series of policies and procedures to guide its operation. Together, these analyses assess the feasibility of the TEBI concept and illustrate the level of investment necessary to make it a reality.

The analysis shows significant investments necessary to launch the incubators, all requiring a level of outside financial support. Under the operating assumptions generated by this analysis, the TEBI can be successful with grant funding comparable to that of other incubator projects across the United States during the construction phase. The analysis includes an operating plan that lays the foundation for the long-term financial stability of the TEBI concept. If the program can secure funding, it can begin to create opportunities in the TE that can create new businesses, build wealth, and help bridge some of the region's longstanding socioeconomic and social divides.

The MLBO has existed for hundreds of years. Throughout history, the MLBO has been resilient in its approach to promote the well-being of its members and the larger communities in which it shares geography. The COVID-19 pandemic has devastated tribal communities across the country. In addition to the devastating health impacts, the pandemic has revealed to a broader audience the weakness of Indian Country economies. Decades of underdevelopment has created outsized consequences and disparities among these communities. The TEBI represents not only a recovery effort for the MLBO, but also the long-range creation of an institution that will create opportunities to achieve its economic and social sovereignty goals.

# Definitions

This report uses several acronyms and terms to describe several of the organizations involved in the proposed project. This section defines these terms.

**IF:** Initiative Foundation, a regional foundation in central Minnesota; referred to as the Operating Partner in this report.

**MLBO:** Mille Lacs Band of Ojibwe, a federally recognized, sovereign band of Ojibwe with over 4,300 members located in east central Minnesota.

**MLCV:** Mille Lacs Corporate Ventures, a political subdivision and for-profit corporation owned by the Mille Lacs Band of Ojibwe; referred to as the Principal Partner in this report.

**NDC:** Neighborhood Development Center, a nonprofit community development institution that assisted with TEBI program design and financial feasibility.

**OPERATING PARTNER:** The Initiative Foundation, a regional foundation in central Minnesota that will operate the proposed TEBI concept.

**PRINCIPAL PARTNER:** Mille Lacs Corporate Ventures (MLCV), the organization that commissioned this report and is the driving force behind the TEBI concept.

**TE:** Tribal economy, or a 6-census tract region in Aitkin, Mille Lacs, and Pine Counties in Minnesota that comprises most of the land held by the Mille Lacs Band of Ojibwe and serves as the area of study for the research portions of this report. It includes Minnesota census tracts 9504, 9505, 7704, 9701, 9702, and 9703.

**TEBI:** The Tribal Economy Business Incubator, a proposed program that aims create several lower-cost start-up spaces within the census tracts of the Tribal Economy.

# Background

Mille Lacs Corporate Ventures, a political subdivision and for-profit corporation owned by the Mille Lacs Band of Ojibwe in Minnesota, was contracted to research a multi-phase project to explore the viability of a Tribal Economy Business Incubator (TEBI) program in 2020. Mille Lacs Corporate Ventures, hereafter referred to as the TEBI Principal Partner, recognized that entrepreneurship offered a potential pathway to greater prosperity for both Mille Lacs band members and their non-Native neighbors within the Mille Lacs Tribal Economy, an area of six census tracts in Aitkin, Mille Lacs, and Pine Counties. Concerned by national statistics showing a decline in entrepreneurship and persistent disparities between Native and non-Native populations, the Principal Partner recognized that its own real estate holdings could play a role in helping start-up businesses to get off the ground and minimize their risks. The Principal Partner developed a partnership with a regional foundation, the Initiative Foundation, that guided several potential entrepreneurs through an Enterprise Academy program that piloted the general TEBI concept.

To make the TEBI concept a reality, however, the Principal Partner recognized that it would require extensive due diligence and an array of expertise. It therefore solicited the services of several partner organizations to complete different phases and sub-phases of the project.

# Partnership Development

TEBI is designed to improve the Mille Lacs Tribal Economy by creating physical and technical resources to launch small businesses. The goal is to boost the economic and social wellbeing of our communities through job creation, circulation of local dollars, and the creation of community gathering places.

One barrier that has held back entrepreneurship from the tribal economies has been a lack of affordable commercial spaces for entrepreneurs to start/grow their businesses. The TEBI Principal Partner is working with key strategic partners to build the incubators and provide the necessary technical support.

Beyond the physical build and conversion of properties, key strategic partners will be offering business plan training, access to “character-based” financing, and individual business expertise, as well as ongoing technical support. These partnerships are detailed below.

## Development of Affordable Commercial Spaces

The TEBI Principal Partner has been working with various partners to develop properties into business incubator space. This work is taking place in four phases.

### A. PHASE I: RESEARCH AND COMMUNITY ENGAGEMENT

Key partnerships are:

#### NORTHSPAN

- Based in Duluth, Minnesota, Northspan formed as a private, nonprofit fee-for-service consulting group in 1985 to offer professional business, organizational and community development services. Key staff are Elissa Hansen, Karl Schuettler, and Amanda Vuicich.
- Work will include gathering valuable community input to guide the TEBI effort via multiple surveys and focus groups.

#### MAXFIELD RESEARCH

- Based in Golden Valley MN, Maxfield Research has over 32 years of providing market research. Key staff are Matt Mullins and Joe Holman.
- Work involves analyzing real estate market trends and providing studies that include recommendations for tenant opportunities for each TEBI site.

### B. PHASE II: FEASIBILITY STUDY

Key partnerships are:

#### HY-TEC CONSTRUCTION

- Based in Brainerd, this second-generation architectural and project scoping contractor relies on the latest technology and building methods. Key staff are Mitch Feierabend, Aaron Kriens, Andy Waletzko, and Joe Cartwright.
- Work includes design and construction options and cost estimating for each site.

## NORTHSPAN

- Key staff are Elissa Hansen, Karl Schuettler, and Amanda Vuicich.
- Work will include compiling available entrepreneurial resources and melding all the information provided by other partners into a usable feasibility study.

## Neighborhood Development Center (NDC)

- Based in St. Paul, their mission is to empower low-income entrepreneurs and community partners to transform their neighborhood economies from within. Key staff are Mike Temali, Ben Johnson, and Mike Goze.
- Work includes incubator design, entrepreneur support programming, impact evaluation format and incubator proforma, design, and operations.

### **C. PHASE III: CAPITAL FUNDER RECRUITMENT AND BUILD**

Key partnerships are:

#### INITIATIVE FOUNDATION (hereafter TEBI Operating Partner)

- Based in Little Falls, the Initiative Foundation is a regional organization whose mission is to empower people throughout Central Minnesota to build a thriving economy, vibrant communities, and a lasting culture of generosity. Key staff are Jeff Wig and Abdi Daisane.
- Work will be to identify and approach possible funding sources in collaboration with TEBI Principal Partner and other partners.

#### Neighborhood Development Center (NDC)

- Key staff will be Mike Temali.
- Work will be to identify and approach possible funding sources in collaboration with TEBI Principal Partner and other partners.

### **D. PHASE IV: HANDOFF TO PERMANENT OWNER**

Steps in this process will be determined at a later date. This phase could include creation of a new standalone nonprofit entity, a new division within the MLBO, or as an ongoing mission-driven initiative in MLCV.

# Operational Support

## A. ENTREPRENEUR TRAINING

- The TEBI Operating Partner will partner with TEBI Principal Partner to present training and coordination including the initial entrepreneur training course, the Enterprise Academy (at least one class annually will be held in the Mille Lacs Tribal Economy), initial TA training for the entrepreneur, and follow up to graduates for further training and other assistance.
- The local SBDC office will also provide additional training to entrepreneurs according to the entrepreneur's specific needs.

## B. ENTREPRENEUR FINANCING

- Lead Lending Partner
  1. TEBI Operating Partner will accept applications from training alumni (and other incubator entrepreneurs) for consideration for their "character-based loan products."
  2. TEBI Operating Partner will provide the necessary character-based recommendations for loan applicants who have completed their training program and have a workable business plan but may fall outside of standard underwriting criteria. This will help with lending that otherwise may not be available for new entrepreneurs.
  3. The TEBI Operating Partner will also provide loan packaging services to micro-entrepreneurs who have successfully completed the micro-entrepreneur training course (alumni) and who qualify for financing. Assistance will include application review, technical assistance for financing readiness, loan/financing review and approval or denial, loan closing, and on-going loan servicing.
- Other potential loan lending partners
  - Woodlands Bank
  - Northland Foundation
  - Entrepreneur Fund
  - Minnesota Fund / (formally BiiGiiWin)
  - Red Lake 4 Directions Development
- The TEBI Principal Partner will provide a modest level of financial assistance/incentives toward the cost of rent and/or tenant improvements to any TEBI entrepreneur who has graduated from Enterprise Academy and will develop relationships and sources of capital to build and renovate future commercial and incubator spaces that will be made available to TEBI entrepreneurs.

## C. ENTREPRENEUR TECHNICAL ASSISTANCE

### LEAD TECHNICAL ASSISTANCE (TA) PROVIDER

- TEBI Operating Partner will provide on-going technical assistance to the entrepreneurs. TA services will include accounting set-up, social media and traditional marketing, legal and management guidance.
- The local SBDC office will also provide additional training to entrepreneurs according to their needs.

## D. LOW-COST COMMERCIAL SPACES – AFFORDABILITY AND MANAGEMENT

### SPACE AFFORDABILITY AND MANAGEMENT

- TEBI Principal Partner owns and manages these incubator spaces and will contribute a lower cost rent during start-up periods for the entrepreneurs. They will also provide training space for online training in the Enterprise Academy and other training needs.

### PARTNERSHIPS FOR ADVICE AND SUPPORT

- NDC will provide advice as requested based on their experience owning and managing multiple business incubators in the Twin Cities.

# Letters of Support

NDC developed a letter of support template and worked with MLCV to share them with a variety of organizations that support the TEBI initiative. These support letters are available in Appendix 1.

# Economic Research

This report uses available economic and demographic data to compile a profile of the TE. The economy, as defined by the Principal Partner, includes six census tracts.

**Table 1: Tribal Economy Census Tracts**

Tract	Counties	Communities
9504	Pine	City of Sandstone, Lake Lena (Aazhoomog), and east central Pine County
9505	Pine	City of Hinckley and areas of west central Pine County
7704	Aitkin	City of McGregor, East Lake, and areas southeast of Aitkin County
9701	Mille Lacs	Southeast shore of Lake Mille Lacs, including City of Isle
9702	Mille Lacs	Southwest shore of Lake Mille Lacs, including Cities of Onamia and Vineland

While these areas are not entirely contiguous, the use of census tracts allows for the most granular possible U.S. federal data of the areas encompassing the Mille Lacs Band's tribal land. The patchwork nature of tribal land and a desire to capture band members who do not live on tribal land drove the decision to include the six census tracts. Furthermore, the Principal Partner recognizes the interconnectedness between band members and the non-band members living in the same communities, and it also recognizes the potential economic benefits of collaboration across these boundaries to support entrepreneurship and business growth. For readability purposes, this report will occasionally refer to tracts by the names of their largest cities.

## Tribal Economy Demographics

### POPULATION

According to the 2019 American Community Survey (ACS), the six census tracts in the Tribal Economy have a total population of 20,074. This population has declined since 2010, with a total loss of over 600 residents. The greatest population loss occurred in tract 9702, around Onamia and Vineland, with additional loss around Hinckley and in the other tracts bordering Lake Mille Lacs. The Aitkin County tract was the pronounced exception to the trend in the TE, as it gained 269 residents over the decade.

**Table 2: Population in the Tribal Economy by Census Tract, 2010-2019**

	2010	2019	% Change
7704 (McGregor)	2,701	2,970	9.06%
9701 (Wahkon)	2,198	2,008	-9.46%
9504 (Sandstone)	4,742	4,835	1.92%
9505 (Hinckley)	5,052	4,781	-5.67%
9702 (Onamia)	3,291	2,893	-13.76%
9703 (Isle)	2,705	2,587	-4.56%
Total TE Area	20,689	20,074	-3.06%
Total MN	5,241,914	5,563,378	5,563,378

Source: American Community Survey, 2019

### RACE

The TE is a relatively diverse region of rural Minnesota. While its population is over 82% white, making the region's Caucasian population a majority, its population of color is higher than most rural Minnesota census tracts. American Indians comprise approximately 10% of the population, along with a significant number of individuals identifying as multiple races; together, they are 13% of the population, with various other small racial groups combining for the remaining 5%. The data registers a 1.7% decline in the American Indian population over the period since the 2010 Census, but also shows a 1.5% increase in those identifying with two or more races. This shift is consistent with trends observed in other areas with significant Native American populations, suggesting a change in reporting methods or measurement standards that led to some people who may be part Native American shifting from the American Indian category to a survey response that reflects multiple racial groups in their ancestry. While not all individuals of two or more races are American Indians, the combined change in the American Indian only and Two or More Races categories is a 4.3% decrease, which is similar to the overall change in the regional population. This suggests that the racial composition of the TE is relatively stable.

