



MARKET ANALYSIS
HIBBING, MINNESOTA



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JANUARY 2007

MI #1645-001 (PF/ko)



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I. EXECUTIVE SUMMARY



Hibbing, Minnesota, is approximately 3.5 hours north of Minneapolis, in the heart of the Mesabi Range. Ideally situated along U.S. Highway 169, the city is the birthplace of Bob Dylan and has the distinction of being “The Town That Moved” to accommodate the mining industry.

Hibbing is located in Saint Louis County, in the heart of the Mesabi Range district of northeastern Minnesota. This peaceful community is easily accessible via U.S. Highway 169 and State Highway 37 and is within an hour drive of Grand Rapids and the Quad Cities area (which includes Virginia as the largest of the communities) and less than 1.5 hours from Duluth. In addition, the Twin Cities of Minneapolis-St. Paul are less than a 4-hour drive, making this area highly accessible to visitors who would come to the area for the many outdoor sports or other attractions.

The Hibbing area consists of the cities of Hibbing, Chisholm, Buhl, and Keewatin as the primary communities of influence. For the purpose of this report, this area will simply be referred to as Hibbing, unless specifically referred to as the city of Hibbing. Hibbing is the largest with a 2006 population of 16,700. In comparison, Chisholm had a 2006 population of 4,790; Buhl 975; and Keewatin 1,155. All of these communities have a relatively stable or slightly declining population base through 2011. Combined, these towns have a median household income of \$35,189, compared to a national average of \$46,740.

Hibbing is the largest of the communities and, therefore, has the most influence in terms of retail development potential for the area. As such, this community will be the focal point of this report.

Underscoring the retail potential for Hibbing is the fact that Lowe's recently opened a store in Hibbing in October of 2006, near the Wal-Mart Supercenter. This unit is one of the first five Lowe's units in Minnesota and is achieving higher sales than projected, according to local sources. The location of these large-format retailers along U.S. Highway 169 will help keep retail dollars in Hibbing, as well as strengthen the drawing power of Hibbing from the surrounding region. Hibbing could be further strengthened by providing more convenient alternatives to driving to the surrounding communities, repositioning Irongate Mall, and capitalizing on the city's strengths, while addressing areas for improvement.

Hibbing has numerous additional advantages for retail development including land availability, retail incentive packages, utility incentives, three major medical facilities, a community college, and several tourist attractions that have the capacity to draw regionally and on a national/international level.



Their tourist attractions vary from the Greyhound Bus Museum, the Paulucci Space Theatre, The Hull Rust Mahoning Mine, Hibbing High School, and Bob Dylan's birthplace/Dylan Days. In addition, Hibbing is within a 20-40 minute drive from more than a dozen lake areas, providing recreational activities such as hunting, fishing, camping, boating, snowmobiling, and hiking.

One of the most significant challenges facing the community is the fact that while the retail potential for Hibbing is strong, a significant proportion of the existing retail spending is currently going to Duluth and Virginia (Thunderbird Mall), as well as to Grand Rapids. These communities are within a reasonable driving distance and provide alternatives that many Hibbing residents feel are not available to them locally. Residents of the region are accustomed to driving to neighboring communities to find items not available closer to home and drive on a fairly regular basis to Duluth to shop.

During the course of the fieldwork, MapInfo talked to local business owners and attended the public visioning session conducted by Hibbing Community College and the Hibbing Economic Development Authority (HEDA). Based upon interviews and survey results, the most sought after retail types/categories in Hibbing are clothing (men's, women's, and children's), sporting goods (such as Gander Mountain, Pierz Marine), mid-priced sit-down casual dining (such as Applebee's or Chili's), Kohl's, T.J. Maxx, appliances/electronics, and shoe stores. The leakage to the surrounding communities is considerable, and Hibbing has the opportunity to capture more of the retail sales potential from its own residents.

The goal of this analysis is to evaluate the retail needs and preferences of the area residents with a quantitative analysis of the actual retail supportability for Hibbing, and to develop a strategy for retail recruitment. It is important to note that there are frequently situations where these two factors are not compatible for any number of reasons. For example, while there was strong local support for the recruitment of a sporting goods retailer such as Gander Mountain, empirically this option may be a moderate opportunity at best from the eyes of the retailer. While the demographic/lifestyle characteristics within the trade areas exhibit a very strong correlation with the core customer a concept such as Gander Mountain requires, the population density, combined with an existing store in Duluth that already serves the Hibbing market, may deter this operator from considering Hibbing for a new deployment (please refer to the more detailed analysis presented in the Conclusions section).

MapInfo has prepared estimates on the amount of additional retail square footage Hibbing can support. These estimates are broken into four scenarios:

- Housing and population growth remaining status quo.
- Conservative/moderate population growth.
- Aggressive population/business growth.
- A scenario incorporating a geographically aggressive trade area.

This aggressive trade area (also referred to as the tertiary trade area) takes into account the ability of the Hibbing area to draw customers from across northern Minnesota and Canada for recreational activities, special events, and some shopping. All scenarios assume that the city will undertake a well planned marketing campaign to attract residents both within and beyond the city limits.

The additional supportable square footage of retail for Hibbing is outlined in the table below:

Category	Status Quo	Conservative	Aggressive	Tertiary Trade Area
General Merchandise/Junior Dept Store	65,000	68,000	90,000	95,000
Women's Apparel	2,200	2,200	3,400	2,200
Men's Apparel	1,600	1,600	2,400	1,600
Children's Apparel	0	0	1,000	0
Restaurants	10,800	11,000	14,000	13,000
Grocery	0	3,000	3,500	0
Dollar Store/Variety	24,000	27,500	35,000	24,000
Drug Store	6,300	6,300	8,100	6,300
Home Furnishings	6,200	6,200	6,300	8,000
Pet Supplies	4,000	4,500	6,200	9,500
Toy/Hobby Shop	1,200	1,200	1,700	1,500
Appliances/Electronics	0	0	0	10,000
Sporting Goods	0	0	75,000	0
Total	121,300	131,500	249,900	171,100

The aggressive scenario has greater potential than the geographically larger trade area (which assumes status quo growth) due to the fact that retail is more successful when it has more people residing within its primary trade area. The tertiary trade area may cover more area geographically, but its population is more removed from the retail in Hibbing and they will not shop Hibbing as frequently.

It is not recommended that all of this new square footage be provided by new competition into the market. Rather, there are certain categories where it would be more prudent for existing retailers to expand their store and/or their merchandise lines. For example, the drug store category could be absorbed by the existing downtown pharmacy as an expansion/relocation. The apparel square footage could also be absorbed by expanding the merchandise lines at existing retailers such as Leuthold-Jacobson or Bender's.

While Hibbing's demographic characteristics, housing/population growth, and favorable retail climate will allow the city to attract additional retail development, the city must also be proactive in retaining businesses. A concerted effort will be needed to educate consumers in the surrounding communities (e.g., Grand Rapids, Virginia, Eveleth) to what Hibbing has to offer and to its residents why it is important to shop where you live. The Chamber of Commerce, MASH committee, HEDA, and the city of Hibbing will need to work together to create promotional campaigns, beautify the retail areas, and assist the retailers in attracting both local and visitor dollars.

While Hibbing has had success in attracting individual retailers such as Lowe's, and strives to develop Hibbing as an ideal place to work, live, and raise a family, it needs to create an image as being a destination to shop, dine, and be entertained, as well. The city will need to overcome the mentality that you need to leave Hibbing to shop, and it must be willing to spend the time and money necessary to infuse residents with the desire to shop in town. To this end, the city will need to address issues such as the perceived lack of parking, a feeling of the city being difficult to work with, and other challenges that inhibit development within the downtown. Further, the city and the management at Irongate Mall have a significant challenge to fill vacant space in this retail center and will need a combined effort in the face of absentee landlords to achieve this goal.

The community must also educate retailers and work with them to be more customer-friendly and provide the standards shoppers have come to expect from national retailers such as evening and Saturday hours. Guidelines for the city and retailers will be discussed in the Conclusions section of this report.

II. BACKGROUND AND METHODOLOGY

Background

MapInfo was commissioned by the Hibbing Economic Development Authority to develop a strategic plan for the recruitment and retention of retail within the city, focusing primarily on the downtown and the Irongate Mall area. Specifically, MapInfo assessed the city of Hibbing to determine what, if any, new retail development would be supportable and what steps the community needs to take in order to make its retail, both new and existing, more viable.

The following specific issues were addressed as part of this study:

1. Is additional retail development viable within Hibbing?
2. To whom would this retail appeal? That is, what are the population and demographic characteristics of trade area residents?
3. What type of retail should be attracted? In particular, should the proposed retail component have a neighborhood, specialty, or regional appeal?
4. What types of retail are supportable and where within the city should they locate?

The results of this analysis are based upon the following assumptions:

1. Housing and population growth will occur as projected herein, except as indicated in the alternate scenarios.
2. No new retail/commercial development will occur unless mentioned in this report.
3. Infrastructure changes will be made to the relevant access routes to ensure ease of access and improved mobility throughout the study area.
4. The retail establishments will operate in a manner consistent with successful retailing, including remaining open during hours that are convenient to potential customers, maintaining clean facilities and streetscaping, and applying appropriate visual merchandising.

Methodology

To address the above issues, a detailed field evaluation of retail in the study area, as well as major existing and planned shopping centers in and surrounding the defined trade area was conducted in mid-October 2006. During this evaluation, MapInfo thoroughly drove the market and visited/evaluated the major existing and planned retail concentrations in it. The area was visited during the daytime, as well as in the evening, to gain a qualitative understanding of the retail gravitational and traffic patterns throughout the study area.

We then defined trade areas for the city, based on the field evaluation and information provided by the client. These trade areas were defined as a primary trade area and a secondary trade area. A tertiary trade area was developed to accommodate retailers with more substantial drawing power, as well as the ability of the Hibbing area to attract visitors from north of the city including Canada and the twin cities of Minneapolis-St. Paul to the south for tourism activities. This trade area was also developed and will be discussed as a unique entity in the area due to its above-average capacity to generate retail potential. Population and demographic characteristics were collected by census tract and updated based on information gathered from various local sources and MapInfo demographic data. This study assumes that all local data is accurate and reliable.

Finally, based on the population and demographic characteristics of the trade areas, the existing and known retail competition, and traffic and retail gravitational patterns, we developed our qualitative assessment for the retail component of Hibbing. This assessment included incorporating the existing square footages for a variety of retail categories, the expenditure potential for each retail category, and the growth of the area to determine what retail categories are under-represented.

The expenditure potential refers to the total dollar amount estimated to be available for each retail category as published by the U.S. Census Bureau and supplemented with data from MapInfo. Expenditure potential will not increase for any given retail category as more competitors are introduced into a market, but rather the market share for each unit will be

redistributed. Expenditure potential increases with population growth and an increase in household income levels.

