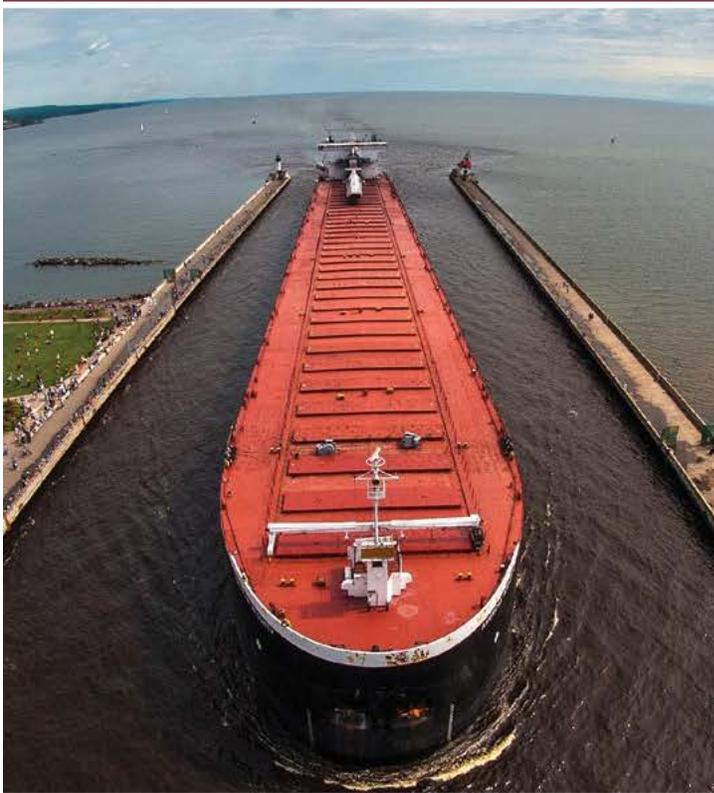


ASSESSMENT OF BUSINESS RESILIENCY DURING COVID-19 FOR LINCOLN PARK BUSINESS DISTRICT

Ecolibrium3

October 6, 2020



**BUREAU of BUSINESS and
ECONOMIC RESEARCH**

**U of M EXTENSION CENTER
for COMMUNITY VITALITY**

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*UMD Bureau of Business and Economic Research
U of M Extension Center for Community Vitality*

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Executive Summary

Ecolibrium3 contacted the Bureau of Business and Economic Research (BBER) to conduct a survey of Lincoln Park businesses. The survey was designed to identify factors that have helped businesses survive the economic crisis and to determine strategies that would help businesses recover.

In total, the research team identified 314 businesses in the Lincoln Park neighborhood, 183 of which had email addresses listed. In the end, 190 businesses received a survey link, and 89 responded to at least a portion of the survey, for an overall response rate of 47%.

Of the businesses that responded to the survey, 28% operate in the retail sector, followed by nonprofit (20%), construction (14%), and restaurant/food (12%). When asked about business adaptations in response to COVID-19, more than three-quarters of respondents (76%) said that they had modified cleaning protocols, 51% modified other operations processes (e.g. hours of operation, etc.), and 45% allowed remote work.

Businesses reported a significant decrease in employment from March 27 to May 1, particularly among part-time workers. In total, surveyed businesses laid off 55 full-time and 245 part-time workers between March 27 and May 1. And while surveyed businesses expect that they will have hired most of their full-time workers back in six months' time, part-time employment levels are only expected to reach 78% of their pre-COVID levels within six months. Of the businesses that reported a change in employment levels between March 27 and May 1, 32% reported laying off fewer than 10 workers, 11% laid off between 10 and 20 workers, and 6% laid off more than 20, including one business that had laid off 100 workers. On the

other hand, 40% had no layoffs, and 11% actually hired workers between March and May.

When asked about the difficulty in recruiting qualified candidates, most businesses stated that they were not currently hiring. Of those that reported hiring, most stated that it had been extremely or somewhat difficult (n=27) to recruit qualified candidates.

More than three-quarters of surveyed businesses said they had experienced negative effects (either large or small) on sales or revenues from January through June, and two-thirds said they anticipated negative effects on sales or revenues from July to December.

When asked about their ability to stay solvent during COVID-19 if the same conditions persisted more than 30 days, the majority of respondents (36 out of 47) said they could remain solvent longer than six months. One business said they would not be able to remain solvent for a month.

The survey asked respondents "Which of the following tools/resources would be most helpful for your business in the coming months?" Funding for capital investment (43%) was the number one resource followed by marketing strategies (40%).