**Table 3: Tribal Economy Proportion of Population by Race, 2010-2019**

	2010		2019	
	Population	% of Total	Population	% of Total
White Alone	17,158	82.9%	16,574	82.6%
Black or African American Alone	452	2.2%	497	2.5%
American Indian and Alaska Native Alone	2,279	11.0%	1,875	9.3%
Asian Alone	115	0.6%	114	0.6%
Native Hawaiian and Other Pacific Islander Alone	8	0.0%	-	0.0%
Some Other Race Alone	96	0.5%	152	0.8%
Two or More Races	581	2.8%	862	4.3%

Source: American Community Survey, 2019

## AGE

The age breakdown within the Tribal Economy reveals an aging population. Trends since 2010 reveal significant divergence, with double-digit declines in the portion of the population in age groups under 35. The population between 35 and 65 is effectively stable, while the portion of the population over 65 has grown significantly, adding 500 residents since 2010. Individuals under 18 make up 20% of the TE population, while they are 23.4% statewide; similarly, those aged 18-35 comprise 5% less of the overall population than that cohort does statewide. Those over age 65, meanwhile, form nearly a 6% greater share of the overall population in the TE. These figures likely reflect a significant retirement population in many of these tracts, particularly those surrounding Lake Mille Lacs, and this trend appears likely to continue.

**Table 4: Tribal Economy Population Change by Age Group, 2010-2019**

	Total TE Area			Total Minnesota			By Percent, 2019	
	2010	2019	% Change	2010	2019	% Change	TE Area	All MN
Under 18	4,676	4,008	-16.67%	1,282,078	1,295,848	1.06%	20%	23.4%
18-34	3,936	3,454	-13.95%	1,201,496	1,256,967	4.41%	17.2%	22.7%
35-64	8,325	8,384	0.70%	2,100,177	2,151,865	2.40%	41.8%	38.9%
65+	3,752	4,228	11.26%	658,163	858,698	23.35%	21.1%	15.5%

Source: American Community Survey, 2019

## LABOR FORCE AND UNEMPLOYMENT

The labor force in the TE has undergone even more substantial changes over the past decade than the population as a whole. The labor force dropped from 9,711 to 8,860, a decline of nearly 10%. The relative changes among census tracts maps on to the trends observed in population. The drop in the labor force occurred despite a seeming rise in labor force participation over this same period, which suggests the changes are attributable to shifts in the composition of the population. As the population of the TE ages, more of its residents are retiring or easing their way out of the labor force.

**Table 5: Labor Force Participation and Unemployment in Tribal Economy Census Tracts, 2019**

	<b>Unempl.</b>	<b>Pop. Over 16</b>	<b>Not in Labor Force</b>	<b>Unempl. Rate</b>	<b>Labor Force Part. Rt.</b>
McGregor	61	2,558	1,256	4.7%	50.9%
Wahkon	60	1,727	809	6.5%	53.2%
Sandstone	116	4,067	2,456	7.2%	39.6%
Hinkley	121	3,930	1,411	4.8%	64.1%
Onamia	126	2,184	1,011	10.7%	53.7%
Isle	102	2,141	804	7.6%	62.4%
TE	586	16,607	7,747	6.6%	53.4%
MN	111,115	1,338,332	1,338,332	3.6%	69.7%

Source: American Community Survey, 2019

Labor force participation in the area appears unusually low due to the presence of a federal prison in Sandstone. The facility's approximately 1,000 inmates count toward the local population but are not part of the labor force. Removing them from consideration brings the TE labor force participation rate closer to 60%, which is more in line with other areas with large retirement-age populations, though still noticeably lower than the state rate.

2019 ACS data also does not capture any effects of the Covid-19 pandemic, which has been associated with major decreases in labor force participation across the country. The labor force decline is likely to only accelerate in the coming years. This scarcity of individuals who are working or seeking work can create upward pressure on wages and may keep unemployment rates low, but long-term implications for the regional economy are dependent on sustained demand for products or services from area employers and the ability of those who have fallen out of the labor force to secure income that ensures financial stability, either through earnings from other household members or government transfers.

The Minnesota Department of Employment and Economic Development (DEED) collects monthly data on unemployment at the county level and for select municipalities across the state. While it does not collect census tract data, the state's county-level numbers provide some perspective on the effects of the Covid-19 pandemic on the TE. Data for Aitkin, Mille Lacs, and Pine Counties shows that unemployment spiked in the region to about 11-12% in April 2020, but it had declined to 5-6% by the end of the year. While the region suffered serious drops in employment due to the pandemic and maintained an unemployment rate higher than that of the state's, it has rebounded relatively well, and was closer to the state rate of 3.9% in November 2020 than it had been prior to the pandemic. The three counties register a 2.4% decline in labor force size from November 2019 to November 2020, while the state suffered a 2.9% decline despite a growing population.

## EDUCATION

The population of the TE has noticeably lower levels of education than Minnesota as a whole, though it has made notable headway over the past decade. Most significantly, the portion of the population lacking a high school degree, which exceeded 10% in 2010 and was more than double the state rate, has dropped to 7% over the past nine years, making for a substantial improvement. The percentage of the population with differing levels of college education has edged upward slowly across all categories, though it still trails state averages by large margins, with less than one third the ratio of bachelor's and professional degree holders.

**Table 6: Tribal Economy Educational Attainment, 2010-2019**

Level of Education Attained	Tribal Economy		Minnesota	
	2010	2019	2010	2019
Less than high school	16.4%	11.4%	8.7%	6.9%
High school graduate	83.6%	88.6%	91.3%	93.1%
Associate degree/ Some college	42.9%	46.5%	63.5%	68.5%
Bachelor's degree	11.9%	12.9%	31.4%	36.1%
Masters/Doctorate	3.9%	4.2%	11.2%	13.8%

Source: American Community Survey, 2019

## MEDIAN HOUSEHOLD INCOME

The median household income in the TE in 2019 was \$46,569. While this figure shows an increase of 3.7% since 2010, the growth rate for the region lags the statewide rate of 5.7%, a trend that only exacerbates lower incomes in the region. The 2019 median household income for Minnesota was \$71,306, leaving the TE at just 64% of the statewide benchmark. Moreover, the six tracts have tended to converge since 2010.

Two of the three highest-income tracts in 2010, Tract 9701 (Isle area) and Tract 9505 (Hinckley area) have seen their incomes fall. Tract 7704 (southeast Aitkin County) enjoyed the most growth over this period, with an increase of over 20% over the nine-year period; it went from being the second lowest to the second-highest tract in income. The only other tract that saw significant growth in income was Tract 9703 (Isle area); it is now by far the highest-income tract in the TE at a median of \$59,130, while Tract 9702 (Onamia and Vineland area) has maintained its status as the lower-income tract.

**Table 7: Inflation-Adjusted Tribal Economy Median Household Income by Census Tract, 2010-2019**

	2010 (Infl. Adj.)	2019	% Change
McGregor	\$ 38,327	\$ 48,708	21.31%
Wahkon	\$ 52,612	\$ 43,684	-20.44%
Sandstone	\$ 45,000	\$ 45,710	1.55%
Hinkley	\$ 47,991	\$ 43,531	-10.25%
Onamia	\$ 36,722	\$ 40,699	9.77%
Isle	\$ 48,690	\$ 59,130	17.66%
TE	\$ 44,866	\$ 46,569	3.66%
MN	\$ 67,266	\$ 71,306	5.67%

Source: American Community Survey, 2019

## POVERTY

Poverty rates in the TE are significantly higher than the statewide rate. In 2019, the 9.4% poverty rate for families was 3.5% higher than the Minnesota rate, though it nearly matched the national poverty rate. The region has made some headway against poverty since 2010, when the TE rate was 12.7% and nearly double the state's. A deeper look at the data, however, shows that Census Tract 9702, which comprises the south shore of Lake Mille Lacs and the City of Isle, is an outlier, as it sits above 20% and has not improved since 2010. In no tract are the rates below the state rate, however, and the rates are over 9% in the Aitkin County and Isle area tracts, with a worrying doubling of the poverty rate in the Isle area tract. While the TE has seen improving conditions for some of its residents, the challenge remains considerable.

**Table 8: Tribal Economy Percent of Families in Poverty, 2010-2019**

	2010	2019	% Change
Tribal Economy	12.7%	9.4%	-30.0%
Minnesota	6.8%	5.9%	-15.3%
National	10.1%	9.5%	-6.3%

Source: American Community Survey, 2019

## HOUSING

Data on housing reveals an array of shifts under way in the TE and helps explain some of the surprising data in other areas. Despite the slight decline in population within the TE from 2010 to 2019, the number of housing units increased by over 1,200 over the same time period, with only a modest uptick in the overall vacancy rate. These changes are directly attributable to an increase in the units that the U.S. Census Bureau calls "other vacant" units, a category that is almost entirely a proxy for vacation homes. The TE added 1,664 other vacant units, even as the number of owner-occupied units declined by over 500 and the number of renter-occupied units declined modestly as well. These numbers show a trend toward both new construction of vacation homes and a conversion of formerly owner-occupied units into second homes by non-locals.

The trend was also not consistent across the entire TE. Predictably, the tracts lining Lake Mille Lacs saw the largest increases in vacation homes, but the trend was not limited to these areas alone; the tract that includes Hinckley also saw sizable gains, and in some of these areas, as many as half of the housing units are now vacation homes.

**Table 9: Tribal Economy Housing Data, 2010-2019**

	2010		2019		% Change
	No. of Units	% Total	No. of Units	% Total	
Owner Occupied	6,258	75.5%	5,826	74.7%	-7.4%
Renter Occupied	2,029	24.5%	1,969	25.3%	-3.0%
Total Occupied	8,287	62.3%	7,795	53.7%	-6.3%
Other Vacant (Vacation)	4,741	35.7%	6,405	44.1%	35.3%
Vacant Non-Vacation	265	2.0%	323	2.2%	21.9%
Total Units	13,293		14,523		9.3%

Source: American Community Survey, 2019

These trends have major implications for the TE. If households occupying these vacation homes have a similar household size to those of the permanent residents (2.58 persons per household), the region adds over 16,000 seasonal residents, nearly doubling its overall population; even a conservative estimate closer to 2 persons per household would add over 12,000 seasonal residents. While these residents presumably do not use local businesses or resources as frequently as permanent residents, they certainly create added demand for products and services in the TE, and the pandemic is likely to drive more of these vacation home owners to spend time in the TE if they have adequate internet access and other services necessary to sustain the lifestyles they expect. Despite the decline in permanent population, the population spending at least part of its year in the TE has increased over the past decade.

## RACIAL DISPARITIES

The TE has significant racial disparities between its Native American and white populations. The poverty rate for Native Americans (referred to as American Indians by the US Census) in the region is nearly three times that of white residents, while the 2019 unemployment rate was over four times higher. Per capita income for Native American populations was just over half that of the white population. These data reveal an ongoing, major divide between populations within the TE. Without an equitable approach to regional economic development, these divides are likely to persist, affecting the total economy of the region accordingly.

**Table 10: Racial Disparities in the Tribal Economy, 2019**

	White	American Indian
Income Below Poverty Level	11.9%	-30.0%
Unemployment	5.1%	-15.3%
Per Capita Income	\$ 27,113	\$ 14,793

Source: American Community Survey, 2019

## Tribal Economy Economic Base

In order to develop a more thorough understanding of the TE's economic base, this study calculates location quotients for major industries in the TE and uses a shift-share analysis to explore changes in employment across the region. This data allow us to measure changes in the economy over time and identify opportunities for future economic growth.

A location quotient (LQ) is a measure of the relative concentration of employment in an industry in a region relative to a larger area. In this case, the location quotient measures the concentration of employment in the TE relative to the state of Minnesota. The shift-share analysis measures the shift in employment over a nine-year period from 2010 to 2019 for this same area. This provides an understanding of the relative strengths of a region, even as the overall economy changes over time.