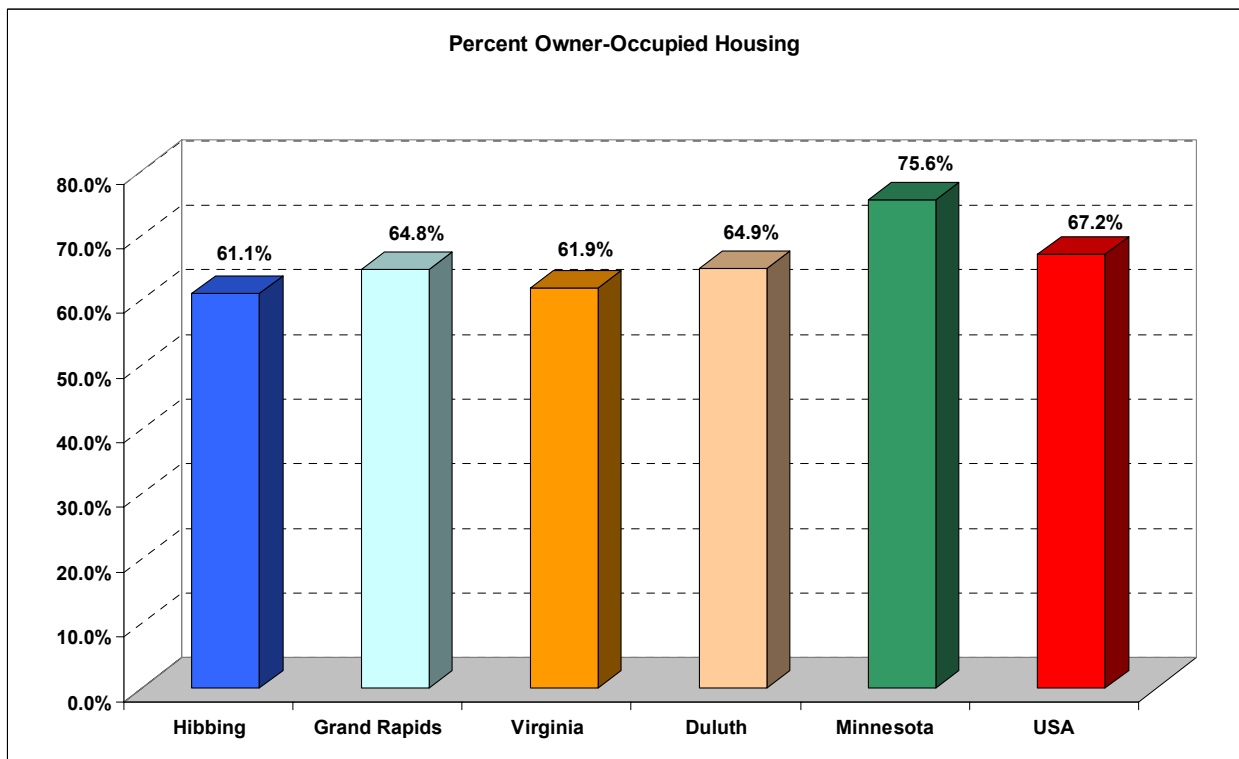
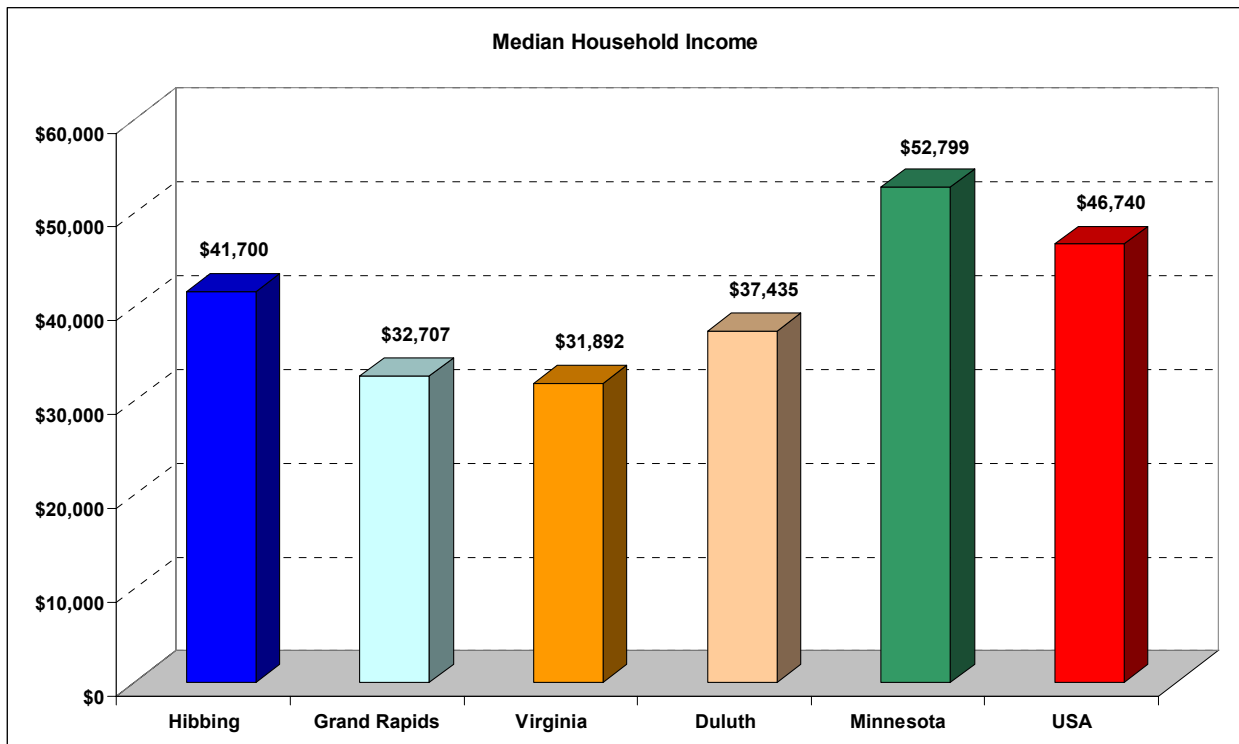
By calculating what proportion of the area's expenditure potential is already accounted for by the existing and planned retail, it can be determined what retail categories have sufficient potential remaining. This methodology assumes there is no "over-storing" in a market. In other words, each retail category will attempt to reach the limit of its expenditure potential, but not go beyond the potential.

III. MARKET OVERVIEW

There are a number of factors that will contribute to the overall viability of retail within Hibbing. Elements such as demographic characteristics, shopping patterns, and history have a significant role in defining the retail environment. Note that all references to Hibbing in this section refer to the Hibbing primary trade area (PTA), unless stated otherwise.

The following two graphs illustrate that the Hibbing PTA (Hibbing, Chisholm, Keewatin, and Buhl) relative to other nearby cities such as Grand Rapids and Virginia, has much stronger income levels. Although Hibbing's income level is only slightly lower than the national average, it is well below the state income level. However, the state figure includes wealthy communities such as Rochester (with the Mayo Clinic) and the upscale suburbs of Minneapolis-St. Paul. Homeownership is lower in Hibbing, but still within a range that indicates a quality housing environment. The table below compares select housing and demographic characteristics for Hibbing with the surrounding areas, the State of Minnesota, and the national average:

County/Area (Largest City)	2006 Population	2006 Per-Capita Income	2006 Median Household Income	2000 % Owner- Occupied Housing
Hibbing (PTA)	35,100	\$19,100	\$41,700	61.1%
Grand Rapids	7,680	\$22,652	\$32,707	64.8%
Virginia	8,910	\$22,207	\$31,892	61.9%
Duluth	84,999	\$23,720	\$37,435	64.9%
State of Minnesota	5.2 million	\$28,715	\$52,799	75.6%
United States	300 million	\$26,405	\$46,740	67.2%



PSYTE Cluster (Lifestyle) Data

In order to better understand consumer buying patterns and how retailers can target their best customers, MapInfo developed a proprietary database titled PSYTE Advantage. This system has been developed using comprehensive information from dozens of consumer and geographic databases with purchasing, healthcare, and lifestyle data, plus the latest U.S. Census. MapInfo's team of statisticians utilized neural net and hierarchical clustering algorithms to group over 208,000 U.S. neighborhoods into one of 72 clusters. These clusters are broken down by population density, household income, marital status, and presence of children. Each cluster has underlying data indicating their leisure, shopping, television, and radio habits. By utilizing this data, it is possible to determine a retailer's core clusters and match those clusters with the operator most likely to be interested in a location in the neighborhood.

Based upon MapInfo's PSYTE Advantage¹ neighborhood clustering database, the predominant lifestyle segmentation group for Hibbing is *Plow & Plateau* (30%). The other significant lifestyle clusters are: *Senior Circles* (12%), *Village Americana* (11%), *Quiet Streets* (9%), and *Rust Belt Blues* (9%). The descriptions of each of these clusters are as follows:

Plow and Plateau – Farmers, miners, and foresters are found in this broad swath of territory in the northeast, northern Midwest, and northwest. Their lifestyle is distinctly tied to Earth's bounty, a fact that likely affects their values and purchasing behaviors. A 65/35 owner-to-renter ratio obscures relatively high vacancy rates and seasonal occupancies. More than 15% live in mobile homes, and the cluster has a high recreational vehicle index. A high school diploma is the norm as is the dual-income home. An older age skew represents families with teens and empty nests. Average family income is \$48,000. The cluster is 88% white, non-Hispanic and 12% Hispanic.

Senior Circles – Seniors, perhaps more than others, still “flock together” and socialize with gusto, playing bridge and shuffleboard to beat the band. This cluster indexes high on the 80+ population, widows and widowers. Over half (56%) are renters with an overall high index on high-rise apartment dwellers and population in nursing homes. Still, 40% are home owners

¹ PSYTE Advantage clustering is a MapInfo product that classifies every neighborhood in the United States into 72 mutually exclusive categories called clusters. Descriptive names and capsule summaries capture each cluster's distinct demographics and neighborhood flavor.

residing in the communities in which they have spent most of their lives. Incomes, derived primarily from Social Security, are characteristically low at \$24,000 median household income.

Village Americana – America’s small towns are more numerous than appreciated. Every region, every state, every country road connects eventually to settlements whose livelihood stems as much from its own history as from enduring economic opportunity. The lucky ones connect to nearby metro areas or are renewed by immigrants. Others, like those in Village Americana, languish in peaceful solitude, attracting the occasional scavenger of antiques. Average income is \$34,000.

Quiet Streets – Small towns in the Midwest are as numerous as they are charming. Families with kids in owner-occupied housing predominate. Fully 97% are white, non-Hispanic with average incomes a moderate \$62,400. They index high on farming although only 5% of the workforce works an agricultural occupation. Educational attainment is diverse ranging from high school only (40%) to Associates and Bachelor’s Degrees. Fewer than 2% live and work in a central city. You can almost hear the leaves fall.

Rust Belt Blues – Blue collar and singing the blues, this cluster captures an older population in older housing (a ratio of 75/25 single detached homes to multi-unit structures reflects a similar owner to renter mix. High school educated, their job profile includes manufacturing, but also material moving, maintenance and repair and services. Only 32% are in white collar jobs. Overall average household income is \$43,600.

Based upon these PSYTE clusters, shopping, recreation/leisure and media watching/listening habits can be evaluated and general commentary on likes and dislikes can be made that coincide with the demographic characteristics and lifestyles of the residents. When assessing the overall combination of all five top categories, the following items were repeated most often among the clusters or had the most high rankings:

Hibbing residents are most likely to...