Using the survey results, the research team identified three strategies and 18 potential project ideas to help Ecolibrium3 and its partners support and retain Lincoln Park businesses. The three strategies include:

- Provide Assistance to Business Owners
- Build Infrastructure for Recovery
- Address Workforce Needs

Detailed information on the strategies and project ideas can be found in Chapter III of the report.

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*UMD Bureau of Business and Economic Research
U of M Extension Center for Community Vitality*

An Assessment of Business Resiliency During COVID-19 for the Lincoln Park Business District

Project Description

Ecolibrium3 is a nonprofit located in Duluth's Lincoln Park neighborhood. Ecolibrium3's mission is to lead and inspire change towards an equitable and sustainable future. One way in which it accomplishes this mission is by ensuring the businesses in Lincoln Park are resilient and able to withstand economic shocks, such as the one we are currently experiencing due to the COVID-19 pandemic.

Ecolibrium3 is working to gain the Main Street™ designation for Lincoln Park. This national program, developed by the National Main Street Center, offers a framework for strengthening communities through preservation-based economic development in older and historic downtowns and neighborhood commercial districts. The program has helped over 2,000 communities across the country bring economic vitality back downtown, while celebrating their historic character, and bringing communities together.

As part of its Main Street Lincoln Park (MSLP) initiative, Ecolibrium3 (Eco3) contacted the Bureau of Business and Economic Research (BBER) to better understand the impacts of Eco3's existing interventions and identify ways in which the organization can further assist the neighborhood. The BBER, in partnership with the U of M Extension Center for Community Vitality, developed and distributed a survey for Lincoln Park businesses. The information collected from the survey can be used in business retention efforts, both in the current crisis and for potential future disasters.

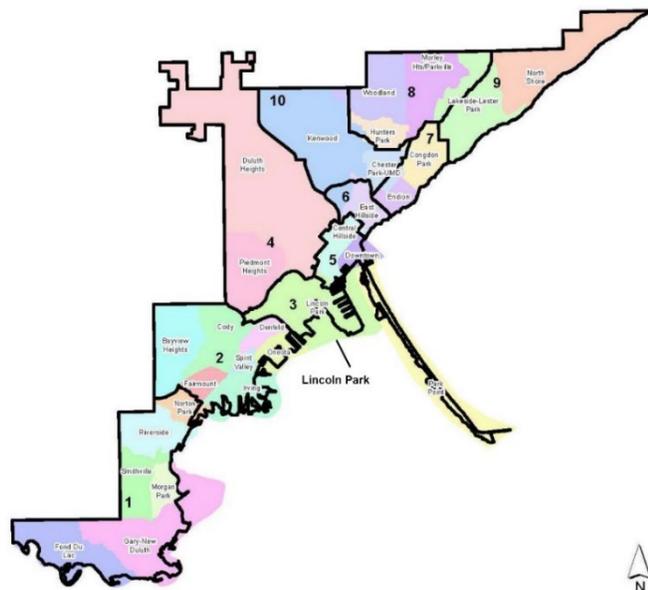
The scope of work for this report is as follows:

1. Conduct a survey of Lincoln Park business owners regarding short-medium- and long-term impacts on their business model, employment, product, or supply chain as a result of COVID-19.
2. Compile data and an analysis summary into a digital written report.

The geographic scope for this economic impact analysis is the Lincoln Park neighborhood and Duluth, Minnesota. Lincoln Park is District 3 on the City of Duluth's District Planning Map as noted in Figure 1.

The report includes two chapters. The first highlights the results of the business survey, and the second includes three strategies and 18 associated project ideas developed and organized to help Ecolibrium3 and its partners address the issues identified from the business surveys.