**Table 11: Tribal Economy Employment, Location Quotient, and Industry Shift-Share, 2010-2019**

	2010	2019	% Change	2010 LQ	2019 LQ	Shift
Educational Services, and Health Care and Social Assistance	1,639	1,770	7.4%	0.81	0.84	4.7%
Arts, Entertainment, and Recreation, and Accommodation and Food Services	1,844	1,660	-11.1%	2.68	2.45	-8.6%
Manufacturing	931	915	-1.7%	0.77	0.83	7.7%
Retail Trade	793	895	11.4%	0.80	0.99	23.7%
Construction	923	707	-30.6%	1.75	1.42	-19.0%
Public Administration	486	561	13.4%	1.69	1.96	15.6%
Professional, Scientific, and Management, and Administrative and Waste Management Services	410	406	-1.0%	0.51	0.50	-2.7%
Transportation and Warehousing, and Utilities	402	385	-4.4%	1.02	1.01	-1.3%
Other Services, Except Public Administration	327	301	-8.6%	0.87	0.84	-3.7%
Finance and Insurance, and Real Estate and Rental and Leasing	374	266	-40.6%	0.59	0.45	-23.5%

Source: American Community Survey, 2019

Raw employment numbers show that education and health care; arts, entertainments, and recreation; manufacturing; retail trade; and construction are the leading employers in the region. While these were also the five largest industries in 2010, their position relative to each other has changed over time. Health care and education has surpassed arts and entertainment as the leading employment category in the region, as it grew while the latter shrunk; similarly, retail trade has grown to surpass a shrinking construction sector.

Location quotient data shows the relative concentration of each of these industries in the TE. A location quotient over one indicates that an industry has a stronger employment concentration in an industry than the state, while a figure below one shows a smaller concentration. Because these figures represent relative changes in the industry mix, a location quotient may grow even as employment declines; for example, manufacturing employment dropped by 16 jobs in the TE from 2010 to 2019, but as the labor force also declined and as manufacturing dynamics changed across the state, the manufacturing concentration in the Tribal Economy increased over time. The shift-share measures the change in location quotient over time.

To understand the changes on display in industry mix, economists have developed four categories for industries that help explain general trends in an area's economy:

- Growing base industries (those with positive job growth and location quotients higher than 1)
- Emerging industries (positive job growth and location quotients lower than 1)
- Transforming industries (negative job growth and location quotients higher than 1)
- Declining industries (negative job growth and location quotients below 1).

Table 12 places thirteen major industry sectors in the Tribal Economy into these four categories.

**Table 12: Tribal Economy Industry Sectors by Category, 2010-2019**

<p><b>Transforming Industries</b></p> <ul style="list-style-type: none"> <li>Arts, Entertainment &amp; Recreation</li> <li>Construction</li> <li>Public Administration</li> <li>Agriculture</li> <li>Transportation &amp; Utilities</li> </ul>	<p><b>Growing Base Industries</b></p> <ul style="list-style-type: none"> <li>Public Administration</li> </ul>
<p><b>Declining Industries</b></p> <ul style="list-style-type: none"> <li>Professional Services</li> <li>Finance, Insurance &amp; Real Estate</li> <li>Other Services</li> </ul>	<p><b>Emerging Industries</b></p> <ul style="list-style-type: none"> <li>Health Care &amp; Education</li> <li>Manufacturing</li> <li>Retail Trade</li> <li>Wholesale Trade</li> <li>Information</li> </ul>

The TE's industry mix is unusual in that most 13 major industry clusters collected by the U.S. Census fall into one of two quadrants. Most industries in the TE are either transforming or emerging, meaning the region has relatively few industries that fall under the traditional definition of a growing economic base, but just a small number of closely related industries that are labeled declining. While there is considerable variation within these categories—transportation and utilities, for example, comes close to falling into any one of the four quadrants, while retail trade's concentration has grown to the point that it falls just short of a location quotient of 1—the TE is in a unique state where many industries are either large but in relative decline, or small but growing.

This industry mix, though rare, makes intuitive sense, and poses both challenges and opportunities for the TE. The long list of emerging industries points toward positive momentum in many areas of the economy where local leaders could continue to encourage growth. And while the transforming industries may face challenges, they remain sectors of strong employment, and the region's natural resources and transportation assets suggest that creative adaptation of several of these industries could keep them central to the TE for years to come.

Public administration is the region's only growing base industry, but it provides little foundation for future economic growth. It tends to follow population trends and is affected by staffing decisions at major institutions such as Sandstone's federal corrections institute. Short of specific government initiatives that generate employment at such major facilities, it is unlikely to drive job growth in the TE. While government policy can certainly influence the direction of economic growth, its impacts are rarely focused on the public administration sector and instead drive employment in other areas.

Similarly, the knowledge that professional services, the financial sector, and other services are in decline has limited implications for the TE. These sectors tend to be trailing indicators that follow overall population trends, as the official population of the TE has not grown, their shrinkage is no surprise. These industries have also been subject to centralizing forces and consolidations, which at times eat into the market shares of local financial institutions, insurance agents, and service providers. With growth in the population or in other industry sectors, these sectors are likely to rebound.

Among the emerging industries, health care has been growing rapidly across the entire country, while manufacturing has ticked upward in many areas such as the TE as firms seek available land and more affordable labor beyond metropolitan area boundaries. Retail trade expansion is common in vacation destination communities as the arrival of tourists and seasonal residents, many of whom have large amounts of disposable income, creates some new demand. Wholesale trade and information, while the two smallest sectors in the region, also stand to benefit from changes in a growing regional economy. Many of these growing industries have higher than average wages, so their emergence creates economic opportunity within the TE. The exception to this trend is retail trade, which typically pays low wages, though it does offer niche markets for skilled craftspeople to sell goods.

Among the transforming industries, shifting economic headwinds have created new challenges for some of the TE's legacy industries. Arts, entertainment, and recreation has a particularly strong location quotient in the region, a reality likely attributable to large institutions such as Grand Casino Mille Lacs and Grand Casino Hinckley. While these remain major anchors in their respective communities, recent decades have also seen steady declines in smaller resorts along lakes across Minnesota, with increasing amounts of lakefront converted to private residences instead of lodging businesses. Construction and transportation activity is often cyclical and subject to some centralization. Small-scale agriculture and logging, which are likely the leading sources of employment in the agricultural sector, have also tended to struggle, with local operators often being bought up by more distant, larger firms.

The results of the shift-share analysis suggest the TE is ripe for innovation and broad, small-scale efforts to encourage growth. The lack of a clear, obvious growing base or of serious concern over declining industries effectively leaves all options on the table. Economic cluster theory suggests that local policymakers should target industries that bring new wealth into the region, either through exporting their goods to other regions or attracting outside spending.

Trends since the start of the Covid-19 pandemic, while often painful in the short term, may also open up opportunities for the TE. Increasing remote work opportunities reduce the importance of geography for white-collar work and create incentives for some workers to live in remote locations with natural beauty, so long as they can access a certain level of services they anticipate. While some of these workers may not be employed locally, they could spend an increasing share of their income in the region. It may take years for the ultimate effects of the pandemic on population and employment patterns to become fully evident.

## Cultural, Economic, and Regional Potential of TEBI

An analysis of the demographic and economic data for the TE reveals an economy that has been buffeted by many of the trends that have affected rural America over the past decade, but it also shows unique opportunities for future growth. The region's flat population growth, aging population, and higher than state average poverty rates demonstrate a need for action and creative new approaches to economic development.

Lingering disparities between the region's white and Native American populations underscore the legacy of economic disenfranchisement for members of the Mille Lacs Band and show the importance of finding ways to bridge divides to move past any divisions that prevent a unified regional vision. The TE's increase in seasonal residents, a trend likely exacerbated by the Covid-19 pandemic, both causes some challenges for the regional workforce and housing stock but also opens doors for tapping into new skillsets and markets. The regional industry mix is likewise in flux, with many of its strong traditional industries facing challenges to remain as central as they are, while a wave of smaller industries has seen new surges in employment. These intermingling trends once again create openings for new entrepreneurs to enter the economy and take advantage of new opportunities in a wide range of industries.

# Community Research

The community research phase of the TEBI project was completed by the Northspan Group, Inc. between October 2020 and March 2021. Over this time frame, Northspan worked with the Principal Partner and several partners to collect extensive community input on the proposed business incubator.

## Goals

The focus groups had three stated goals established before the process began:

1. Foster the development of local entrepreneurs within the Mille Lacs Tribal Economy in east central Minnesota.
2. Build a pipeline of entrepreneurs and to equitably connect them with resources in the region.
3. Bring together four key elements:
  - a. entrepreneur training,
  - b. entrepreneur technical assistance,
  - c. entrepreneur financing, and
  - d. low-cost commercial spaces.

The Principal Partner included a related disclaimer indicating that the TEBI is not intended to be used for large equity investments such as investing \$1 million in every startup business or financing 100% of a business with large amounts of equity, but rather to create access to other entrepreneurial resources. It also crafted five questions to guide the focus group discussions:

- What is the depth or lack thereof of the current ecosystem for entrepreneurs?
- What is the interest level in this community around entrepreneur development?
- What are the specific types of businesses/industries are of interest?
- What are the challenges of building an entrepreneur ecosystem in this community?
- Other relevant questions that can help articulate demand or challenges?

## Process

The established goals guided the community engagement process, which consisted of three components: a community survey, a survey of entrepreneurial resources, and seven focus groups. The survey formed the foundation of the process, while the focus groups provided the context necessary to develop a clear mission and vision for the TEBI.

Northspan conducted seven focus groups as part of the TEBI process. Due to the Covid-19 pandemic, these sessions were offered both virtually and in person. Two focus groups (one virtual and one in person) were devoted to each of the Mille Lacs Band's three districts, each of which roughly align with two of the six census tracts in the region. A seventh and final session was scheduled virtually to accommodate those who had registered for one of the initial sessions but were unable to attend. The focus groups had 43 total participants. Table 13 presents an overview of these sessions.

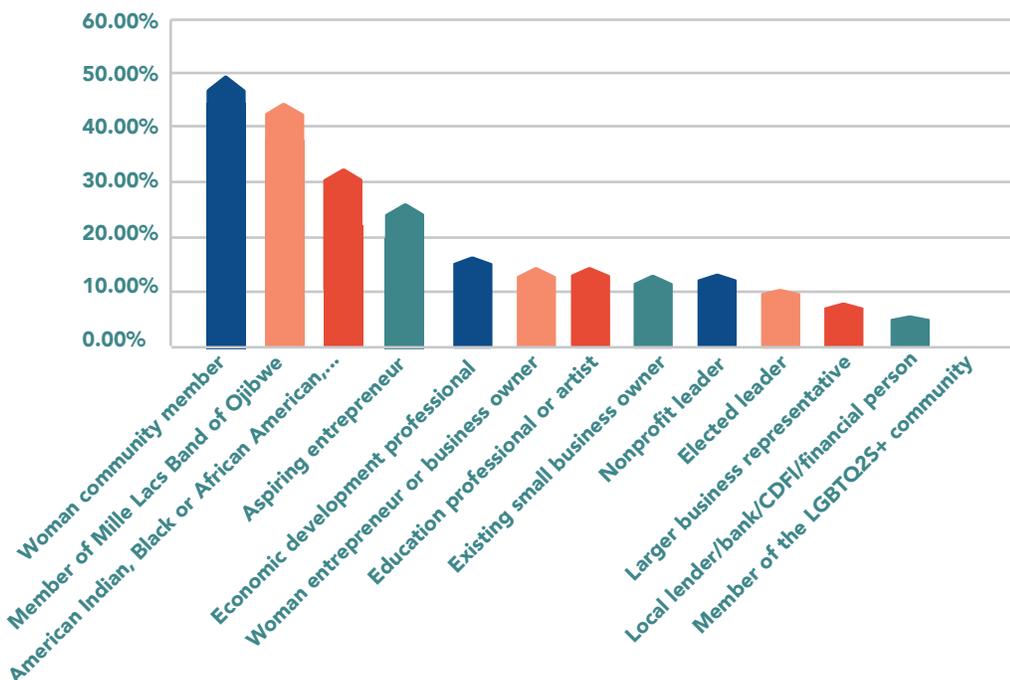
**Table 13: Date, Location, and Format of Focus Groups**

Date	Areas Targeted	Location
Jan. 6, 2021	Dist. 3 - Hinckley/Lake Lena/Sandstone	Virtual
Jan. 15, 2021	Dist. 1 - McGregor/East Lake/Isle	Virtual
Jan. 25, 2021	Dist. 2 - Vineland/Onamia/Wahkon	Virtual
Feb. 1, 2021	Dist. 2 - Vineland/Onamia/Wahkon	Grand Casino Mille Lacs, Vineland
Feb. 17, 2021	Dist. 1 - McGregor/East Lake/Isle	East Lake Community Center, McGregor
Feb. 24, 2021	Dist. 3 - Hinckley/Lake Lena/Sandstone	Grand Casino Hinckley
Mar. 9, 2021	All Districts	Virtual

The Principal Partner and Northspan sought to ensure broad community participation in the focus groups that reflected the input of Mille Lacs Band members, non-Band members, elected officials, established or aspiring entrepreneurs, potential service providers, and other members of the public. To help expand the reach of recruitment efforts, the Principal Partner hired three community coordinators, each of whom was dedicated to one of the Mille Lacs Band's districts and sought to recruit attendees to their respective districts' sessions. The coordinators received a stipend to support their outreach work.