- Belong to a Veteran's club
- Crochet/knit
- Be a member of a local body of government
- Watch CMT
- Watch the Outdoor Life Network or similar
- Listen to country music
- Listen to Adult Standards or Religious music
- Shop at price-conscious grocers like Price Chopper or Aldi
- Shop from the J. Crew catalog
- Buy hunting/fishing/camping gear through the mail/phone/internet

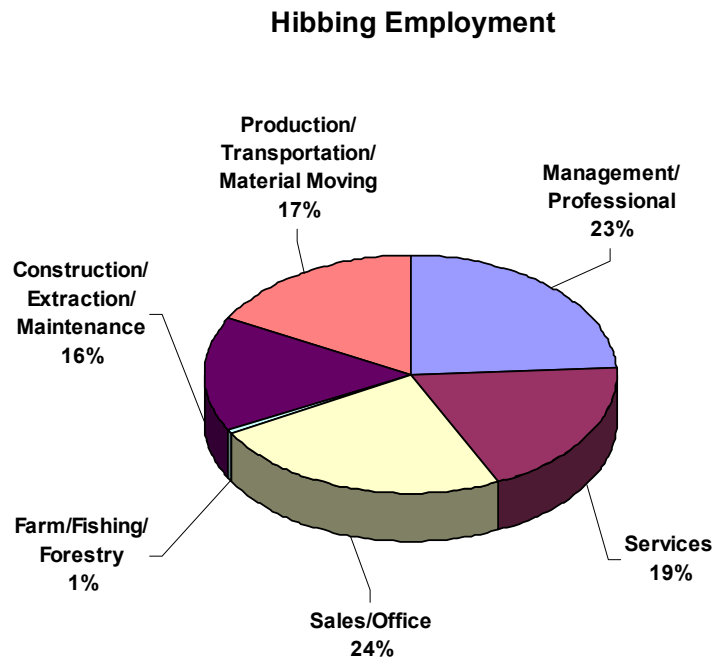
Hibbing residents are less likely to...

- Take home-study courses
- Shop at upscale grocers
- Listen to All News or All Talk radio
- Watch BET or Bravo
- Be a Business Club Member
- Travel to Atlantic City or Las Vegas to gamble
- Do yoga

This type of data will help businesses determine the best advertising methods to suit the population, as well as gain some insight in to merchandise mix. Between the PSYTE cluster data, interviews conducted during the fieldwork, and the public visioning session conducted in October 2006, the following general statements can be made about the habits and desires of Hibbing residents:

- Desire moderate priced (but good quality) casual clothing for men, women, and children.
- Very outdoor sports oriented.
- Would like to have more restaurants, preferably Applebee's or similar.
- Country music stations and venues are good advertising options.

Employment Information



As indicated in the previous graph, Hibbing has a relatively diverse workforce with no single category representing more than 24% of the total employment base. This diversity is important in the long-term vitality of a community as too much dependence on one particular can create difficulties in times of economic downturn. For example, communities that rely heavily on a specific factory for the area employment base will experience significant unemployment and possible out-migration if the factory closes or requires substantial layoffs.

The following chart depicts some of the categories of employment found under each heading in the chart:

Employment Types by Category

Category	Employment Type
Services	Healthcare Support, Protective Services, Food Preparation/Serving, Building/Grounds Cleaning/Maintenance, Personal Care Services
Sales/Office	Sales/Related Occupations, Office/Administrative Support
Construction/Extraction/Maintenance	Construction, Extraction, Installation, Maintenance, Repair
Management/Professional	Management, Financial Operations, Business, Professional/Related
Production/Transportation	Production/Manufacturing, Transportation, Material Moving

Hibbing's top employers* and amount of employees:

- Range Regional Health Services- Fairview University Medial Center (950)
- Hibbing Taconite Company (720)
- Wal-Mart (425)
- Reptron (416)
- Hibbing Public Schools (400)
- L & M Radiator, Inc. (235)
- Hibbing Community College (225)
- Guardian Angels Skilled Nursing Facility (204)
- Minnesota Diversified Industries (138)
- SMDC - Duluth Clinic - Hibbing (140)
- Lowe's (125)

*Figures from HEDA.

Further, while northeastern Minnesota had long had a much higher unemployment rate than the State of Minnesota, by 2002 the region had begun to see lower unemployment rates, achieving levels more on par with the state average. Over the next decade, there will be a substantial number of employees retiring from the mining industries, requiring new workers of all skill levels.

Drive Times

In order to generate a more meaningful interpretation of the demographic characteristics of Hibbing relative to the entire market area, MapInfo created 30-, 45-, and 60-minute drive time scenarios in and around the city. While Hibbing is proximate to both a major retail node in Duluth and, to a lesser degree, Virginia and Grand Rapids, Hibbing's location and area attractions will allow the city to compete for retail sales in northern Minnesota.

The following table shows a sampling of population density and demographic characteristics associated with these drive-time generated geographic areas:

Drive-Time Demographic Characteristics

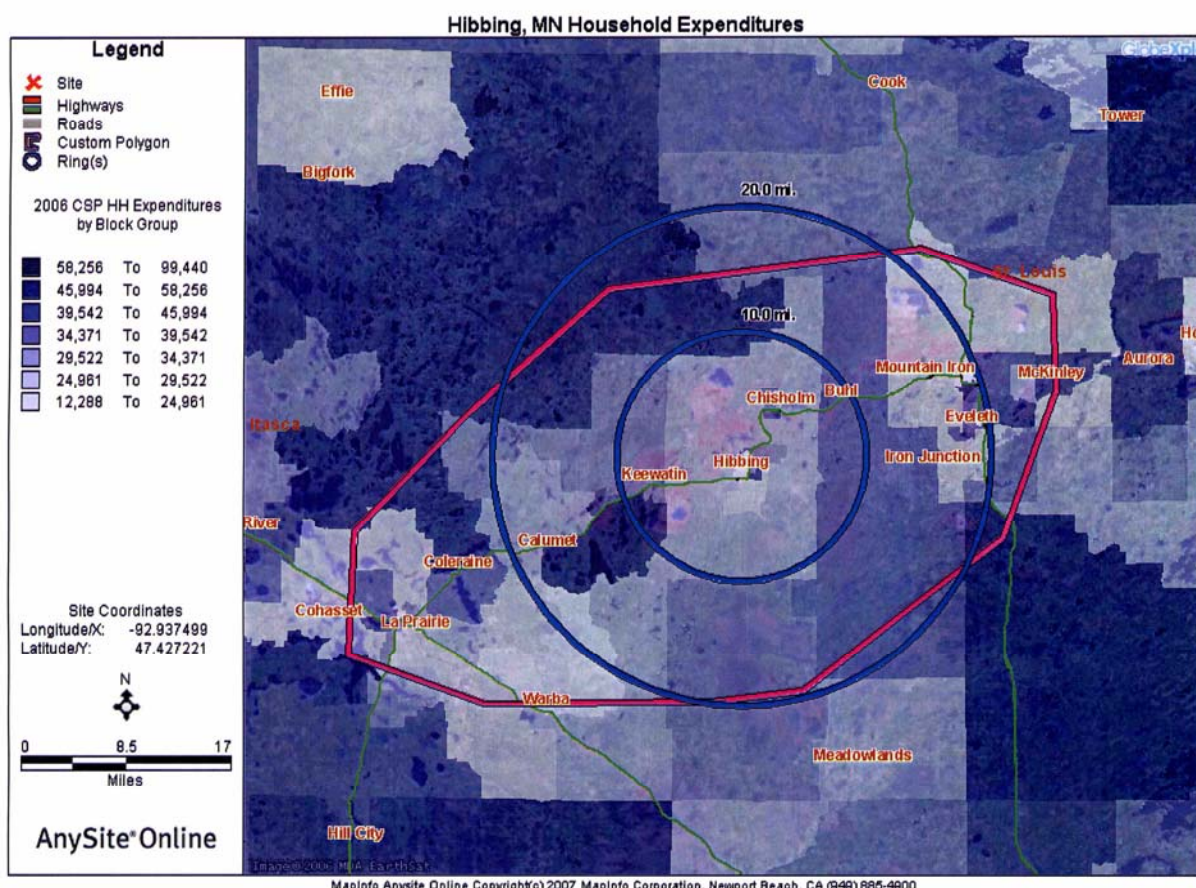
<u>Characteristic</u>	<u>30-Minute Drive</u>	<u>45-Minute Drive</u>	<u>60-Minute Drive</u>
2006 Population	43,720	61,370	89,758
2011 Population	43,000	60,585	88,437
Median Age	43.7 years	43.9 years	41.2 years
Total Per-Capita Income	\$22,627	\$22,757	\$21,986
Median Household Income	\$38,011	\$37,823	\$38,666

As indicated in the above table, Hibbing has a significantly larger population base within easy access than the community population alone would indicate. Further, these areas are remarkably consistent demographically, allowing a greater capacity to provide retail development that will serve both Hibbing residents and customers from other areas by catering to similar demographic and lifestyle characteristics.

IV. THE TRADE AREAS

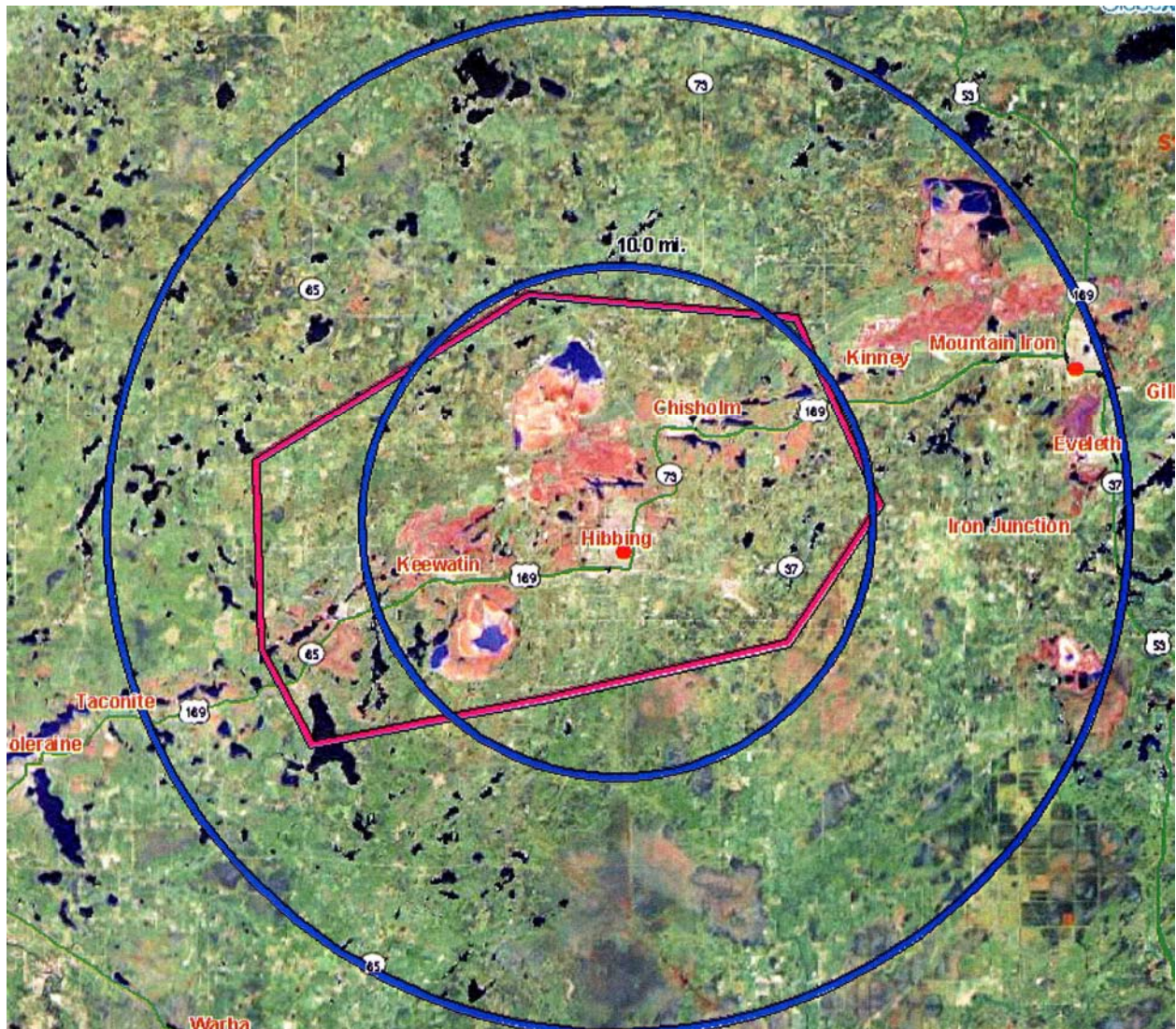
The trade areas for Hibbing were defined by a variety of factors including accessibility, existing and planned competition, physical and psychological barriers, and the overall drawing power of the area. The primary trade area (PTA) refers to that area from which the retail offerings at the site will draw approximately 70%-75% of their business, and includes a population base that will make the area a primary shopping destination by typically shopping there on a weekly basis.