Figure 1. District Planning Map of Duluth



SOURCE: CITY OF DULUTH 2016 HOUSING INDICATOR REPORT

I. Survey Findings

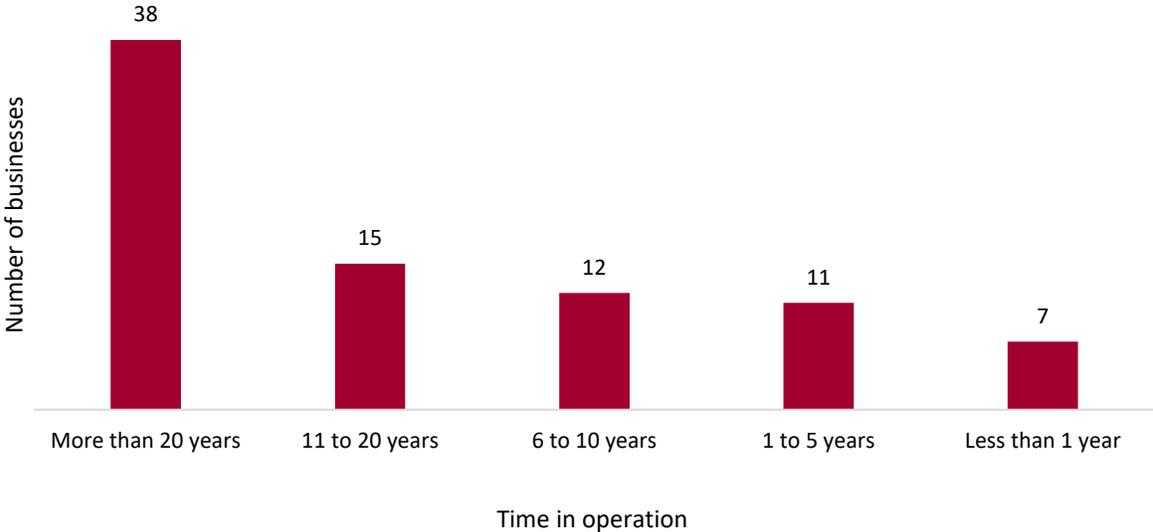
This chapter presents survey results from the survey of Lincoln Park businesses conducted in July and August 2020. Survey questions were developed by the research team with feedback from Ecolibrium3, the Local Initiatives Support Corporation (LISC), and Minnesota Power.

An initial list of Lincoln Park businesses was collected from the Reference USA database. That list was then cross-referenced, combined with Ecolibrium3’s business list, and reviewed by Ecolibrium3 staff to ensure accuracy. In addition, a BBER intern conducted a thorough web search to find additional contact information (e.g. email addresses, phone numbers, or websites) for businesses on the list. In total, the research team identified 314 businesses in the Lincoln Park neighborhood, 183 with email addresses that could be verified.

The survey was initially distributed to businesses via email, and then student researchers contacted businesses via phone to encourage participation and to update contact information. In the end, 190 businesses received a survey link, and 89 responded to at least a portion of the survey, for an overall response rate of 47%.

Survey respondents were first asked about the age of their business. Based on the businesses that responded to the survey (see Figure 2), more than 60% were established at least 10 years ago, while about 10% were established in the last year. These results indicate that Lincoln Park has a foundation of established businesses that have been present in the area for many years. These findings are fairly similar to the statistics available for all Lincoln Park businesses in the ReferenceUSA database, where 58% of businesses were established more than 10 years ago while 2% were established in the past year.

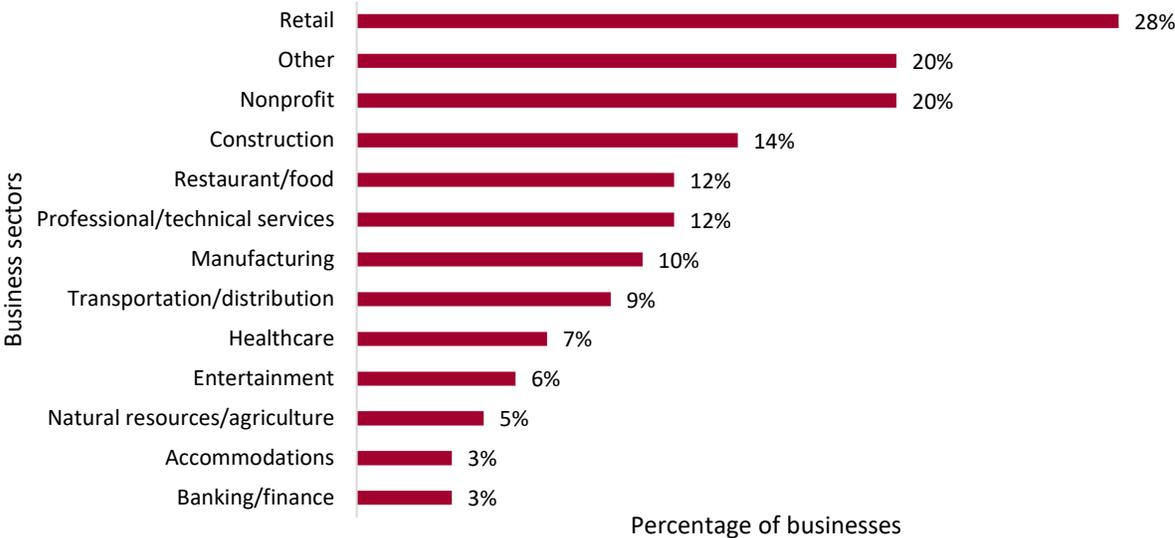
Figure 2. When was your business established? (N=83)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Next, businesses were asked to report the sector in which their business operated. Business owners were given the option to select multiple sectors that applied to their business. For example, a hotel could select both “accommodation” and “restaurant/food”. As shown in Figure 3, most business respondents operate in the retail section (28% of respondents), followed by “other” (20%) and “nonprofit” (20%). Some examples provided in the “other” category were arts and culture, education, and government.