In late 2020, the Principal Partner recruited the three community coordinators and brought them together with Northspan to plan for the focus groups. Together, the group devised the timeline for the sessions and brainstormed potential participants. The community coordinators recruited participants through the month of December. Once identified, participants completed a registration process that included a question on demographic information, an invitation to select the session that worked best for them, and a link to the community survey that also went out to a broader audience.

**Figure 1: Demographics of Focus Group Participants**



The focus groups were capped at 12 participants, though this limit was occasionally bent to accommodate participants who could not attend at other times. The meetings began with a cultural invocation by one of the community coordinators. After introductions and a review of the TEBI goals, Northspan presented economic and demographic data on the TE, results from the community survey, and gave an initial overview of the entrepreneurial resource guide. The focus groups then proceeded through two focused conversations on the vision and the mission of the TEBI. The complete focus group presentation, which includes the agenda, is available as Appendix 2.

## Community Survey

In order to build an understanding of community perceptions of the TE and the mission and vision of the incubator, Northspan administered a public survey preceding the seven focus groups. The survey aimed to reach TE community members and gather their thoughts on the cultural, economic, and regional potential and significance the TEBI may have, show the importance of entrepreneurship to the future of the economy, and position the TEBI for future grant funding opportunities. Responses to the survey were also integral in framing the mission and vision conversations held in the focus groups.

### DEMOGRAPHICS OF RESPONDENTS

Northspan collected demographics on the survey respondents to better understand the sample reached. While not entirely representative of the TE, the survey did reach a broad sample of the population. 174 people attempted to take the survey, though it did require that respondents live in a TE census tract, a stipulation that yielded 121 complete survey responses. Residents of the two census tracts aligning with District One of the Mille Lacs Band (Vineland, Onamia, Wahkon) accounted for the largest proportion of total responses with 48% of the total, while 29% lived in District Three (Hinckley, Sandstone, Lake Lena), and 23% lived in District Two (McGregor, East Lake, Isle).

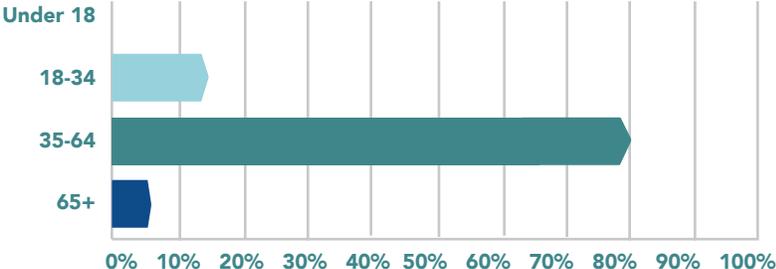
Respondents had the opportunity self-identify with a range of categories related to race, ethnicity, employment status, and status or aspirations as an entrepreneur. The results showed broad representation of both Native and non-Native residents and demonstrated a robust interest in business ownership. Many others, while not directly interested in owning a business, were employed in fields somehow adjacent to economic development or were community members with an interest in local business growth.

**Table 14: Categories with Which Respondents Self-Identified**

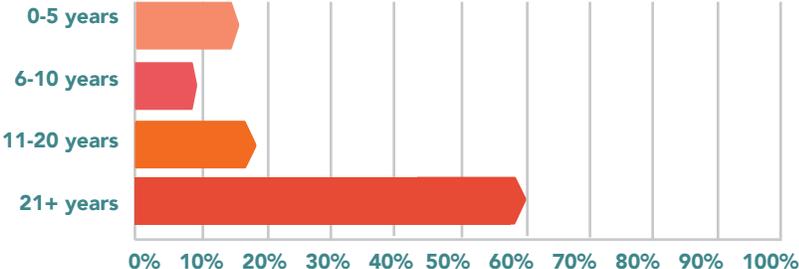
Member of Mille Lacs Band of Ojibwe	58.76%
American Indian, Black or African American, Hispanic/Latinx, Asian, and/or two or more races	44.33%
White/Caucasian	44.33%
Aspiring entrepreneur	19.59%
I own or operate a business or non-profit	12.37%
Woman entrepreneur or business owner	12.37%
Nonprofit leader (501c3, community action group, etc.)	10.31%
Existing small business owner (less than 25 employees ideally)	8.25%
Elected leader (city, county, township, tribal)	8.25%
Education professional or artist (teacher, school administrator, local artist)	6.19%
Economic development professional (city staff, EDA individual, business park manager, chamber of commerce, etc.)	5.15%
Member of the LGBTQ25+ community	5.15%
Veteran	4.12%
Local lender/bank/CDFI/financial person (insurance agent, real estate, etc.)	3.09%
Larger business representative (health system CEO, CEO of electric cooperative, etc.)	2.06%

As shown in Figures 2 and 3, a strong majority of respondents are of working age, and relatively few are younger. While this is not entirely representative of the TE population, the trend toward older working-age individuals is not surprising given the region’s demographics, and it reflects the likelihood that most people interested in a survey related to entrepreneurship and economic opportunity will be in their prime working years. The age distribution is likely in part responsible for the median household income and education attainments reported in Figures 4 and 5, both of which are markedly higher than in the Tribal Economy as a whole.

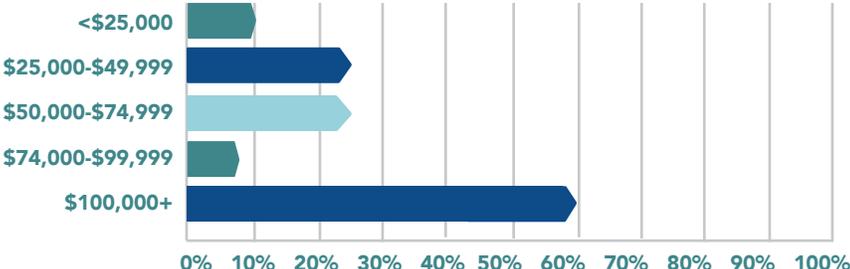
**Figure 2: Age Distribution of Survey Respondents**



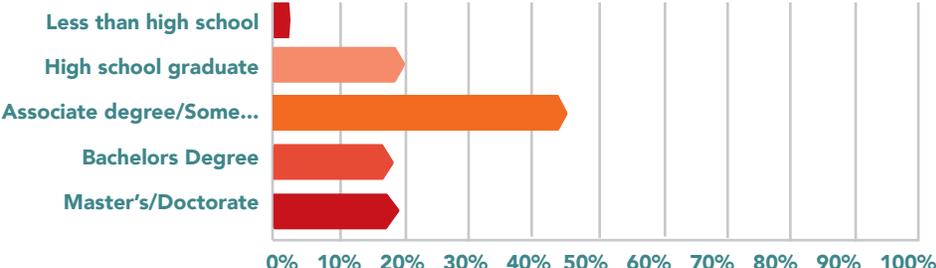
**Figure 3: Respondents’ Tenure Living in the Tribal Economy**



**Figure 4: Median Household Income of Respondents**



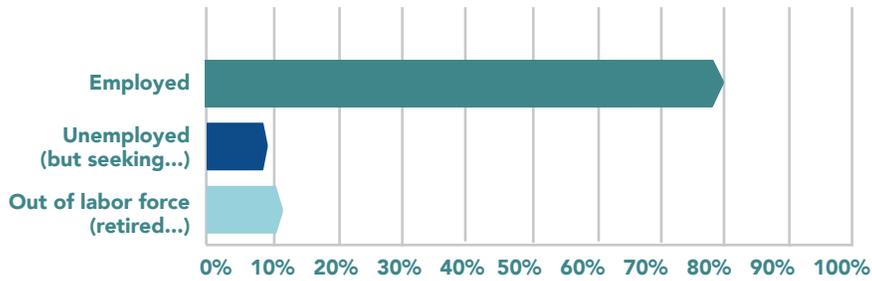
**Figure 5: Educational Attainment of Respondents**



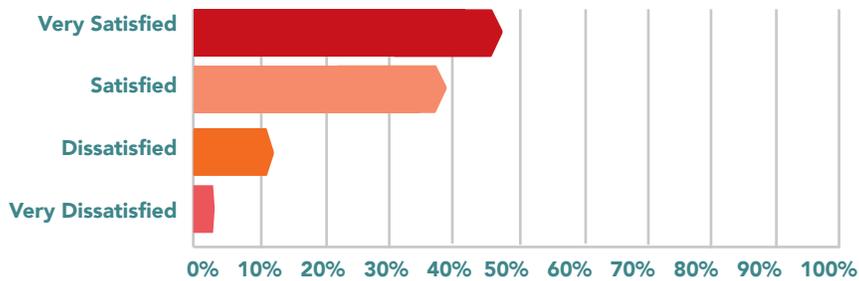
## EMPLOYMENT STATUS OF RESPONDENTS

Northspan also collected information on the employment status of survey respondents, which are shown in Figures 6-9. Predictably, given the age groups reached by the survey, over 80% of respondents were currently employed. The survey did collect a fairly representative sample of unemployed individuals, while it had fewer respondents who are out of the labor force than the total population. Respondents reported high job satisfaction, relatively high job security, and general satisfaction with benefits, though the higher-income survey sample may fail to capture dissatisfaction from area residents who do not enjoy lucrative or stable careers.

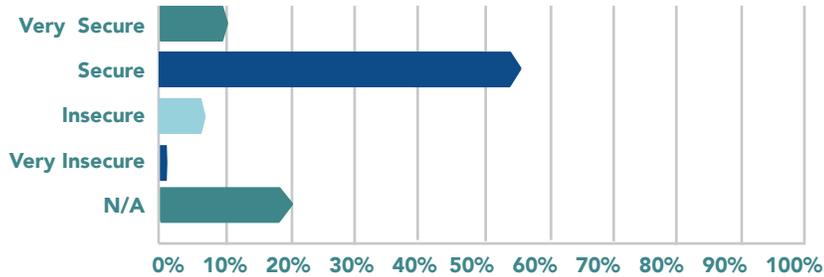
**Figure 6: Employment Status of Respondents**



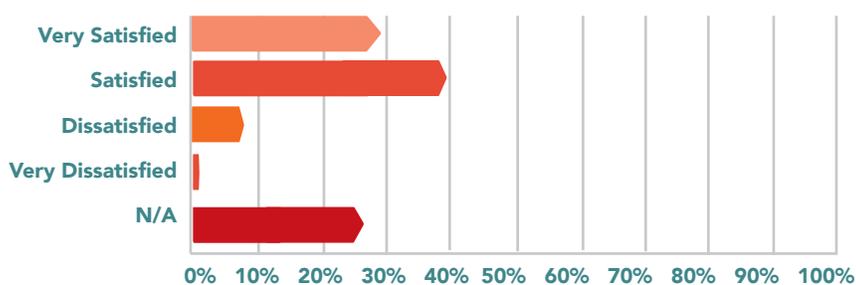
**Figure 7: Job Satisfaction of Respondents**



**Figure 8: Job Security of Respondents**



**Figure 9: Satisfaction with Benefits of Respondents**



Finally, the Northspan survey asked about the effects of the Covid-19 pandemic on respondents' employment. As shown in Table 15, the disruptions created by the pandemic were profound in the TE, with more than one in three respondents facing some kind of economic disruption. Relatively even proportions of the affected population were laid off or furloughed, saw their pay or hours reduced, or chose to leave the workforce. Recovery from these dislocations will be vital to the near-term stability of the TE.