The secondary trade area (STA) represents that area from which the site will draw an additional 10%-15% of its business. Those residents who live in the STA, but not within the PTA will shop Hibbing frequently (between 1-2 times a month), but the city will not be their primary shopping destination. The STA most likely accounts for closer to 15% of the retail potential, taking into account the more affluent residents living around the lakes and commuting into Hibbing.



The previous map shows the average household expenditures by block group for the Hibbing area. MapInfo also developed a tertiary trade area (TTA) for this analysis, which accounts for additional retail expenditures that the city derives from more distant communities that may not shop on a regular basis in Hibbing, but consistently account for at least some percentage of sales. These customers may visit annually for Dylan Days or other events or visit Hibbing for sporting events, etc. While they are not regular Hibbing shoppers, they nonetheless contribute to the area economy and, therefore, should be quantified.

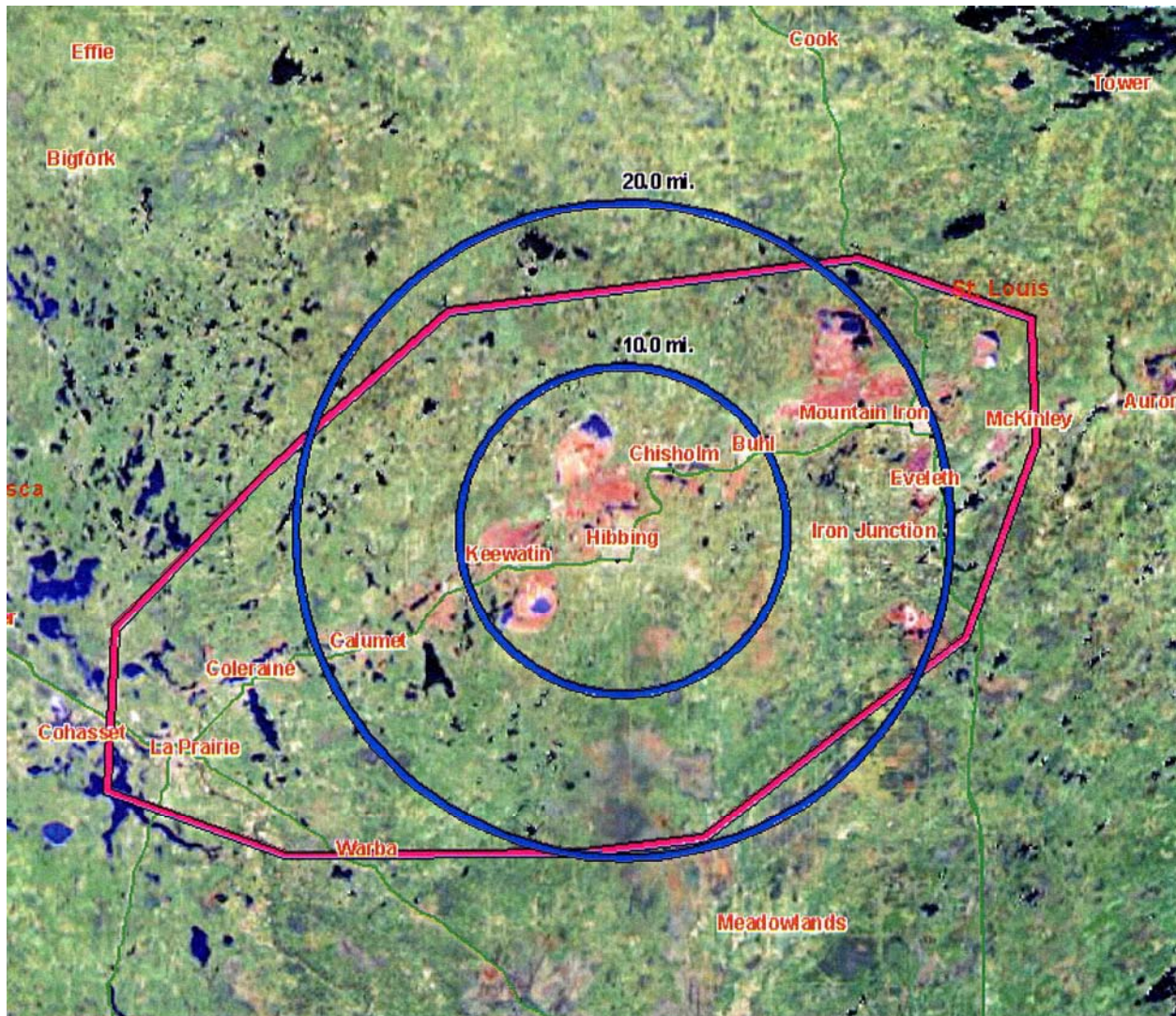
It is assumed in this analysis that at least some of the city's customers will come from beyond the trade area boundaries, and that these customers will only frequent the area every few months at most. This assumption of sales from beyond the trade area also allows for the fact that Hibbing has attractions of international draw, as well as the fact that people in northern Minnesota are accustomed to driving long distances for their shopping/dining/entertainment needs.



The primary trade area is depicted above. The blue circles represent 10- to 20-mile rings, while the pink polygon depicts the PTA. For more detail, please refer to Appendix C.

Primary Trade Area - Defined

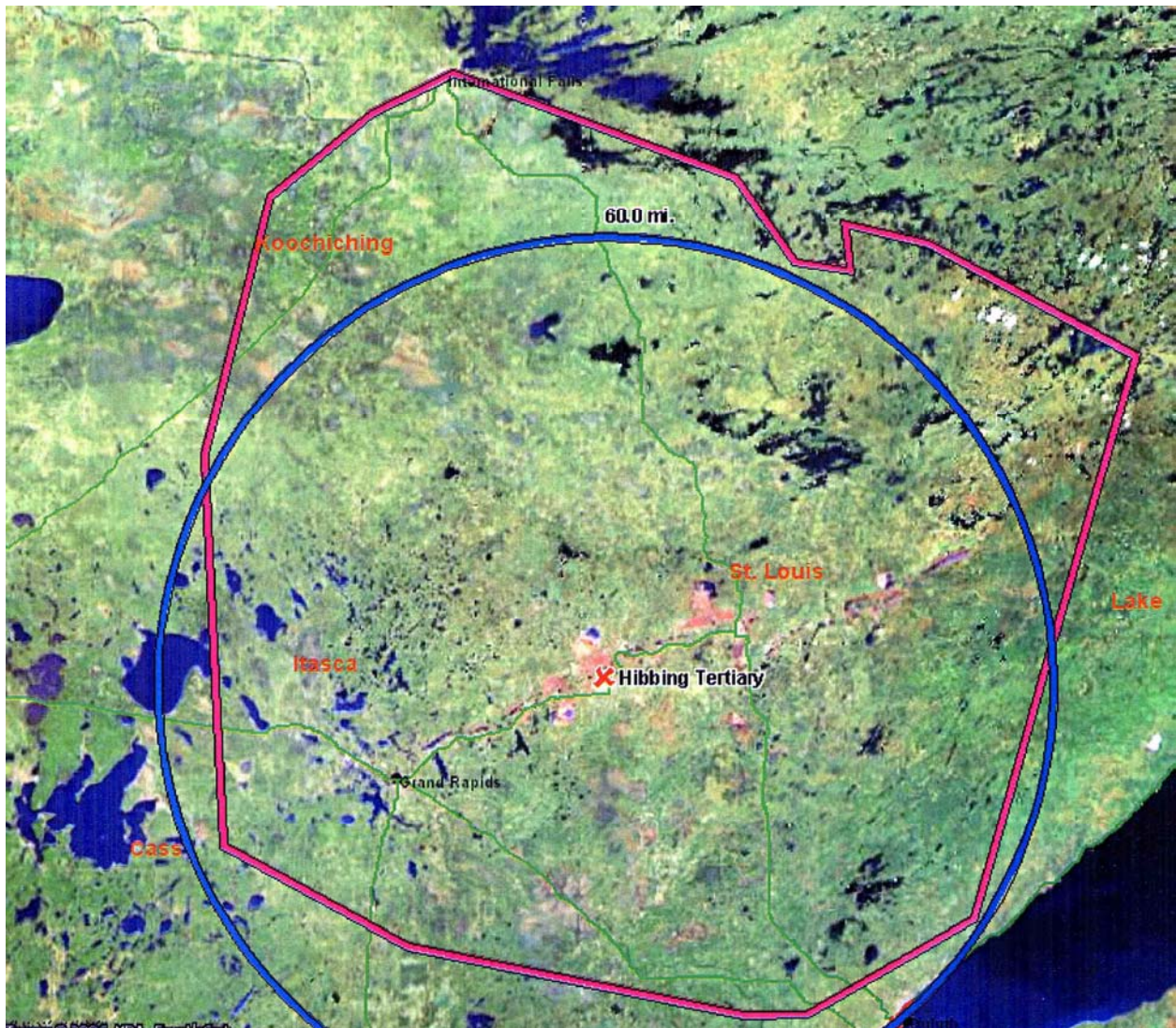
The PTA incorporates the city of Hibbing, the surrounding communities of Chisholm, Keewatin, Buhl, and Great Scott Township. The most significant limiting factor in the trade area definition is the increased orientation to areas beyond Hibbing, particularly to larger cities such as Duluth. Furthermore, Grand Rapids and Virginia both have some overlap in their retail offerings as Hibbing, restricting Hibbing's capacity to pull from these markets.



The map above depicts the STA. The blue circles are 10- to 20-mile rings. The pink polygon refers to the STA.

Secondary Trade Area – Defined

The STA extends a substantial distance to include the communities of Grand Rapids and Virginia. The favorable access from U.S. Highway 169 and State Highway 37 and 73, coupled with the assumption that Hibbing will add attractive retail and conduct an aggressive marketing campaign, would allow Hibbing to compete with these neighboring areas for retail expenditures.



The map above depicts the tertiary trade area in pink with a 60-mile ring in blue.

Tertiary Trade Area – Defined

The TTA extends through northern Minnesota to the Canadian border and reflects the drawing power of Hibbing's many attractions. Further, it extends farther south to incorporate some areas that may be persuaded to travel to Hibbing for special events. This trade area also assumes that Hibbing will market their retail development aggressively.

Demographic Characteristics

The PTA is estimated to have had 26,340 people residing within it in 2006, with a modest decrease of 0.4% annually to 25,785 people by 2011. Conversely, the number of households are projected to increase 0.3% annually between 2006 and 2011 (from 11,900 in 2006 to 12,100 in 2011), indicating that much of the growth in the area will be through either in-migration of people from other communities or individuals leaving their current homes as they mature and move out or find new dwellings for other reasons.