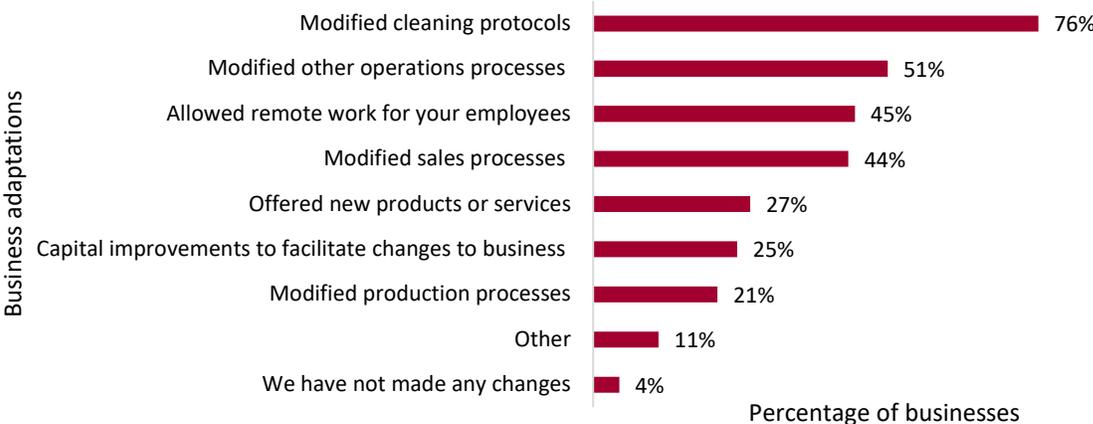
Figure 3. In which sector does your business operate? (select all that apply) (N=86)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

For the question “How has your business adapted to COVID-19 disruptions?” business owners were again given the option to select all the options that applied. More than three-quarters of respondents (76%) said that they had modified cleaning protocols, 51% modified other operations processes (e.g. hours of operation, etc.), and 45% allowed remote work. In the previous chart, we saw that most Lincoln Park businesses operate in the retail sector. Therefore, it is not surprising to see that modified cleaning protocols is the most common adaptation.

Figure 4. How has your business adapted to COVID-19 disruptions (select all that apply) (N=89)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Businesses were then asked to share details of new or modified products, services, or processes and to share whether any of these changes would become permanent. Of the 50 businesses who provided additional feedback, 32% (n=16) said that their businesses were implementing cleaning and sanitizing measures to combat the pandemic. Nearly 30% (14) of businesses stated that they had begun offering delivery or curbside options. Multiple businesses noted that they had shifted all operations completely online. A number of these businesses noted that online product offerings (n=8), cleaning and sanitizing (n=13), and remote work (n=7) will likely be continued even as the pandemic environment stabilizes.

Business were asked to indicate their full-time and part-time staffing levels prior to March 27, their staffing levels as of May 1 (during the mandatory stay-at-home order), and to predict their expected staffing levels in six months (January-February 2021). As shown in Table 1, businesses reported a significant decrease in employment from March 27 to May 1, particularly among part-time workers. In total, surveyed businesses laid off 55 full-time and 245 part-time workers between March 27 and May 1. And while surveyed businesses expect that they will have hired most of their full-time workers back in six months' time, part-time employment levels are only expected to reach 78% of their pre-COVID levels (410 workers compared with 522) within six months. In interpreting these results, it is important to note that the survey was distributed in late July, when federal benefits were still available to unemployed workers (those benefits expired on July 31) and there was great uncertainty regarding whether those benefits would be extended.

Table 1. Please indicate your staffing levels (past, current, and predicted) during COVID-19 crisis (N=64)

	<i>Full-time</i>		<i>Part-time</i>	
	Mean	Sum	Mean	Sum
Prior to March 27, 2020 (stay-at-home order)	10.0	601	9.7	522
On May 1, 2020	9.3	546	5.2	277
Six months from today (anticipated)	10.4	585	8.4	410

SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Businesses were also given the opportunity to elaborate on any staffing changes. According to a review of the comments, 16 businesses reported no change in staffing, 8 mentioned temporary layoffs, 8 noted they had employees quit, 8 mentioned increased hiring, and 6 noted reductions in hours. Shown below are of some of the comments provided by businesses in the survey:

Because we've changed our menu as well as our hours of operations and cannot host events in our space, we cannot rehire all of our previous staff.