**Table 15: Effects of Covid-19 on Respondents' Employment**

No Effect	65.6%
Laid off or Furloughed	13.5%
Reduced Hours/Pay	11.5%
Chose to Leave Workforce (Safety Concerns, to Care for Family, etc.)	9.4%

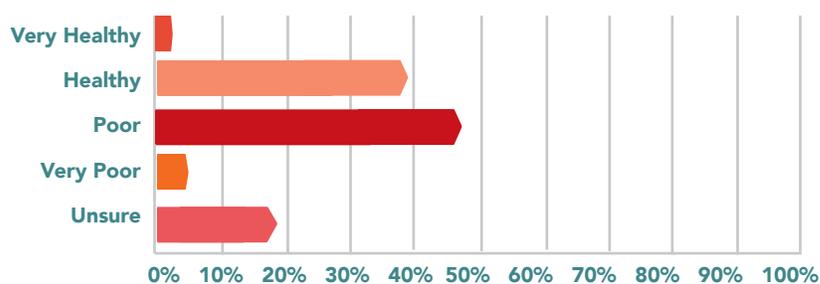
## Perceptions of the State of the Tribal Economy

The community survey asked respondents to rate various aspects of the Tribal Economy. Data from the surveys was presented at the focus groups, where participants had the opportunity to agree or disagree with the survey results and share additional context. Their comments helped show where community perceptions align with the economic data and how the community interacts with existing economic resources in the region.

### OVERALL HEALTH OF THE TRIBAL ECONOMY

Survey respondent opinions on the health of the Tribal Economy were quite divided, with a plurality labeling it as "poor," but "healthy" emerging as the second most frequent response. Focus group participants generally agreed that this distribution of responses provided a fair assessment of the regional economy. They generally argued that the region has successful businesses but has too many empty storefronts. "The data doesn't lie," one participant commented. Others added that one's perspective will vary based on where one lives within the TE, and when taken in context of other tribal economies around the country. Several participants claimed there is inconsistent investment in different Mille Lacs districts, noting that Hinckley is showing more business activity and growth than Onamia and Wahkon. Another frequently mentioned topic regarded the many vacant Mille Lacs Band-owned commercial buildings and how those could be better utilized.

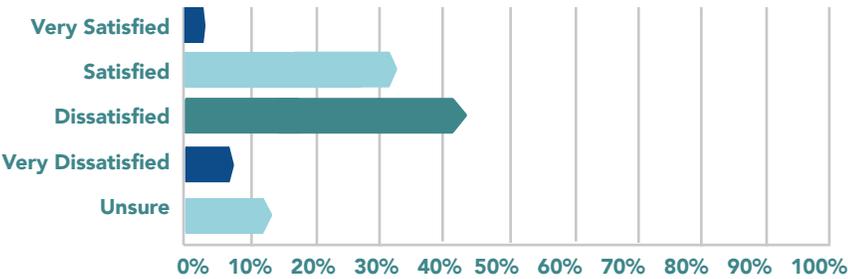
**Figure 10: Ratings of the Overall Health of the Tribal Economy**



### EMPLOYMENT OPPORTUNITIES IN THE TRIBAL ECONOMY

Opinions on employment opportunities in the TE were similarly divided. Several focus group participants expressed frustration with high barriers to employment with the Mille Lacs Band itself, with critiques including excessive job requirements, a lack of advancement opportunities, and perceptions of needing connections to advance. Focus group attendees representing large employers said they are always trying to hire, but that housing, transportation, and professional development are consistently major issues. There are good jobs in the region, participants argued, but they are limited in variety, and frequently involve too many barriers for access. Specific concerns include driver’s license requirements for positions that do not require driving, many years of experience required, challenges for those with criminal backgrounds, and perceptions of nepotism or needing to have established networks to find a position.

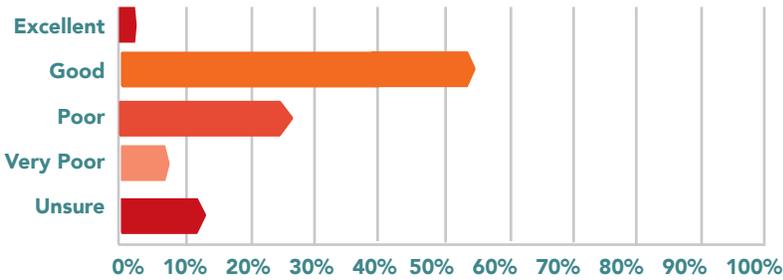
Figure 11: Rating of Employment Opportunities in the Tribal Economy



### PHYSICAL INFRASTRUCTURE IN THE TRIBAL ECONOMY

In contrast to the questions around the economy, survey respondents generally thought the physical infrastructure of the TE, including highways, utilities, phone service, and internet access, was relatively good. Those who did rate the infrastructure as poor generally did so due to a lack of quality broadband, a response that emerged repeatedly among focus group participants as well. These participants also highlighted divides within the TE, noting that places such as East Lake were not as well-served as others. Another complaint focused on zoning and a potential lack of quality land for commercial uses.

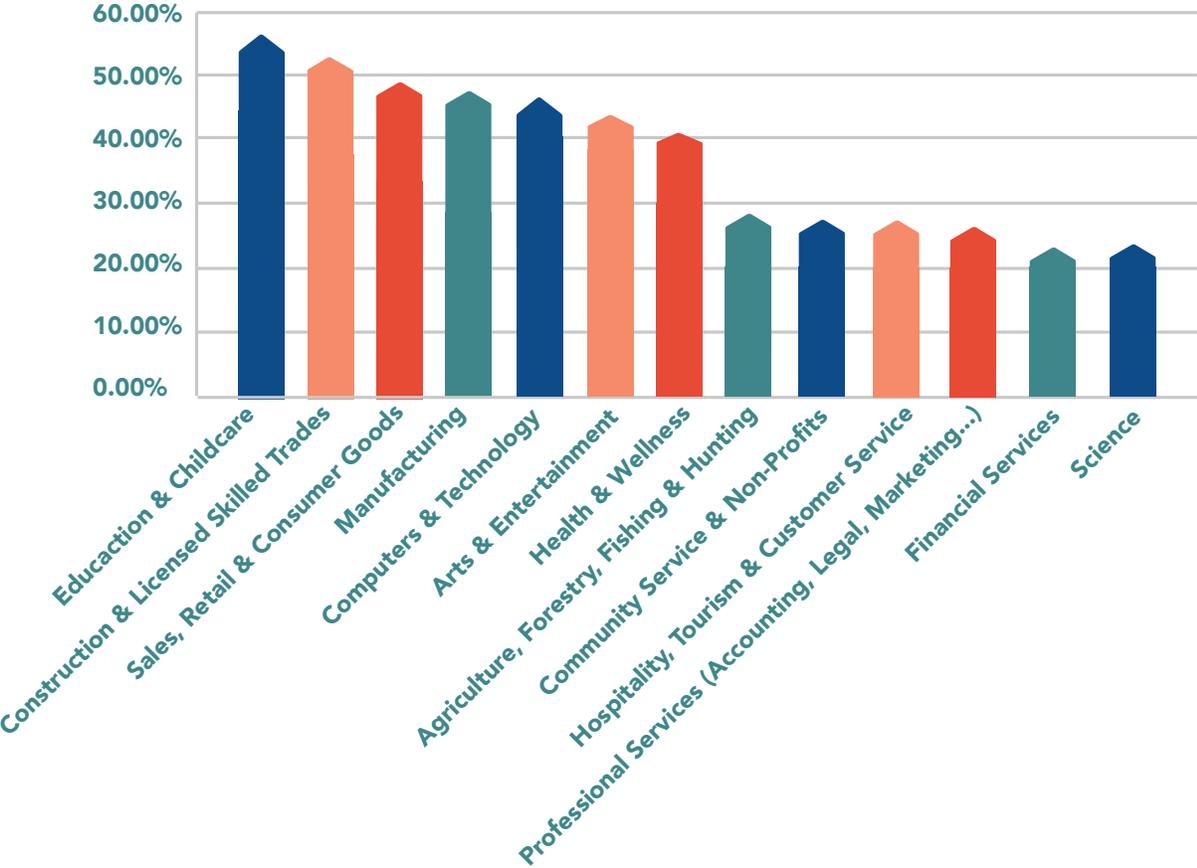
Figure 12: Ratings of Physical Infrastructure in the Tribal Economy



### OPPORTUNITIES FOR NEW TYPES OF BUSINESSES

Community survey respondents had wide-ranging opinions on the types of businesses that the TE could stand to add. Education and child care ranked at the top of the list, a response that likely reflects the acute child care shortages in many parts of Minnesota. Construction and licensed and skilled trades also ranked highly and focus group attendees spoke to their struggles in finding tradespeople to complete repairs to their homes or businesses. Many of the other frequent responses align well with emerging industries in the regional economy, including retail trade, manufacturing, technology, and health and wellness. Welcoming spaces for youth and opportunities for training, as well as housing, received mention as opportunities for the area. Other responses highlighted retail prospects such as grocery, hair salons, laundromats. Another interesting point was made regarding the lack of businesses with an online presence with the opportunity to scale up.

**Figure 13: Businesses the Tribal Economy Needs More Of**





# Practical Vision

From the survey and focus group conversations, an answer to the question, “What do you want to see in place in 3-5 years as a result of Mille Lacs Tribal Economy Business Incubator (TEBI)?” emerged. A full list of categorized responses is available as Appendix 3.

The recommended TEBI practical vision for the area served is to have:

1. More Businesses
2. Small Business Development Consulting
3. Networking
4. Available Training
5. Quality, Affordable Commercial Space
6. Accessible Funding
7. Necessary Infrastructure
8. Supportive Policymaking
9. Youth Opportunities

**Table 16: Frequency of Responses for Practical Vision in Survey and Focus Groups**

257 RESPONSES		
Categories	#	%
More Businesses	64	25%
Small Business Development Consulting	45	18%
Networking	31	12%
Available Training	28	11%
Quality, Affordable Commercial Space	27	11%
Accessible Funding	21	8%
Necessary Infrastructure	18	7%
Supportive Environment	12	5%
Youth Opportunities	11	4%

The practical vision shows a desire for a robust support network for entrepreneurs in the TE. While the ultimate goal may focus on creating more businesses, participants recognized the need for consulting, networking, and training opportunities to increase the odds of business success. With these elements in place, participants tended to agree that workable spaces and necessary funding would fall into place.

Two final themes, supportive policymaking and youth opportunities, did not appear strongly in the survey data but emerged from the focus groups. Local regulations such as zoning were a component of the policymaking aspect, but several participants went further, noting past challenges in collaboration between Native and non-Native populations in the TE, saw the TEBI as a potential opportunity to bridge barriers and help guide leaders of all backgrounds toward greater common ground; one participant noted that a focus group was the first time these groups had been brought together in a constructive manner in his memory. Concerns about opportunities for local youth also emerged as a theme, leading to discussions on opportunities for mentorship, apprenticeship, and activities that could lead to careers in area businesses.

# Mission

The survey and focus group conversations also sought to answer the question, “What innovative actions or efforts can Mille Lacs Corporate Ventures and its partners in the Tribal Economy Business Incubator (TEBI) do or take to move us toward your vision?” A full list of categorized responses is available as Appendix 4.

The recommended TEBI mission is to:

- 1. Provide Connections to Small Business Development Consulting and Training
- 2. Initiate Support Systems and Accessible Funding Options
- 3. Create and Advertise Opportunities for Peer Learning
- 4. Offer Quality, Affordable Commercial Space

**Table 17: Frequency of Responses for Mission in Survey and Focus Groups**

179 RESPONSES		
Categories	#	%
Provide Connections to Small Business Development Consulting and Training	65	36%
Initiate Support Systems and Accessible Funding Options	60	34%
Create and Advertise Opportunities for Peer Learning	31	17%
Offer Quality, Affordable Commercial Space	23	13%

As with the discussions around the practical vision, the mission conversation homed in on connections and support systems that could give entrepreneurs the resources they need to succeed. While physical space for a business did emerge as a theme, several focus group participants also emphasized the changing nature of the global economy. With greater economic activity taking place online, several emphasized the importance of selling an experience of the entrepreneurs themselves for success, rather than expecting growth to come from businesses selling commodities. Strong networks for both formal training and less formal networking and learning from others who have gone through similar processes repeatedly emerged as major opportunities.

# Entrepreneurial Resources Guide

A network of support is an essential component of entrepreneur success, and access to these resources can be the difference between life and death for a new business. While the TEBI process brings together several partners to support local businesses, a range of additional resources are already available in parts or all of the TE.

Survey work, however, raised some concerns about these resources and made the need to gather more information on them apparent. In the community survey completed as part of the engagement process, respondents frequently rated support offerings in the region as “poor,” and for every category sampled, the number of responses saying “poor” or “very poor” exceeded those who said “good” or “excellent.” The highest combined “good” and “excellent” rating came in workforce development, where these options only added to 27% of all responses.

In the eyes of the respondents, the existing entrepreneurial resources are clearly deficient.