The PTA has a median household income level of \$35,816 (2006), which is projected to increase 2% annually between 2006 and 2011. Educational levels are moderate with 34% of the population over the age of 25 having a high school diploma as their highest level of education. Only 16% have a Bachelor's Degree or higher (compared to the national average of 25%). Another 37% have some college up to a 2-year Associate's Degree. Further, over 19% of the PTA residents have at least 1 year of college, but no degree, indicating that some residents are leaving school for the job market or for other reasons. In total, 86% of residents over the age of 25 have at least a high school diploma compared to 89% for the State of Minnesota.

The STA is estimated to contain 74,625 people in 2006, decreasing 0.3% annually to 73,565 people by 2011. The trade area households are projected to grow at 0.5% annually from 33,015 households in 2006 to 33,800 households by 2011. The STA has a slightly higher median household income than the PTA (\$37,738 in 2006), which is less than the national average of \$46,740.

Educational levels in the STA are moderately higher than the PTA; 34% have a high school diploma or equivalent, 37% have some college or an Associate's Degree; and 17% have a Bachelor's Degree (or higher), indicating slightly higher educational levels outside Hibbing. In total, 87% of STA residents have a high school diploma or higher.

The following table compares the primary and secondary trade areas to the state of Minnesota, and the United States:

<u>Characteristics</u>	<u>Primary Trade Area</u>	<u>Secondary Trade Area</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Household Income (2006)	\$35,816	\$37,738	\$52,799	\$46,740
Median Age	43.5 Years	43.3 Years	38.2 Years	36.6 Years
Persons per Household	2.1	2.2	2.4	2.5

Source: U.S. Census Bureau, MapInfo Inc.

As the above table indicates, the PTA has a slightly lower income level than the STA, but is equivalent in terms of median age and household size. This table indicates the trade areas represent older, empty-nesters rather than young families. While these residents will generally have more disposable income than young families just starting out who are assuming new mortgages and spending on their children, the lack of young families contributes to the population decline in both trade areas and may also mean more retirees on fixed incomes who are less likely to spend money.

The TTA has a 2006 population of 150,225, increasing to 153,010 people by 2011, an average annual increase of approximately 0.4%. The median age of 43.7 years is similar to the PTA and STA, but the median household income is higher at \$40,430.

V. LOCATIONAL CHARACTERISTICS

Access

Access to Hibbing is excellent via U.S. Highway 169, which connects Hibbing to Grand Rapids, Virginia, and other areas to the east and west. State Highway 37 connects with U.S. Highway 53 to provide easy and direct access to Duluth. Hibbing is also an easy drive from the Twin Cities of Minneapolis-St. Paul via I-35, then state and federal highways.

Locally, access throughout Hibbing is good. U.S. Highway 169 serves as a retail corridor on the south side of town. State Highway 73 provides access along the eastern side of the community and Howard Street serves as the downtown's Main Street.

Parking is largely sufficient for the current retail uses along U.S. Highway 169 and State Highway 73, but is a more controversial issue within the downtown area. Along Howard Street in particular, there is storefront parking, but limited surface lots. There is a perceived shortage of parking on the parts of both the residents and business owners. Whether the current ratio would be adequate from a planning standpoint is irrelevant if the perception is that parking is difficult to find. This perception alone can drive customers to other areas to shop.

Existing Conditions

Overall, within the Hibbing community there is approximately 1,338,450 square feet of retail space, of which just over one-quarter (27%) is located in the downtown. The balance is located primarily along the south side of Hibbing in Irongate Mall, Wal-Mart Supercenter, and Lowe's, as well as smaller concentrations in Graysher Mall and Mesabi Mall. There are essentially two distinct areas within Hibbing that need to be addressed as part of this analysis:

- Downtown (for the purposes of this analysis is defined as Howard Street and the adjoining portion of First Avenue)
- Irongate Mall and Vicinity



Downtown Hibbing has a number of advantages, but faces several challenges. Vacancies, lack of parking, and a perception of poor customer service are obstacles that the city can overcome to help strengthen its retail core.

Downtown

Downtown Hibbing (includes the Howard Street corridor and several blocks along First Avenue) offers a number of advantages, but has several challenges to overcome in order to return to a vibrant place to shop and dine. There are a number of successful specialty shops such as Howard Street Booksellers, Leuthold-Jacobson, and Jimmy's/The Atrium, but there are also a number of vacancies. The existing 367,150 square feet of retail space in the downtown needs more of a critical mass of retailing to attract more customers to the area on a more frequent basis. The greatest challenge for the downtown retail corridor is the somewhat disjointed nature of the existing downtown locations. Currently, vacancies and inappropriate storefront uses create an appearance that there is little retail in the downtown. With a greater mass or centralization of retailers, customers would view the downtown as a more viable retail district. Ideally there

should be more anchor-level retail that will create a larger draw to the downtown, so that the existing retailers can also benefit from increased traffic, both along the Howard Street and First Avenue corridors.

However, as will be discussed in the Conclusions section of this report, simply bringing in new retail to fill in vacancies in the downtown will not solve all the challenges. In addition to the aforementioned concerns regarding parking, the downtown faces other challenges including a perception that the city is difficult to work with and inconsistent hours of existing retailers.

Working in the downtown's favor are several factors including good existing tenants, existing infrastructure (e.g., sidewalks and storefront parking), and world-class non-commercial draws such as the renowned Hibbing High School and Bob Dylan's birthplace. Howard Street already has a strong element of walkability — it just needs a greater capacity to attract residents and visitors.



Further, there are a number of buildings that need to be repaired or renovated to make them fit within the downtown and provide a more enticing atmosphere. There are buildings with peeling paint, tacky or inappropriate signage, and signs that appear unattractive to shoppers and detract from the ambience of downtown. The downtown needs to mandate certain levels of building maintenance, develop and enforce signage codes, and maintain the city property to help attract downtown shoppers. The city and its retailers must always be conscious of two main principles:

1. The first impression will be the strongest (“You never get a second chance to make a first impression”).
2. A retailer only has 8 seconds to capture the attention of a passerby. In this time, the potential customer will make the decision whether or not to visit a given store.

These and other suggestions will be discussed in the Conclusions section of this report.



Irongate Mall has substantial issues with vacancy. With only JCPenney and Jo-Ann Fabrics as anchors, the mall is well over 50% vacant. The lease rates are exceedingly low at \$5-\$7 per square foot.

Irongate Mall

The Irongate Mall, located along U.S. Highway 169 at 41st Street, represents the single biggest challenge in retail redevelopment in Hibbing. While the center has 250,000 square feet of retail space, over 50% is vacant. The remaining anchors are a 40,000-square-foot JCPenney unit and Jo-Ann Fabrics. Other uses include a fitness center and bible/religious store. Once a dominant retail center when it opened in 1979, Irongate Mall has seen its tenants leave for a variety of

reasons such as Kmart's corporate bankruptcy. When this 88,000-square-foot anchor closed, other retailers such as Maurice's and Vanity left with it. Ten years ago, the mall was 70% full, but has experienced increasing struggles to attract and retain tenants.

While there have been a number of reasons given for the continued decline of the mall, the fact that the mall has absentee landlords has certainly contributed to its current state. Moreover, the fact that statistical data shows Hibbing's population declining further deters new national retailers from opening in the mall, despite the extremely low lease rate of \$5-\$7 per square foot (healthy malls can average \$35-\$40 per square foot or higher). The high vacancy rate at the mall does not inspire confidence in national/regional retail chains in the retail viability of Hibbing.

As the mall has declined, the reduction in retail offerings has, in effect, forced residents to find alternate places to shop, essentially pushing them to shop in Duluth, Virginia, and Grand Rapids. Despite the mall's current condition, the addition of the new Lowe's unit nearby and its success is proof that the area has untapped retail potential and more retail expenditures can be captured in Hibbing.



Downtown Chisholm competes for some customer business with downtown Hibbing. Both rely on customers from the primary and secondary trade areas for survival.

Competition

For both of these areas, but more specifically the downtown, there will be significant competition from within the PTA, including the Graysher and Mesabi Malls in Hibbing. Within the PTA, the communities of Hibbing, Chisholm and, to a lesser degree, Buhl and Keewatin, compete with each other for customers. Local establishments, such as bars/taverns, restaurants, etc., all need to draw regular customers within the PTA to remain vibrant.

Chisholm has an established downtown area with a number of bars, restaurants, and other neighborhood and community-oriented establishments. New restaurants and retail in Hibbing will likely have some impact on these operators, who will then have to work to retain their existing customers and attract new ones. Chisholm, because of its larger retail base, will have to make more adaptations than Buhl or Keewatin. Chisholm businesses will have to determine what makes them unique for their customers and play on those strengths so that they can retain the

retail sales dollars. While these establishments were taken into consideration when conducting the market analysis for Hibbing to ensure a minimal impact (there is no desire to see stores in Chisholm close as a result of retail redevelopment in Hibbing), there will be some impact. It will be crucial for Chisholm businesses to offer merchandise or experiences that cannot be found in Hibbing or at national chains.

Buhl consists of a small convenience store as its retail base. The community has a number of seniors and the prices in the convenience store are higher than they would like to pay, but many also have limited mobility to access other areas. While the community would like a small grocer, its viability would have to be analyzed. This type of use could be possible as people generally prefer not to drive more than 2-3 miles for groceries and Chisholm (which has a grocery store) is just over 7 miles away. Buhl's location within the defining radius for a number of retailers who want a specific distance between a new store and either competitors or a sister store made it challenging to attract a grocer. In addition, the population base is below that which will attract most national grocery chains. The addition of a grocer may be possible with the addition of more residents and/or industry; however, that would require a more specialized analysis.

Keewatin has a very small retail area that is neighborhood and convenience oriented. Due to the fact that Hibbing is almost 10 miles away and its retail is convenience based, retail changes in Hibbing should have a modest to little effect on Keewatin merchants. A market analysis for this community has not been done, but there may be potential for more convenience-based retail in this community.

Other Shopping Areas

The surrounding shopping areas outside of Hibbing are located in Duluth, Virginia, and Grand Rapids. Due to its larger size and stronger retail offerings, Duluth exerts considerable retail draw on the Hibbing area. Hibbing area residents routinely travel there to shop retailers such as Gander Mountain, Best Buy, and Old Navy. Virginia and Grand Rapids have some overlapping offerings, but do offer some unique retail draws not found in Hibbing such as Target (both markets) and Herbergers (Thunderbird Mall in Virginia).

In 2001, a survey was conducted by the Hibbing Daily Tribune to assess shopping patterns for area residents. While this information is somewhat dated, it does provide some good insights which are still valid. At the time of the survey, 69% of respondents had lived in Hibbing/Chisholm (referred to simply as Hibbing going forward) more than 20 years, indicating loyalty to the community, but also implying people are likely set in certain shopping patterns and habits. Some key information about their shopping habits include:

- Within the past 30 days, 89% had shopped at Irongate Mall (but the vacancy rate was not as high at the time of this survey), 64% had shopped downtown Hibbing, 51% had shopped in Virginia, 42% in Duluth, and 33% had traveled to Grand Rapids. These factors indicate that residents are accustomed to traveling to shop, but do spend some time shopping in Hibbing.
- Within the last 12 months, 64% had ordered mail-order items from stores outside of Hibbing — a very high rate of mail ordering. With internet shopping now a popular form of buying goods, it is likely Hibbing also has a fairly large proportion of retail leakage going out over the internet. This has likely increased since 2001. Additionally, this further shows consumer spending outside of Hibbing by lack of choice.
- Of those spending money on mail-order items, almost 20% spent between \$500 and \$1,000. Assuming this proportion holds true for the general population, this 20% of the population alone accounted for between \$1.3 million and \$2.6 million in lost revenue from the primary trade area.
- When respondents were asked what type of merchandise they were likely to purchase outside the Hibbing area in the next 12 months, 25% said women's clothing, 19% answered men's clothing, and 14% stated computer equipment, 9% said furniture, 8% responded home entertainment equipment, and 5% said a major appliance.
- Of those who planned to buy furniture in the next 12 months, 30% said they would shop outside Hibbing.