**Table 18: Community Survey Responses on Regional Entrepreneurship Environment**

	Excellent	Good	Poor	Very Poor	Unsure	Total
Entrepreneurial or business start-up environment	2.47% 2	14.81% 12	40.74% 33	16.05% 13	25.93% 21	81
Entrepreneur training offerings	2.50% 2	13.75% 11	42.50% 34	15.00% 12	26.25% 21	80
Entrepreneur technical assistance (e.g., business plan assistance, business coaching, financial literacy coaching)	2.50% 2	15.00% 12	37.50% 30	21.25% 17	23.75% 19	80
Entrepreneur financing options	2.47% 2	16.05% 13	29.63% 24	20.99% 17	30.86% 25	81
Access to affordable commercial space	2.47% 2	8.64% 7	38.27% 31	23.46% 19	27.16% 22	81
Quality of available commercial space	2.47% 2	11.11% 9	38.27% 31	20.99% 17	27.16% 22	81

A large number of “unsure” responses, however, suggests that many residents of the TE may be unaware of the business resources that already exist to assist them, and that some of the negative perceptions of resources available may stem from a lack of information. Therefore, Northspan conducted a survey of entrepreneurial resources in the TE to determine the services and trainings that are already available to new or growing businesses in the region. The survey received 28 responses from 26 unique organizations, and Northspan later used available information and existing relationships to gather information on an additional 16 organizations for inclusion in the final Entrepreneurial Resource Guide.

The Entrepreneurial Resource Guide exists as a standalone document that MLCV and its partners can use to highlight sources of business support across the TE. The document includes data on services, training offerings, and costs for services for all organizations. It is included in this report as Appendix 5. An interactive digital version of this guide is also available at <http://bit.ly/TEBIResources>.

## Demographics of Those Served

The Principal Partner requested that Northspan explore the demographics of those served by the surveyed organizations. While many were unable to share full details due to data privacy, 72% of respondents indicated that they have some knowledge of their clients’ demographics, and 52% said they track it formally. Of all respondents, 44% said they are certain Mille Lacs band members use their services, while 52% were unsure, leaving only 4% as certain they were not serving band members. On the surface, the survey results demonstrate strong program penetration into the TE.

Organization-specific data, however, paints a more complicated picture. Seven respondents, which were mostly larger organizations with service areas that extend far beyond the TE, submitted recent annual reports or other documentation that provided demographics on organizations served. Several of the organizations covering a broader swath of central Minnesota reported that about 3% of their clients are people of color, which falls short of the regional population of 7.6%. Moreover, limited evidence shows that the reach may be even weaker in the TE, where the population of color is significantly higher than in the region. Only one organization reported racial data by county, and it served no people of color in the TEBI counties.

The survey suggests there is, at least on some level, an engagement gap with entrepreneurial resource providers in the TE. There is, however, some evidence that more targeted outreach can yield stronger results. Two organizations highlighted several specific initiatives they have undertaken with the Mille Lacs Band, and one organization that makes entrepreneurs of diverse backgrounds part of its mission reaches over 50% of people of color. To more fully serve the TE, resource providers may need to undertake targeted outreach instead of expecting the same methods they use with other populations to yield the same results. Partners such as MLCV can also help to bridge the gap by providing information, a process in which the dissemination of the Entrepreneurial Resource Guide will prove a key first step.

# MARKET STUDIES

One component of the TEBI initiative was the completion of several market studies to explore the market potential for several properties held by the Principal Partner. These properties have largely outlived their former uses, and the Principal Partner now seeks to potentially repurpose them as part of the business incubator process. To determine the viability of the incubators in each location, MLCV contracted with Maxfield Research to complete market studies for four properties. The complete studies are available in Appendices 6-9.

Two additional properties, one in the East Lake community and one in the Lake Lena community, are also on the table as potential future incubator locations. At this point, the report only considers the four completed assessments.

**Table 19: Market Studies Completed by Maxfield Research**

Address	City	Potential Use
109 Weber Ave S	Hinckley	Arts/Commercial Business Incubator
810 Highway 47	Isle	Commercial/Industrial Business Incubator
40995 US Highway 169	Kathio Twp.	Mixed Use Commercial/Rental Housing
500 W. Main St.	Onamia	Commerical Business Incubator

# Summaries

While the complete studies are available in Appendices 6-9, this portion of the report summarizes their highlights.

## **HINCKLEY ARTS AND COMMERCIAL BUSINESS INCUBATOR**

The Hinckley property under consideration for an incubator is a 2.5-acre site that features a 1,212 square foot building and a 2-story, 18,000-square foot commercial building that currently hosts three tenants. The property, collectively known as the "Hinckley Mill Place Site," sits across a parking lot from the Tobies complex, which forms the core of a commercial cluster frequented by travelers between the Twin Cities and Duluth. The backside of the property fronts Interstate 35, and an exit just to the north provides easy highway access to the property. The Maxfield reports highlights a number of potential uses for the property based on demographics, the surrounding trade area, retail sectors, and leakage from the market. See Appendix 6 for the complete report.

## **ISLE COMMERCIAL/INDUSTRIAL BUSINESS INCUBATOR**

The Isle property consists of three individual parcels totaling 7.3 acres located on near the southeast corner of Highway 47 and Superior Street in Isle, Minnesota. The site is the former location of three businesses: a bait shop, a bar & grill, and an 8-unit motel. All buildings were demolished in 2017. Based on information from Hy-Tec Construction, there are presumed scared burial artifacts located on the southwestern portion of the property. Recently, MLCV developed plans for a 7,440 square foot bread production facility to be located on the site; however, those plans are no longer being considered. The Maxfield report recommends a flex building with 14'-16' ceilings, a showroom, and/or office space as a possible development for the site. See Appendix 7 for the complete report.

## **KATHIO TOWNSHIP MIXED USED COMMERCIAL/HOUSING REDEVELOPMENT PROPERTY**

The Kathio Township property is a 6.5-acre site that currently features a Tesoro gas station and a Subway restaurant. The property has high visibility from U.S. Highway 169 as it skirts the western shore of Mille Lacs Lake between the cities of Onamia and Vineland, but it is undeveloped beyond the existing structure. The Principal Partner's concept for the property involves its complete redevelopment and the construction of a mixed-use building that includes both retail space and apartments. The Maxfield report estimates the property can capture approximately 6,560 square feet of retail space over a five-year period and offers initial projections on rental rates necessary to provide cash flow from the housing units. See Appendix 8 for the complete report.

## **ONAMIA COMMERCIAL BUSINESS INCUBATOR**

The Onamia site is a 3,250 square foot developed site, with a 4,650 square foot multi-level commercial building located on the City of Onamia's Main Street. The site is located approximately one-half mile west of Highway 169, which is a major north-south corridor throughout the state. The building has a basement and main floor (both 2,325 sq. ft.), and the Principal Partner intends to rehabilitate it into a business incubator space. Potential target business segments noted by the Maxfield Report include retail stores, professional services, and business ventures that capture leisure/hospitality sales or serve a major employer in the area, such as the school district or a health care system. See Appendix 9 for the complete report.

# Trends and Highlights

While the complete market studies are available in Appendices 6-9, this report identifies several prominent trends across the four studied properties to emphasize certain aspects of the sites' potential. The Maxfield reports reinforce the economic and demographic findings of this report and help the TEBI planning process to home in on specific, most relevant uses for the properties.

## BASIC DEMOGRAPHICS AND SPENDING PATTERNS

The demographic analysis of the Maxfield report aligns with trends observed in the TE demographic data in this report. The largest age cohort within each of the target site's primary market areas is the Baby Boomer generation (ages 55 to 64). This cohort is likely to see increased growth within the primary market area. Increased growth in the 65–74-year-old category is also expected in the primary market area. Middle-age and younger populations are expected to see modest growth. The report also projects growth in the higher income brackets, specifically for earners making between \$100,000 and \$199,999 annually. Household growth in these higher-income brackets suggests that there will be more demand for discretionary retail goods and services (e.g., dining, home furnishings, specialty apparel, recreation, sporting goods, luxury items).

## TRAFFIC COUNTS AND COMMUTER TRENDS

In addition to the spending patterns of existing residents, the TE generates significant economic activity from non-residents who pass through it. Traffic counts and commuting patterns provide some insights into the region's potential ability to capture spending from non-residents.

Table 20 provides traffic count data for each of the four sites. The Hinckley and Kathio Township properties, which benefit from their immediate proximity to the I-35 and US 169 corridors, enjoy major amounts of traffic and could benefit from their potential for high visibility. The Onamia and Isle properties, on the other hand, do not see major traffic counts. While this does not discount their viability as commercial sites, it does suggest they may be better suited for uses that do not require high visibility.

**Table 20: Average Annual Daily Traffic**

Location	Average Annual Daily Traffic
Hinckley (Fire Monument Road)	12,100
Hinckley (I-35)	16,300
Isle	1,800
Kathio Twp.	9,000
Onamia	3,000

Source: Maxfield Research, 2021.

An analysis of commute patterns in the market areas showed all four communities are net importers of workers, meaning there are more workers who commute into the area than there are residents commute out of the area. Table 21 shows the community inflow and outflow for the primary market areas, plus their interior flow, which measures the number of workers that both live and work within the community. The trends likely reflect the presence of several major regional employers in the TE, including the two casinos and a federal prison. This inflow of workers shows that the commercial potential of these sites may exceed the potential that emerges from any studies that focus strictly on the demographics of residents. These commuters who work in the TE but may not live within it are additional potential sources of entrepreneurship within the economy.

**Table 21: Commuting Inflow/Outflow Characteristics, Measured in Number of Workers**

Site Primary Market Area	Commuting Outflow	Commuting Inflow	Interior Flow
Hinckley	623	2,037	230
Isle	307	372	59
Kathio Twp.	1,643	2,920	1,200
Onamia	343	816	42

Source: Maxfield Research, 2021.

## RETAIL SALES TRENDS

Retail within Mille Lacs County experienced strong sales growth from 2010 to 2014. Sales activity decreased in 2015 and 2016, before climbing 3.7% in 2017 and 3.7% in 2018, echoing sales trends found throughout the state of Minnesota. In Pine County, sales growth increased from 2010 to 2012, but sales activity decreased in 2013, 2014, and 2015, before climbing 8.9% in 2016, 4.8% in 2017, and 5.4% in 2018. These trends suggest continued room for growth in coming years.

Another method to determine a retail market’s potential analyzes its surplus and leakage. Areas of surplus refer to retail establishments that see more customers coming into the area than there are households. On the other hand, leakage represents customers purchasing goods and services outside of the area. For the primary market area encompassing all four sites, Maxfield identified the following retail surplus and leakage trends:

**Table 22: Retail Surplus and Leakage for Studied Market Areas**

Top Surplus (All Sites)	Top Leakage (All Sites)
Gas Stations	Furniture & Home Furnishings
Food Services & Drinking Places	Electronics
Sporting Goods	Specialty Food Stores
	Clothing/Clothing Accessory
	Book/Music Stores

Source: Maxfield Research, 2021.

The surplus data likely reflects the status of the TE as a tourism destination, as many non-residents visit or pass through the area and make use of its gas stations, restaurants, and specific shopping opportunities. The leakage data, on the other hand, shows numerous potential opportunities for growth.

## ESTABLISHMENT BIRTHS AND DEATHS

The Maxfield market studies analyzed the births and deaths of businesses in the TE in the sectors targeted for each incubator. According to the reports, a “birth” represents a business startup and is defined as “establishment with positive third month employment in the current quarter and zero employment in the prior four quarters.” Business establishment “deaths” are defined as “establishments with positive employment in the previous quarter and zero employment in the subsequent four quarters.”

**Table 23: Establishment Births and Deaths in Studied Market Areas., 2010-2019**

Site	Industry Sector	Establishment Births 2010-2019	Establishment Deaths 2010-2019	Net Change 2010-2019
Hinckley	623	2,037	2,037	230
Isle	307	37	372	59
Kathio Twp	1,643	2,920	2,920	1,200
Onamia	343	816	816	42

Source: Maxfield Research, 2021.

The birth and death data in Table 23 show positive trends in the Hinckley and Isle markets, with steady retail and leisure and hospitality growth in the Hinckley area and robust industrial growth in the Isle area. The trend is somewhat murkier for office uses, which have declined modestly in the Onamia market. While this decline does not preclude the development of additional office space, it does emphasize the value of identifying potential future tenants and designing the space to meet evolving needs within the industry.

## COMMERCIAL LEASE DATA

The reports also collected commercial lease data that shows the market for the three incubator sites with intended business uses. The lease rates in the TE tend to be lower than they are in more urban areas, with costs coming in somewhat below St. Cloud rates and drastically below Brainerd rates. The lease rates show the relative affordability of commercial in the TE, though they can also create challenges for developers' cash flow if they seek to build new or renovate existing commercial buildings.

**Table 24: Commercial Lease Rates by Location**

Location	Price per Square Foot	Lease Type
Hinckley	\$12-\$14	NNN
Isle	\$10.75 (office); \$5.75 (warehouse)	NNN
Onamia	\$10-\$12	Gross
St. Cloud	\$16.50	NNN
Brainerd	\$28	NNN

Source: Maxfield Research, 2021.

## TEBI PROPERTY SCOPES OF WORK

Hy-Tec, a Brainerd-based construction company, toured the four proposed incubator sites, completed architectural renderings for the properties, and developed a complete scope for each of the construction projects. These scopes are available as Appendices 10-13.

# TEBI Property Proformas

In order to assess the development and economic sustainability of the TEBI, Neighborhood Development Center created proformas for the four proposed incubators. These proformas are available as Appendices 14-17.

Based on the assumptions generated for these proformas, all four incubators are viable with some level of grant funding. Thanks to the on-site car wash unaffiliated with the incubator, the Kathio Township mixed use development cash flows in its first year and generates a positive internal rate of return with grant funding that totals over \$800,000. The Hinckley incubator requires a larger grant award as a percentage of the project, but in absolute size is somewhat smaller than the Kathio Township development at \$460,000. The Onamia building, while the smallest project in scope, relies on a grant of \$462,000, or over 90% of the project cost; while it has a negative internal rate of return, projections suggest it can cash flow with grant funding and 100% occupancy. Financially, the most challenging incubator is the Isle site, which requires new construction and over \$2 million in grant funding, which covers both the entirety of the construction costs and the small annual loss projected for the facility once operational.

Together, the four projects leverage just over \$7 million in grant funding for \$8.5 million in total construction costs, or about 83% of the total project cost. The TEBI's required subsidy is comparable to many incubator projects funded by the federal Economic Development Administration; to date, all projects funded in 2021 have involved at least 70% federal funds, and some have required larger grant investments than the TEBI.

## Funding Sources Matrix

Neighborhood Development Center created a matrix outlining potential funding sources for the entire TEBI programs. This document is available as Appendix 18.

## Policies & Procedures for Facility Operations

This section, developed by Neighborhood Development Center, outlines several policies and procedures for TEBI operation.

### Client Selection Policy and Selection Criteria

Several factors will be considered including:

1. The mission of the TEBI to foster the development of local entrepreneurs within the Mille Lacs Tribal Economy in east central Minnesota.
2. TEBI aspires to build a robust entrepreneur ecosystem of resources, to create greater industry diversity in the regional economy, and to help underrepresented people better participate in the economy and build wealth, especially Mille Lacs Band members. This second criteria shall take into consideration if any special preference shall apply to an applicant.

3. Prospective tenant has successfully completed The Enterprise Academy training class offered by the TEBI Operating Partner and has a completed viable business plan that has been reviewed and approved by the TEBI Operating Partner.
4. Prospective tenant has approved financing provided by the TEBI Operating Partner or another lending institution that will be necessary to open and operate business in TEBI incubator.
5. Prospective tenant would add to the current mix in a manner that adds business synergy with other tenants and improves customer experience.
6. Prospective tenant submits application with required attachments (included in Operations Handbook).

## Approval Process

Approval process will be as follows:

### **a. CONCEPT APPROVAL**

*Selection criteria #1 and #2*

*Completed by TEBI Principal Partner*

### **b. DUE DILIGENCE – INITIATIVE FOUNDATION TA TEAM OR SIMILAR GROUP**

*Selection criteria # 3 and #4*

*Completed by the TEBI Operating Partner*

*Review includes:*

- *Business plan, including operations, sources and uses, and cash flow projections for first year and strengthen as necessary*
- *Personal and business financial situation, including Personal Financial Statement, credit report, previous year tax return (if available), and work on ways to strengthen as necessary*
- *Financing needs and options*
- *Business opening plans to ensure adequate build out and start-up plans and resources*
- *Establishment of initial TA plan*
- *Connection to options for build out and start-up financing*

### **c. FINAL APPROVAL**

*Selection criteria #5 and #6*

*Completed by TEBI Principal Partner*

## Client Agreement

A copy of NDC's service agreement enumerating the services to be provided is available as Appendix 19.

## Policy Overviews

TEBI will provide support to its tenants in the following ways:

- A. Affordable rents, relative to the tenant's reasonable business revenues
- B. Flexible space which allows for growth
- C. On-site office/business services, such as copier, adequate wi-fi, small and large meeting rooms, breakout rooms, etc.
- D. Networking and peer support
- E. On-site or as-arranged business technical assistance. TEBI Principal Partner will team with the TEBI Operating Partner and other appropriate partners to provide up-front and ongoing technical assistance to its tenants, including but not limited to:
  - 1. Legal advice and guidance
  - 2. Accounting set up advice and guidance
  - 3. Marketing assistance, including branding, POS set up, social media and web design and networking
  - 4. Business opening assistance, including assistance with business plan adjustments, floor layout and design, financial planning and management, assistance with government permits and requirements, etc.
  - 5. General business management advice as needed
  - 6. Mental health for entrepreneurs resources
  - 7. Connection to potential customers

## Staffing Plan

There are two levels of incubator staffing required to support the TEBI:

**1. PROPERTY MANAGEMENT** – This is an existing capacity of TEBI Principal Partner as it currently operates numerous properties successfully. The main difference with doing property management for an incubator is the overlapping considerations of the mission of the incubator and normal property management practices. This will call for a modified set of enforcement practices and more proactive offering of business resources. For example, if a tenant is late on their rent, rather than standard notices to pay, a connection will be made to discuss the issues and offer resources and help to improve the tenant's situation.

**2. BUSINESS TECHNICAL ASSISTANCE** – This is an existing capacity of the TEBI Operating Partner as they already offer entrepreneurial training. Through a partnership, they will provide training classes and access to their financing. Other partner organizations will be sought to build out the TA that is available to tenants. See Appendix 20 for a TEBI Technical Assistance Elements Chart.

While neither of these staff levels need to be on-site full time, both need to be present and available regularly and as needed.

# Client Graduation Policy

Although this is a common incubator policy, TEBI will not require “graduating” incubator tenants out of its buildings, unless it makes sense for that tenant. Because the mission includes a longer path to profitability and growth for some entrepreneurs than others, the “graduation” of some tenants will be on a case-by-case basis. In some cases, they may benefit from remaining in the incubator for many years while still operating a viable business and benefiting the community and the overall mission. Having a fixed graduation or exit policy would ignore that reality. Furthermore, any retail or public-facing tenant could be harmed by leaving the incubator space due to the mix and synergy of the businesses located there.

# Policies & Procedures for Programs, Training, Services, and Impact Measurements

Program scheduling for entrepreneur development and training (Entrepreneur Journey Map)

**A typical timeline for the community entrepreneur can look something like this:**

### Over many months and years:

- Talent, interests, skill and passion develops over a lifetime, cradle to grave
- Experience with the skill – on the job, on the side
- Business role models to plant a seed to build confidence and provide encouragement (with potential help from the TEBI)
- Basic business dream and concept forms
- Search for information and resources

## Months 1-6 of Business start-up process

### BUSINESS PLANNING & LEARNING:

- 11-week Plan It small group training with Initiative Foundation
- One on one meetings with instructor
- Review of credit score and consider steps to repair
- Write the business plan, research competition, pricing, sourcing, sample build out plan, opening sources and uses of cash, cash flow projections, etc.

### ONE-ON-ONE TA & LEARNING – from IF and other partners

**SEARCH FOR SPACE –** starting with TEBI incubator options, but include other options for space in the Mille Lacs Band’s communities.

**DON’T SIGN A LEASE YET!**

## Months 7-12

**FINALIZE BUSINESS PLAN**, with lots of input from the trainer - know it inside and out!

**BUSINESS FINANCING** – assemble loan package and submit to IF or other lending partners

**SIGN A LEASE** in a TEBI incubator or elsewhere in the community, after the TA provider and an attorney have advised on it.

**START-UP PROCESS** with more TA and learning

- layout – architect or self-designed
- building permits
- Contractor build-out
- FF&E purchased and installed
- On-line presence launched
- Hire staff
- Bring in inventory
- Trial runs / pop ups
- Soft opening
- Grand opening
- Don’t forget to keep books up to date from Day One!

## Year Two

### MORE TA & LEARNING

**INCREASE ON-LINE & IN-PERSON VISIBILITY & BRAND**

**SALES GROWTH**

**ADD EMPLOYEES**

## Year Three and Beyond

### KEEP LEARNING!

**SURVIVE TOUGH TIMES & EXPERIENCES**

**MORE SALES GROWTH**

**ADD EMPLOYEES IF NEEDED**

**POSSIBLE NEED FOR MORE OR DIFFERENT SPACE**

## What should an entrepreneur expect to give/experience during any of these time periods?

**Hours:** What should an entrepreneur want to know about time commitment up-front? On average we see 40-60 hours to complete a business plan, which is in addition to the in-class time of 22 hours.

**Pay:** Should entrepreneurs expect to get paid during any of these months? Or should they expect to work fulltime while also launching their business? This depends on the type of business, household budget, whether they seeking a loan, and other potential considerations.

NDC does not encourage startup entrepreneurs to quit their jobs or main source of income. They find that during the training class sessions most students who have jobs/income continue that well into the launch/open, unless the business will immediately cover their necessary living expenses after business cost.

- **OUT OF POCKET EQUITY** – should an entrepreneur expect to contribute savings/money towards the start-up of their business? NDC encourages entrepreneurs to bring 20% owner’s equity into a loan package for their business, but many can’t do that. NDC does expect some level of investment from their own pocket, customized to their means and to the size of their loan request. This is one of many ways to see the commitment of the entrepreneur to their own dream, but ultimately, it is a decision for the lending partner.

## Staffing Recommendation to Support Technical Assistance:

TEBI and IF intend to use both in-house TA providers and a group of TA consultants to support their community entrepreneurs in our incubators and beyond. Please see attached TEBI TA Elements (Appendix 20) and TA Service Agreement (Appendix 19) for sample listing of possible services and sample of TA contract. Please see attached TEBI Program Budget for sample TA expense and staffing recommendations.

## Recommendations for Ensuring TEBI Operates Efficiently

The key to ultimate success with this program will include tying incubator services and small business development into property and asset management, with both customized and adapted to the real-life situations and capacities of the community entrepreneurs the incubator is serving and developing. This will require that the Principal Partner’s TEBI team works closely with the team from the Initiative Foundation and any other key partners, including during all stages of program and incubator development and implementation.

These Implementing Partners have already been working closely together, designing the initiative and actually launching the IF’s Enterprise Academy training classes in Brainerd. Mille Lacs Band tribal members actually constituted over half of the IF Fall 2020 class, which was taught by staff members of the Brainerd SBDC office. Three of these graduates are already open for business. This early-stage cooperation between the Operating Partner, Principal Partner, and Brainerd SBDC set a great starting point for the TEBI initiative.

**TEBI’S “NORTH STAR”:** This initiative focuses on developing community entrepreneurs, often with limited experience with business ownership and management. It will require patience, second chances, taking risks, character-based assessments and relationships – perhaps more than either partner has as a standard operating procedure.

As illustrated in the attached Sample Budget, Incubator Evaluation Framework and Partnership Overview going forward, a critical challenge for both TEBI/the Principal Partner and the Operating Partner will be how each can address the key issues of incubating higher-risk, higher-touch start-up micro and small community entrepreneurs.

**FUNDING:** One obvious point of early agreement and focus is budget responsibility and fundraising efforts. As the attached TEBI Funding Matrix (Appendix 18) lays out, there are many possible sources to fund both the program and the incubator costs of this initiative. Each of those sources, however, is a time-consuming and highly competitive effort, and both the Principal Partner and Operating Partner have other competing areas of focus. The degree to which both Implementing Partners prioritize this initiative early and often will be critical to raising the funds needed to launch and sustain this effort and begin to see positive results.

**MISSION VS. "BUSINESS":** Clarifying and agreeing on how mission and business considerations will overlap with both property management and lending is perhaps the trickiest part of this initiative for all partners. Standard ways of conducting these activities may exclude some of the support necessary to truly assist community entrepreneurs. On the other hand, both the incubator spaces and the incubator programs need to hit certain outcome measures and cost effectiveness to be sustainable.