- Of those respondents who planned on purchasing a major appliance, 23% said they would shop outside Hibbing.
- More than one-third (38%) of respondents who planned on buying home-entertainment equipment indicated they would purchase it outside Hibbing.
- While 34% indicated that they would make a home-improvement purchase over \$100 outside Hibbing. (This survey was prior to the Lowe's opening and is likely different in the current environment.)
- When asked what changes need to be made to the downtown, 68% said more variety of stores to choose from, 55% stated they'd like to see more variety within the stores, and 49% said parking. Competitive pricing was next with 43%.
- When asked about desired improvement in areas outside the downtown, variety of stores (57%) and selection within the stores (47%) remained the top two answers, and competitive pricing was third with 30% of respondents indicating this was needed. Parking came in last with only 11% citing it as a concern.
- When asked if they found the shopping options in Hibbing adequate, 43% stated no.

This study should be updated to determine the impact of Lowe's opening, Kmart and Pamida closing, and other changes. The overall indication is that Hibbing lacks adequate shopping and, therefore, residents feel they need to leave town to shop. This perception took root many years ago and has become ingrained in the residents. The balance of this section discusses the competing communities and why they are a draw for Hibbing residents.



Duluth

Duluth has the most comprehensive retail offerings in northeastern Minnesota. Miller Hill Mall, a 757,844-square-foot mall anchored by Barnes & Noble, JCPenney, Sears, Youngers, and DSW Shoe Warehouse, is easily accessible to Hibbing area residents along U.S. Highway 53. This mall opened in 1973 and is only 3% vacant. In addition to this center, Duluth has Burning Tree Plaza, which is a 185,477-square-foot center anchored by Best Buy, David's Bridal, T.J. Maxx, and Dunham's Sporting Goods. Lease rates at Burning Tree Plaza are listed at \$8-\$16 per square foot for a community strip center. There are also a number of freestanding units such as Target, The Home Depot, and Gander Mountain that can draw residents to the area.



Virginia

Virginia, which is part of the Quad Cities area, is home to the Thunderbird Mall, a 253,539-square-foot center anchored by Herbergers and Kmart. Opened in 1971, this center has a moderate level of vacancy. Coupled with the surrounding retail developments that house such units as Target, this area has enough critical mass of retail to qualify as a strong retail node for northern Minnesota.



Grand Rapids

The community of Grand Rapids has a great deal of overlap with Hibbing in terms of retail offerings, but has some retailers (such as Target) that are not found within the PTA, and provide a different variety of options within a half-hour drive. Grand Rapids also has some unique offerings such as the Old Central School Shops, which is a collection of specialty boutiques (including a quilt shop and doll clothing store) in a renovated school building. These types of unique draws not only attract new visitors, but extend a community's trade area.

VI. CONCLUSIONS

Based upon this analysis, Hibbing can support between 121,300 and 249,900 square feet of new retail development. This potential assumes that the city, in conjunction with the HEDA-MASH retail development team and existing retailers, will work together in a progressive manner to reinvent the image of Hibbing as a desirable place to live, shop, and dine. One of the primary tasks will be to educate the public as to what Hibbing has to offer and why they should patronize their hometown retail establishments. Some recommendations and guidelines for this revitalization of Hibbing are discussed later in this report.

MapInfo generated several scenarios for Hibbing, depending on the level of additional population and employment growth in the area. These scenarios are listed below:

Category	Status Quo (Sq. Ft.)	Conservative (Sq. Ft.)	Aggressive (Sq. Ft.)
General Merchandise/Junior Dept Store	65,000	68,000	90,000
Women's Apparel	2,200	2,200	3,400
Men's Apparel	1,600	1,600	2,400
Children's Apparel	0	0	1,000
Restaurants	10,800	11,000	14,000
Grocery	0	3,000	3,500
Dollar Store/Variety	24,000	27,500	35,000
Drug Store	6,300	6,300	8,100
Home Furnishings	6,200	6,200	6,300
Pet Supplies	4,000	4,500	6,200
Toy/Hobby Shop	1,200	1,200	1,700
Sporting Goods	0	0	75,000
Total	121,300	131,500	249,900

The status quo scenario assumes that population and housing growth will occur at the current rates and that no additional new developments will occur that will significantly change the

employment or demographic structure of the area. The conservative scenario assumes that there will be the addition of 700 new jobs to the area, resulting in the in-migration of 1,540 people. The aggressive scenario assumes that there are 3,500 new jobs added to the community, resulting in an influx of 7,700 new residents. These figures all assume the Walgreen's currently under construction and the dollar store opening in the Westside Commons in the spring.

MapInfo also prepared a scenario in which the ability of Hibbing to pull from areas as far away as southwestern Ontario, Canada, for its sporting and outdoor recreation opportunities and attractions such as Dylan Days are taken into account. In this scenario, 171,100 square feet of new retail development is supportable — a 41% increase over the status quo scenario and comparable to the aggressive alternative. The supportable square footage by category for this scenario is as follows:

- 95,000 square feet of general merchandise/discount department store
- 2,200 square feet of women's apparel
- 1,600 square feet of men's apparel
- 13,000 square feet of restaurants
- 10,000 square feet of appliances/electronics
- 24,000 square feet of dollar/variety stores
- 6,300 square feet of drug stores
- 8,000 square feet of home furnishings
- 9,500 square feet of pet supplies
- 1,500 square feet of toy/hobby shops

An additional 90,000 square feet of sporting goods (e.g., Gander Mountain) can be added to this scenario, assuming additional housing density is also added in Hibbing.

Listed below are the most optimal matches to the categories found supportable for national and regional retailers. While we understand that Pamida and Maurice's both had units in Hibbing that closed 5-6 years ago, the retail landscape has changed with the addition of Lowe's. With

additional changes, the area may be better equipped to support these types of concepts. The ideal location for each concept is also discussed in the following:

- General Merchandise/Junior Department Store: During the course of the fieldwork, many residents indicated that they would like to see a Kohl's unit in the market. While a smaller Kohl's unit may be feasible, markets this small are not currently at the forefront of their expansion plans. It is more likely that the area could attract operators such as T.J. Maxx, Marshalls, or AJ Wright. This use should ideally be located at Irongate Mall.
- Women's Apparel: Cato, Fashion Bug, and Dress Barn or similar operator would be an ideal fit. It is also feasible to develop a local operator to fill this category. A national retailer would prefer to locate at Irongate Mall, but a local retailer could also fill a void in the downtown and provide synergy for stores such as Leuthold-Jacobson.
- Men's Apparel: This should most likely be a local operator and could be an expansion of Leuthold-Jacobson to carry more casual clothing as opposed to a new retail store. The ideal location for this use is within the downtown.



- Children's Apparel: This should be filled by a local operator. Most national retailers are not currently looking at markets of this size, but a local operator would fill this need and help maintain the integrity of the downtown.
- Restaurants: This should include at least one national operator such as Applebee's in the vicinity of Lowe's and the Irongate Mall. Ground Round or Ruby Tuesday may be other possibilities, but more specialty operators such as Red Lobster will consider this market too small for a niche operator. Restaurants offering a wide variety of food choices will fare better in markets such as Hibbing. An additional restaurant can go either in the downtown or as a compliment to the one along U.S. Highway 169.
- Grocery: This category is only supportable in the more aggressive scenarios and should be the expansion of an existing operator, rather than the addition of a new store to the market.
- Dollar Store/Variety: While dollar stores are generally not a popular choice among residents, they are proving very successful, particularly in a weakened economy. Hibbing should be certain to add at least some tenants in the upper end of this category (Dollar Tree, etc). While Tuesday Morning would also be a preferred fit for the market, it will be difficult to convince them to consider a market this size. This category can be divided between the mall and the downtown. Other space can be filled with more price-conscious variety stores such as Big Lots.
- Drug Store: This category should be an expansion of the existing unit downtown to provide more floor space and a less cluttered atmosphere, as well as better variety. An expanded unit could then also serve to some degree as an anchor for downtown.
- Home Furnishings: In the more aggressive scenarios, this concept could include something similar to a Pier 1 (although Pier 1 is currently having financial difficulties at the corporate level). In the more conservative options, this operator should be filled with local entrepreneurs and be an anchor in the downtown.

- Pet Supplies: This category is best filled by a local operator and can locate either in the downtown or at Irongate Mall.
- Toy/Hobby Shop: This use is best suited for downtown to help add some specialty retailing to the ambience of Howard Street.
- Appliances/Electronics: A national operator such as Rex TV and Appliance would consider a market of this size and would most likely prefer a location near the Lowe's and Wal-Mart units making Irongate Mall an ideal location.

As a comparison, the following table depicts the existing square footage (approximate):

Hibbing, Minnesota Retail Inventory		
<u>Category</u>	<u>Hibbing Square Feet</u>	<u>Downtown Only Square Feet</u>
Appliances/Electronics	17,600	11,900
Arts/Crafts	15,803	13,493
Auto supplies	28,955	9,355
Bar/tavern	54,438	49,038
Books	6,380	2,880
Cards/gifts	12,750	5,250
Computers	6,899	6,899
Department Store	38,500	0
Dollar/variety	32,268	8,268
Drugs	17,800	3,800
Family Apparel	25,750	15,750
Family restaurant	29,368	19,302
Fast Food	23,290	2,500
Financial	27,078	27,078
Florist	15,665	15,665
Furniture	38,495	17,395
Gas/convenience	20,889	10,022
Grocery	103,182	0
Hardware	131,997	0
Home Furnishings	19,926	13,676
Home Improvement	145,000	0
Jewelry	5,151	5,151
Laundry/dry clean	6,100	4,700
Liquor	15,406	4,372
Mailing/packaging	1,500	0
Men's Apparel	1,242	1,242
Music	6,719	6,719
Optical	5,900	4,400
Other	17,448	7,948
Personal Services	16,976	8,480
Pet Supplies	15,937	0
Photography	6,250	6,250
Quality restaurant	15,839	15,839
Recreation	85,158	16,815
Service	41,601	25,532
Shoes/Accessories	6,300	5,300
Specialty Foods	18,464	10,288
Sporting Goods	4,832	4,832
Super Discount Dept Store	200,000	0
Theater	30,000	0
Tobacco	1,000	1,000
Toy/hobby	2,000	2,000
Video	22,600	4,000
Total	1,338,456	367,139

Other Retail Categories

During the course of the evaluation, MapInfo attended a public visioning session organized by Hibbing Community College. Area residents were asked what particular challenges they felt the community faced, what their vision for the future is and, more specifically, what retailers they would like to see come to the area. MapInfo also spoke with several local retailers to get their insights into this same information. There are several retailers or concepts that were mentioned that bear discussing. These include some concepts which this study has found to be supportable just by the numbers and some that the mere numbers show as marginal or non-supportable.