A few considerations for the Operating Partner include:

- To what extent will the Operating Partner be able and willing to take more than their standard lending risk?
- To what extent will their loan capital sources and loan committee allow them to take more risk than normal?
- Can all of the training, TA and incubator services be accepted as enhancing credit risk during underwriting and loan approvals?
- Are there loan loss reserves or other credit enhancements that can be developed by IF to allow for some higher risk approvals?
- Does the Operating Partner have the staff capacity, training, and cultural connections to look deeper into these character-based loan and TA engagements, and are there resources for IF to enhance what they have in place?

Similarly, the extent to which the Principal Partner will be able and willing to manage its incubators and their tenants differently than normal commercial properties will be key. Continual, respectful, and open communications with each tenant will be key, not just from a TA perspective but also from a property management perspective. A few considerations for the Principal Partner/TEBI include:

- Are there ways to modify leases to ensure close connections with each tenant, such as monthly sales or other financial reporting, or quarterly TA check-ins?
- Can rent be set lower than usual for a tenant's early stage and grow over a number of months to get to a more standard level? Or be set to grow with the tenant's sales?
- Are there ways to modify standard rent collection procedures so that initial late payments are seen as a moment for reaching out with a hand to help, rather than a 10-day notice to pay or vacate?
- How can the Principal Partner/TEBI help with marketing each tenant's business, either by attracting customers into the space or ensuring the Operating Partner provides TA to build each tenant's on-line presence and sales?
- Are there group purchasing opportunities (supplies, insurance, employee services, delivery options, etc.) that TEBI can provide?

Neighborhood Development Center stands ready to help with these discussions in the future, as useful. After building and operating all of these programs and multiple incubators for nearly 30 years, NDC still grapples with these larger questions. There is no one right answer for any of these situations, often, but NDC always keeps its North Star in front— what does it take to truly help our community entrepreneurs succeed in opening and growing their business, and thereby benefit our entire community for years to come?

## Budgeting Recommendations to Operationalize Trainings, Services, and Programs

A budget plan that grows with the number of incubators and entrepreneurs in the TEBI program could look like the example in Appendix 21.

# INCUBATOR EVALUATION FRAMEWORK

## Overview

As the Principal Partner prepares to launch its Tribal Economy Business Incubator initiative, it is important to be clear how success will be measured. This framework is being built on general goal setting for the initiative, and ultimately aimed at tracking to what extent this effort positively impacts the Mille Lacs Tribal Economy; the framework allows for adjustments along the way, as more experience is gained.

There are three categories of success that MLCV will be tracking and evaluating:

- Metrics on the entrepreneurs who are in a TEBI incubator
- The impact to the surrounding community
- The success of each business incubator

## Goal Setting

The starting point for each of these three categories are general goals, which have been established from up-front surveys and focus groups, comparisons to similar programs, and incubators and input from Mille Lacs Band of Ojibwe leadership and stakeholders.

Prior to obtaining that input, here are proposed TEBI goals from NDC:

1. Entrepreneur impact: Implement an effective, sustainable, and measurable system that increases the number and success of Tribal and community entrepreneurs.
2. Community impact: Increase the number and success of participating entrepreneurs that will have a positive, measurable impact on economic and social aspects of community.
3. Incubator performance: Provide suitable commercial space at affordable cost for entrepreneurs that is financially sustainable to MLCV.

The practical vision and mission established through the community research process also provide valuable context for program goals.

# Entrepreneur Impact – Measure and Evaluate:

## 1. **SERVICES** offered to these businesses, for availability, effectiveness, and cost:

- a. Training – business plan classes, topical workshops, etc.
- b. Lending – affordable and accessible for program entrepreneurs unable to get the same elsewhere
- c. Technical Assistance – legal, on-line capabilities, accounting set up, marketing, build-out assistance, mental health support, etc.
- d. Incubator Space
  - i. Affordability for each business – build out and on-going occupancy
  - ii. Marketing / customer attraction for all businesses
  - iii. Shared business services and facilities (kitchen, copier, wireless, etc.)

## 2. **THE IMPACTS** of these services on these businesses, including:

- a. Increase in business start-ups
- b. Increase in business sustainability (i.e., strengthened balance sheets)
- c. Increase number of jobs created
- d. Increase in business longevity (i.e., vs. average length of 5 years)
- e. Increase in business gross revenue
- f. Increase in business owner's personal income
- g. Increase in customer base
- h. Other

## 3. **COST EFFECTIVENESS** of services:

- a. Cost per business assisted with start-up or growth
- b. Cost per job created by program entrepreneurs
- c. Program costs vs. aggregate spend by entrepreneurs in community
- d. Program costs vs. aggregate taxes and other fees paid to various authorities
- e. Other

## 4. **COMMUNITY IMPACT** – measure and evaluate:

- a. Impact within the business, including:
- b. Number and types of jobs created
- c. Hourly wages of employees
- d. Benefits offered to employees
- e. Career ladder opportunities for employees
- f. Other

**5. ECONOMIC AND FINANCIAL IMPACTS** (aggregate, annual):

- a. Wages paid to local employees
- b. Supplies and services purchased locally
- c. Taxes and fees paid to tribal and other authorities
- d. Other

**6. IMPACT BEYOND THE BUSINESS**, including:

- a. Entrepreneurs in community leadership positions
- b. Entrepreneurs as community role models
- c. Businesses that create active community gathering places
- d. Businesses contributing money and in-kind to community activities
- e. Other

## Incubator Performance – Measure and Evaluate:

**7. GENERAL MEASURES:**

- a. Incubators house start-up “micro” businesses as well as more established and anchor businesses
- b. Business mix attracts customers for most / all tenants
- c. Business shared services and facilities are valuable and well utilized by tenants
- d. Effective marketing for whole incubator
- e. Strong sense of support, collaboration, and synergy from other tenants and MLCV
- f. Buildings are well maintained and managed
- g. Other

**8. FINANCIAL MEASURES:**

- a. Incubator income covers real estate operating costs
- b. Incubator income allows for modest buildup of maintenance and capital replacement budget
- c. Other

# Conclusions and Recommendations

The extensive background research completed to explore the Mille Lacs Tribal Economy Business Incubator concept showed significant interest in growing entrepreneurial activity in the region and genuine markets for growth. The development of an incubator will require careful coordination among a variety of partners, and the proposed operating plan will not generate returns for the Principal Partner. Grant funding is necessary for the TEBI concept to succeed, particularly through the initial phase, which involves significant capital expenditures to build or renovate incubator facilities. Nevertheless, the concept offers a promising opportunity to develop a more prosperous, inclusive, and accessible regional economy.

**The Tribal Economy is primed for innovative approaches to encourage economic growth.** The regional economy has been in a holding pattern for many years, and as a result, the region has seen population loss, an aging population, and continued socioeconomic disparities both within the TE and in comparison to other parts of Minnesota. Its historically dominant industries have tended to see decreased employment over the past decade, whereas there has been new growth in several industry sectors, including health care, information, manufacturing. This unusual industry mix invites innovation and new approaches to economic growth.

**Despite headliner trends in population, the Tribal Economy has several untapped or growing markets.** The TE benefits from its location along several major transportation corridors, and a growing seasonal population, likely augmented by the Covid-19 pandemic, creates additional demand for goods and services. Market studies suggest the region has room to grow and add businesses in a variety of sectors, including retail and manufacturing.

**Community engagement shows the need for a more robust entrepreneurial support system.** In order to succeed, the TE would benefit substantially from a concerted effort to develop an ecosystem for entrepreneurs as they look to get off the ground. The comments in the focus groups highlighted many of the elements of the support plan for the TEBI developed by Neighborhood Development Center. Key recommendations in this area include:

1. Above all else, providing business assistance during the start-up phase that guides entrepreneurs through the process of starting a business.
2. Providing ongoing assistance as necessary as the business matures and scales up its operations.
3. Creating a community of practice or peer learning group for area businesses and entrepreneurs so they can learn from one other.
4. Directed, targeted outreach by service providers to Native American populations and other populations that may face socioeconomic barriers to entrepreneurship, rather than relying on a scaled-up continuation of existing approaches.

**A successful business incubator could help bridge divides within the Tribal Economy.** Economic and demographic data show significant socioeconomic disparities between Native and non-Native residents. In focus groups, participants noted historic divides between these two groups, and were sometimes pleasantly surprised to find themselves invited to a focus group where the two could coexist. Bringing together these populations in a community of practice to support entrepreneurship in the Tribal Economy could have implications beyond small business growth and contribute to broader efforts to unify long-divided communities.

**Equity between tribal districts is a consideration in phasing of incubators.** Several focus group attendees suggested that development is often inconsistent between different communities in the TE, noting the growth in development in Hinckley and, to a lesser extent, along the US 169 corridor that can come at the expense of other parts of the region. In order to counter this perception, TEBI implementation could be phased to provide assistance in areas that have not enjoyed significant investment in recent years.

**The TEBI program, as currently designed, is financially viable with grant investment comparable to other incubator projects and can be a sound proposition for the Principal Partner with such support.** With a grant investment on par with similar projects, the TEBI can provide spaces to entrepreneurs at rents supported by the local market. Such a funding structure would allow the Principal Partner to break even while providing extensive resources to entrepreneurs and fulfill the program's vision and mission.



## APPENDICES

1. Letters of Support
2. Focus Group Presentation
3. TEBI Practical Vision
4. TEBI Mission
5. Entrepreneurial Resource Guide
6. Hinckley Property Maxfield Study
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21. TEBI 3-Year Program Budget



# Appendix 1

## Letters of Support



# Appendix 2

## Focus Group Presentation



# Appendix 3

## TEBI Practical Vision



# Appendix 4

## TEBI Mission



# Appendix 5

## Entrepreneurial Resource Guide



# Appendix 6

## Hinckley Property Maxfield Study



# Appendix 7

## Isle Property Maxfield Study



# Appendix 8

## Kathio Property Maxfield Study



# Appendix 9

## Onamia Property Maxfield Study



# Appendix 10

## Hinckley Property Scope of Work



# Appendix 11

## Isle Property Scope of Work



# Appendix 12

## Kathio Property Scope of Work



# Appendix 13

## Onamia Property Scope of Work



# Appendix 14

## Hinckley Property Proforma



# Appendix 15

## Isle Property Proforma



# Appendix 16

## Kathio Property Proforma



## INVESTMENT & FINANCING

### Capital Costs

Construction costs - Mixed use building	1,718,852
Construction costs - Other Business	2,000,000
Other costs	-
<b>Total capital costs</b>	<b>3,718,852</b>

### Equity and Financing

	%	Investment
Equity investment	75%	2,789,139
Financing	25%	929,713

### Financing Assumptions

Interest rate	3.50%
Term (years)	15

## CONSTRUCTION COSTS

Construction Costs Detail	Cummulative Costs	Residential		Commercial		Other Business Construction Costs
		Residential Allocation	Residential Construction Costs	Commercial Allocation	Commercial Construction Costs	
General Requirements	165,700	50%	82,850	50%	82,850	
Sitework	356,000	50%	178,000	50%	178,000	
Concrete	63,500	50%	31,750	50.0%	31,750	
Masonry	30,250	50%	15,125	50.0%	15,125	
Metals	8,400	50%	4,200	50.0%	4,200	
Carpentry	243,500	50%	121,750	50.0%	121,750	
Thermal & Moisture Protection	102,000	50%	51,000	50.0%	51,000	
Doors & Windows	87,500	50%	43,750	50.0%	43,750	
Finishes	183,500	75%	137,625	25.0%	45,875	
Specialties	9,000	50%	4,500	50.0%	4,500	
Equipment	16,200	50%	8,100	50.0%	8,100	
Furnishings	7,500	100%	7,500	0.0%	-	
Plumbing	48,300	50%	24,150	50.0%	24,150	
HVAC	92,000	50%	46,000	50.0%	46,000	
Fire Protection	48,000	50%	24,000	50.0%	24,000	
Electrical	248,970	75%	186,728	25.0%	62,243	
Professional Fees	125,000	50%	62,500	50.0%	62,500	
Contractors Fee	183,532	50%	91,766	50.0%	91,766	
Less: Grant funding	(300,000)	100%	(300,000)	0.0%	-	
Mixed Use Building Budget	<b>1,718,852</b>		<b>821,294</b>		<b>897,559</b>	
Total Site Budget	<b>3,718,852</b>					<b>2,000,000</b>



# Appendix 17

## Onamia Property Proforma



# Appendix 18

## Funding Sources Matrix



# Appendix 19

## NDC Services Agreement



# Appendix 20

## TEBI Technical Assistance Elements Chart



# Appendix 21

## TEBI 3-Year Program Budget