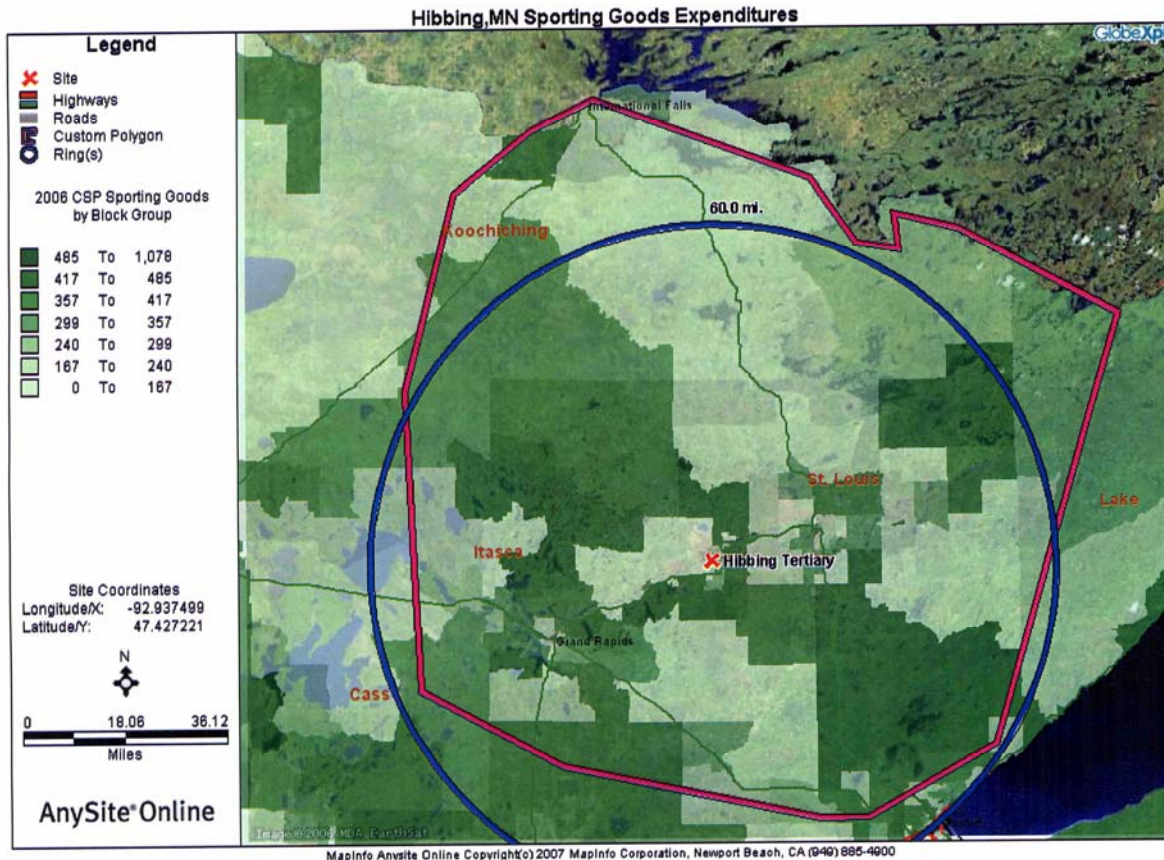
For example, Kohl's was mentioned many times and while there appears to be room for this type of operator, markets this size are not currently on Kohl's radar. Other operators such as T.J. Maxx, Marshalls, or AJ Wright are more likely to consider this community in the near term. Once population growth has increased such as in the aggressive scenario or there is a larger mass of retail development — Kohl's may be a more likely candidate.

Another category that warrants closer examination (as it was mentioned several times, but did not appear feasible based on the analysis) is a sporting goods store focusing on outdoor sports such as Cabela's, Gander Mountain, or a similar unit. The following table compares the demographic characteristics for the existing Gander Mountain stores in Minnesota to those for the Hibbing area:

Demographic Characteristics – 30-Minute Drive
Existing Minnesota Gander Mountain Locations

Community	2006 Population	2011 Population	Median Household Income
<i>Hibbing</i>	<i>43,719</i>	<i>42,986</i>	<i>\$38,011</i>
Baxter	58,351	62,879	\$39,257
Blaine	1,926,968	1,963,633	\$56,552
Duluth	167,209	168,081	\$41,157
Bemidji	36,386	39,197	\$39,095
Lakeville	1,037,222	1,091,869	\$61,543
Mankato	109,133	114,367	\$45,795
Maple Grove	1,920,602	1,952,500	\$59,241
Maplewood	2,011,375	2,044,933	\$57,508
Minnetonka	1,945,758	1,998,831	\$59,051
Rochester	164,103	172,964	\$57,169
St. Cloud	173,652	189,057	\$50,250
Woodbury	1,845,736	1,879,000	\$57,177
Forest Lake	725,532	758,520	\$59,370
<i>Average (Weighted)</i>	<i>932,178</i>	<i>936,359</i>	<i>\$57,699</i>
<i>Hibbing TTA</i>	<i>150,225</i>	<i>153,010</i>	<i>\$40,430</i>

As the above table indicates, Hibbing generally falls in line with the existing Gander Mountain markets of Baxter, Bemidji and, to a lesser degree, Mankato. Of the 13 Minnesota Gander Mountain stores, seven are located within the Minneapolis-St. Paul market, which will skew the averages due to the higher population densities. However, if the tertiary trade area is considered the true trade area for a larger-format concept for Hibbing, its potential suddenly is more comparable to Duluth and St. Cloud. The income levels of the geographic areas are on par with the smaller Gander Mountain markets. The main challenge facing Hibbing in this scenario is the fact that it is the only area where population is declining within a 30-minute drive.



The above map depicts the consumer expenditures for sporting goods in and around the TTA.´

While this analysis is only a cursory look at the existing stores in Minnesota and not a bona fide sales forecast, what these figures tell us is that a potential Gander Mountain store could be successful, assuming the units in the smaller markets are also proving to be good locations for this concept. While this is not based upon actual sales data for Gander Mountain, it is evidence that the regional drawing power of the market can place it on par with other markets that already have such an operator and it should not be overlooked.

Goals, Initiatives, and Guidelines

The overall success of the additional retail supportable in Hibbing will be dependent upon a number of factors. Achieving the desired goals will require a combined effort between HEDA, business owners, Irongate Mall management, city officials, and area residents. This section will address the key issues, provide guidelines and indicate who should spearhead the effort. It must be noted that while one person or entity must take charge of the effort, that does not absolve other people/entities of responsibility for assisting and/or taking a leadership role.

Hibbing used to be the dominant retail node for the range communities, and trips to Duluth to shop were a special treat. Currently, trips to Duluth are perceived as necessary as it is viewed as the “only place to shop.” While it may not be possible to completely restore Hibbing to its prior dominance, it is possible to recapture a significant proportion of the retail dollars leaving the market and increase the number of visitors to the market.

A key priority must be to make efforts to increase the population of the area and reverse the trend of decline. Retailers will want to see a positive future for the community. The area and its residents have an incredibly strong work ethic and this can be a definite asset that will bring new industry and new jobs to the market. Further, approximately 30% of the current mine employees are expected to retire in the next 2-3 years, creating a need for new employees, with many jobs currently in the \$40,000 – \$50,000 annual salary range. This creates tremendous opportunity for Hibbing and the surrounding communities to achieve new growth and add refreshing new generations and ideas to the market, while maintaining the integrity of a closely knit community.

The development of new industry and the revamping of the workforce will go hand-in-hand with the efforts to recruit and retain retail. Retail requires people to thrive and retail can be an amenity to attracting new businesses and employees. While developing each, they must be made to understand that there is a plan in place to develop the other element. For example, if Hibbing decides to pursue Gander Mountain, their real estate management team must be aware of the efforts to recruit new businesses and replace the soon-to-retire work force.

However, merely bringing in more people to the market will not be a “silver bullet” answer for the community. There are a number of other challenges that will need to be met and opportunities to be capitalized upon. During the course of the fieldwork, there were a number of issues that were presented, either through field observations, conversations with area business owners, or the public visioning sessions. These issues are discussed below.

Attitude – NIMBYism

The perception of Hibbing as having a “Not In My Back Yard” attitude was a repeated theme in responses to questions of why retail is leaving and new retail is difficult to attract. This attitude is pervasive among residents, more so than local government entities, but is crucial in any effort to attract new retail. In many cases it is the same people resisting new development who are also complaining about the lack of shopping opportunities in Hibbing and the subsequent lack of employment opportunities for teenagers and retirees who would be ideal workers for these establishments. Overcoming this attitude, particularly for retailers who may not view Hibbing as a “home-run” location will be essential as it may convince retailers to locate elsewhere to avoid a public battle to locate in Hibbing. This could drive retailers to Virginia, Grand Rapids, and Duluth.

There are a number of ways to combat this potentially detrimental attitude. While it is important that Hibbing attract the right retail, it cannot be afraid of any new retail. One of the biggest opponents to change is typically existing retailers who are concerned with the impact on their sales potential. Their concerns are very understandable and cannot be overlooked or diminished. The retailers need to understand that Hibbing will be following a plan that takes into account the existing retail when the supply versus demand model was generated. While there is always the potential for some sales to be lost to new retail development, the underlying idea behind attracting new retail through a market analysis is to bring in retail that will compliment the existing retail mix and not put local shop owners out of business.

Some of the retailers already understand the concept that additional complimenting stores can add foot traffic and if there is room in the marketplace, stores selling the same or similar merchandise can create a healthy competitive environment by giving customers the capacity to

cross shop and have choices. One reason people travel to Duluth to shop is that they feel there are more choices. They may be looking for something as simple as athletic shoes, but will be more satisfied with their purchase if they feel they got what they wanted for a good price rather than being forced to buy whatever was available. New retail will be ideally located where people can easily cross shop and compare selection and price. Further, there are a number of things that retailers can do to help themselves remain competitive in the face of new competition including:

- Have operating hours that are convenient for the customer.
- Work with other retailers to promote their businesses.
- Maintain their property adequately, including rotating window merchandise regularly, keeping the sidewalks clean and maintaining fixtures.
- Being friendly to their customers and teaching their employees good customer service.

These steps will be covered in more detail later in this report.

However, retailers are not the only people to suffer from NIMBYism. Long time local residents can often be resistant to change, even if it means watching their downtown and mall become increasingly vacant. These people can often be more difficult to convince of the need for new retail than the business owners as they do not have a vested interest in increasing the retail potential and stemming retail leakage other than the fact that they will then have to drive farther to get what they want/need. However, residents' attitudes shape a town and are an important influence. There will need to be an education in why the community needs more retail to remain viable and that this will present positive changes in the community by giving them more shopping choices, more tax dollars for things such as emergency services, and jobs for local residents.

This education of both residents and retailers can be conducted through several means such as articles in the newspaper, workshops, presentations by industry experts (which can be through Hibbing Community College) or other means to get the ideas across. This initiative should begin immediately and continue indefinitely until the perception of Hibbing as a NIMBY (and even snobbish) community has been reversed. The HEDA committee should take the initiative to organize this endeavor.

Small Business Development

Hibbing has an active Small Business Development Center, but there may be room for improvement as to the community's awareness of how it functions and what it does. There may also be opportunity for the SBDC to broaden the scope of its services to the area businesses. There is a concern that a number of businesses will not be able to make it over the next 10 years and new businesses will have difficulty getting started. Several businesses expressed a concern that there is no place to get start up money for someone who would like to open a business. The SBDC has resources available to area businesses including ways to obtain financing. HEDA also offers programs to expansion-minded businesses in the area. Both entities should investigate this issue further to determine if the businesses are merely not aware of the resources and programs available or whether there are additional needs that are not being met by the current initiatives.

As part of the development of new businesses, particularly in the downtown, other challenges also arise such as the instances where the business owner also owns the building their store is in. If they sell or close the store, they also need to sell the building. Coupled with the fact that some business owners are reaching retirement age, there needs to be a plan in place so that when these businesses leave, new people can step in and take over the business and/or the building. Whether these issues are dealt with through small business loans or other programs will depend on the state laws governing the use of funds and the efforts of the SBDC and HEDA to provide the resources such as market feasibility studies, etc., to help potential business owners secure funding from entities such as local banks.

Parking

As is the case with many downtowns, parking is perceived as an issue. Both business owners and residents have expressed the feeling that there is not enough parking within the downtown. While MapInfo did not conduct an actual parking analysis, we observed that in the morning (before 10 a.m.) there was ample parking, but later in the day, it was more difficult to find places to park especially after 5 p.m. Customers want to be able to park close to where they are shopping or dining, particularly after dark, when they will feel less safe walking longer distances. Even if there are technically enough parking spots throughout the downtown as a whole, if the placement is not conducive to the patterns of where people want to be at different points during the day, it will not matter. Further, if they are just not convenient at all, there will be a perceived parking problem. This parking issue, whether perceived or actual, is of concern. If people believe they will have trouble finding a parking spot, they will go elsewhere to shop or dine, sometimes even to the point of driving farther away to a place they feel will be more convenient to park.

MapInfo recommends that Hibbing assess some areas of the downtown to determine if there are unused or under-utilized areas that can be converted to surface lots. This addition of parking spots should not be haphazard, but should work with the flow of downtown. It may be necessary to hire a consultant or other professional to determine the most appropriate placement and parking ratios for the downtown.

Capitalize on Hibbing's Strengths

Hibbing has a variety of extremely strong characteristics and amenities that are not necessarily being used to the best benefit of Hibbing. The first example is that the community is in an area popular for outdoor recreation, being located within a 20-40 minute drive from over a dozen lake areas, yet there are no resorts in the Hibbing area to provide these outdoor enthusiasts with accommodations. There is a lack of even basic hotel rooms in the area, much less higher quality resorts. Visitors coming to the Iron Range area may visit Hibbing, but not to stay there (and, therefore, not spend extra money in Hibbing) due to lack of opportunity. Whether they are taking advantage of the fishing, snowmobiling, hunting or hiking opportunities, Hibbing has the capacity to attract more tourist dollars than they are currently getting.

Second, Hibbing has a historic, attractive downtown with a solid infrastructure in place that does not get marketed enough to Hibbing residents, people in surrounding communities and visitors coming to northern Minnesota. While there is some clean up and repair needed within the downtown, overall it is walkable with many aesthetically pleasing features such as historic buildings and clean, attractive sidewalks and landscaping. While these factors alone will not bring people into a downtown, they contribute significantly to people's impressions, determining how much time they will spend there and whether or not they will return. Hibbing should promote its downtown and all it has to offer both within the community and beyond.



Hibbing High School

Hibbing residents have voiced pride in their community, as well as their governing entities such as the Chamber of Commerce, City Council, HEDA, etc. This civic pride and positive attitude can translate into the ability to get volunteers and grass root efforts to make things happen in

Hibbing. Community involvement in current festivals and events, as well as the introduction of new initiatives, can achieve greater results through combined efforts of community residents and entities such as the Chamber of Commerce. People can be asked to volunteer for such events as sprucing up downtown, holding promotional events, working to make events such as Dylan Days larger, etc. Hibbing's people, their love of their community, and their strong work ethic are one of the city's greatest assets. Their power to help the city achieve its goals should not be underestimated. The Chamber of Commerce and HEDA can best decide how these resources can be used and where they will be the most effective.

Retailers Need to be More Involved/Proactive

Quite often local business owners place an overabundance of reliance on the city and its entities to solve all of their problems and concerns, and do not realize that they have the power to determine how successful they can be. Many times it is fairly simple things they can do, while other elements may take more money or time. There were a number of comments made during the course of the field evaluation, both in the one-on-one interviews with retailers and during the public session, that retailers do not want to make the effort to improve downtown. Many people expressed the opinion that retailers have had the opportunity to do things to improve the community and have chosen not to.

The image retailers project to the community is vital to the overall health of the retail area. If there is a perception by customers that the retailers don't care or don't welcome them they will not frequent these establishments and will take their business elsewhere, often also impacting other retailers in the area. There is a feeling that this attitude is pervasive within the older businesses in the community who tend to project an image of not caring about their customers and being the most resistant to new businesses. Without customers and new businesses coming into a retail area, it will have no direction to go but down. These attitudes may be particularly difficult to combat, but must be tackled. Chamber and HEDA members can work directly with problematic operators, working with them to help them understand the importance of new retail and good customer service to the health of the downtown and their establishment. There can also be workshops covering such topics, although the risk is there that the individuals who most need to attend will not participate.

This attitude challenge can also be combated through the Merchant's Association. There were concerns expressed that the association is somewhat of a "good old boys" network and that there is not a widespread level of participation. Businesses who currently do not participate must be encouraged to do so and be active participants, not quiet bystanders. A strong merchant's association can affect a great number of positive changes in the community, but it needs to be open to new ideas and embrace change. The strengthening of the merchant's association would benefit from the power behind a group of people working together, rather than the smaller achievements of individuals trying to accomplish things on their own. Currently, the feeling is that the businesses do not work together to help each other out. The pooling of resources, sharing of ideas, and concentration of efforts will allow the merchants to achieve more and reach their goals sooner with less burden on individuals.

One issue that needs to be addressed quickly is the fact that the business hours, especially in the downtown, are inconsistent and confusing to customers. Only a handful of stores are open on Saturdays — a prime shopping day for any retailer. Further, many are not open in the evening. If there are only a few stores open it will be difficult to attract shoppers to the downtown.

It is understandable that some retailers may not want to have to add staff to handle the extra hours, but they can certainly adjust their business hours to open a little later and stay open later, so that the stores are open when the customers can be there. If a customer cannot get to stores to shop when it is convenient for them, they will simply go where the stores are open when they need them to be. Often this means Duluth, Virginia or, to a lesser degree, Grand Rapids. Shop owners do not need to stay open until 10 p.m. each night as larger national chains are able to do, but they should choose one to two nights a week when the majority, if not all stores stay open later (at least until 7 p.m.) and promote the idea. It may take the change some time to catch on with the customers, so it should be heavily promoted and remain in place until residents become familiar with the hours. Merely doing this for a month or so and then reverting to old hours will only confuse customers and make the situation worse.

In any downtown there are a number of local shop owners who run the store more as a hobby than for a living, and so they do not care if their sales increase. They simply will not want to

work more hours than they already do. In these cases, a request to at least alter their hours to be open an evening or two or Saturdays and an appeal to their pride in the city and desire to help their neighbors succeed may work. There will, however, be some cases where they simply will not comply and efforts are best spent on other initiatives.

Business owners must also take pride in the appearance of their establishment, both inside and out. While there are a number of excellent examples of building maintenance, there are also a number of instances where storefronts are cluttered or unclean, fixtures are broken, paint is peeling, and windows are dirty. The city cannot be expected to maintain the individual buildings — this is the responsibility of the business owner. Where the owner has limited funds for façade or other improvements, there are grant funds and/or loans available for these uses. People are unlikely to want to shop in a store that looks unclean and uninviting. Windows need to be washed daily, paint should be refreshed 1-2 times a year, and sidewalks kept swept and clean.

Window displays should change regularly and be attractive and uncluttered. A retailer has 8 seconds to capture the attention of a passing pedestrian and in that timeframe needs to convey to the potential customer what they sell, the image they project, and that they have merchandise inside the customer may be interested in. A display that is too busy will lose the customer's interest as there is too much to look at in a small period of time. A display that is either irrelevant to the store's merchandise mix or too plain will not entice the customer inside. Further, rotating the display regularly will let customers know there is new merchandise inside for them to browse through. If they continually see the same window display, they will assume the business only has the same merchandise they have seen before and they will eventually lose interest and shop elsewhere where they can see fresh merchandise.

While these measures are the retailer's responsibility, the merchant's association, Chamber of Commerce and HEDA can hold workshops and networking meetings to promote cooperation on this effort throughout the downtown. For example, there may be times where all the merchants could have their window displays revolve around themes (to some degree this automatically happens during Christmas, Easter, Halloween, and other holidays) to promote unity in the downtown.

There should also be an effort to refurbish buildings that are currently vacant. While some of these may have absentee landlords, there are things that can be done to help improve their appearance. Covering up the windows with more attractive things than boards or newspaper can be beneficial. One option is to have local children participate in drawing/coloring contests and place the entries in the windows. These colorful works of art will deflect people's attention away from the empty storefront and on to the children's efforts, reducing the impact of the vacancy. Local artists can paint murals on the windows or boards to help beautify the area rather than detract from it. Existing retailers can create window displays to promote more of their merchandise (preferably this would be retailers that are close to the vacant location as customers will not want to have to go to the other end of town to buy the merchandise they see in the window). Space can also be used to promote Hibbing with posters and other information on area attractions. In these ways, even while the city is working on filling the vacant space, the empty space is working to benefit the area.

Irongate Mall

Irongate Mall presents different challenges than the downtown area. The mall merchants typically have consistent hours including evenings and weekends. However, the mall has even more significant issues with vacancy than the downtown. The echo of the empty space as one enters the mall creates a depressing atmosphere that is palpable immediately. While the mall owners have made improvements to the parking lots and roof, they have ignored some other important elements such as the hollow space inside the center. The existing operators are all located at one end of the mall and the other end is glaringly empty.

While it is our understanding that the east end of the mall has been kept vacant with the plans being to attract larger-format uses, the mall owners should take measures to make the portion of the mall that is empty more inviting to customers. While the appropriate retail uses are being attracted, the unused portion of the mall should ideally be either blocked off with a wall (which should in turn be decorative not a sheer white wall so that the focus is on the aesthetic value, not the barrier to the empty half of the mall) or at the very least the empty storefronts should be made more attractive, much as the downtown vacancies should be.

Further, HEDA and the MASH retail team must work closely with the mall owners to get the space filled. There have been conflicting opinions as to how much effort has been put into recruiting new retailers, but it is clear that the current strategy is not achieving the desired results. The marketing packet that will be produced as part of this analysis can be used to open doors to discussions with retailers. HEDA and the mall owners should consider joint attendance at such events as the International Council of Shopping Centers (ICSC) annual convention in Las Vegas in May, as well as their local events. These are excellent opportunities to get in front of retailers who are seeking expansion locations in Minnesota.

Concluding Comments

There are a number of positive advantages in Hibbing that will contribute immensely to its future retail potential including a highway location, growing retail environment, strong sense of community pride, excellent local work ethic, and numerous attractions that bring in visitors from all over. The community needs to build upon these strengths, while improving on the challenges it faces. It will be crucial to remember that this will not happen overnight. In most cases, from the time a retailer is contacted and becomes interested in the community as a location, it can take several years to actually get a store open.

Further, change will require a focused group effort, which is another strength for the community to draw upon. This has already been established and will continue to get stronger. Changing residents shopping habits from Duluth back to Hibbing will also take time and effort, but is achievable. As Hibbing achieves its successes, it needs to promote each milestone, not only in Hibbing, but in surrounding communities including Duluth. However, Hibbing must also be true to itself and maintain its integrity. It cannot try to become something it is not, but rather draw its strength from what it is. It may never get retailers such as a Dave & Buster's or a long-term opportunity for a retailer such as Kohl's, yet it has advantages that can be attractive to a variety of retailers that will enhance the community.