COVID has not changes staffing but has limited our ability to take on interns.

During the heart of the pandemic, we pivoted from a part-time staff to a full-time staff that was smaller but better paid under the rules of the PPP. We have since seen great growth in our distribution markets and have needed to expand our operations.

No changes during this time; we have been able to keep our full staff. Salaried employees took a 15% pay cut in March, but that was reinstated on July 1. Six months from today is our normal slow time of the year, so we won't be adding staff.

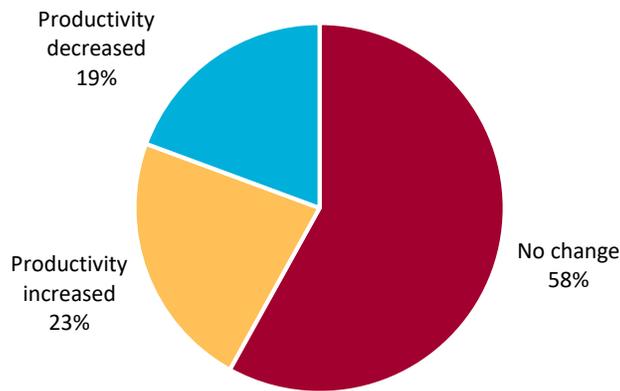
When the stay-at-home order went into place, I had to lay off all of my part-time employees. We were completely shut down for two weeks, and my two full-time employees went on unemployment.

The research team also examined whether the change in employment was distributed evenly among employers or whether some employers had large cuts in employment while others were less impacted. Of

the 47 businesses that reported a change in employment levels between March 27 and May 1, 15 employers reported laying off fewer than ten workers, five employers laid off between ten and 20 workers, and three employers laid off more than 20, including one that had laid off 100 workers. In fact, 11 surveyed businesses reported having to lay off more than 50% of their workforce. Conversely, 19 employers had no layoffs, and five employers actually hired workers between March and May.

Next, businesses were asked “If you have allowed remote work, have you observed any changes to employee productivity? According to survey responses (n=31), the majority of businesses (58%) said there was no change observed, while 23% of business saw an increase in employee productivity, and 19% reported a decrease in productivity.

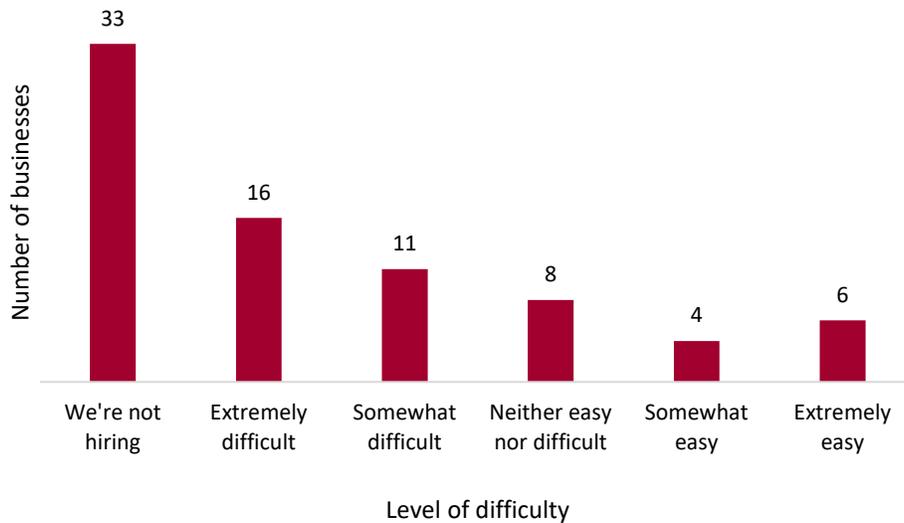
Figure 5. If you have allowed remote work, have you observed any changes to employee productivity? (N=31)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

When asked about the difficulty in recruiting qualified candidates, most businesses stated that they were not currently hiring. Of those that reported hiring, most stated that it has been extremely or somewhat difficult (n=27) to recruit qualified candidates. Only six businesses said it was extremely easy to recruit.

Figure 6. If your business is hiring, how difficult has it been recruiting qualified candidates for open positions? (N=78)

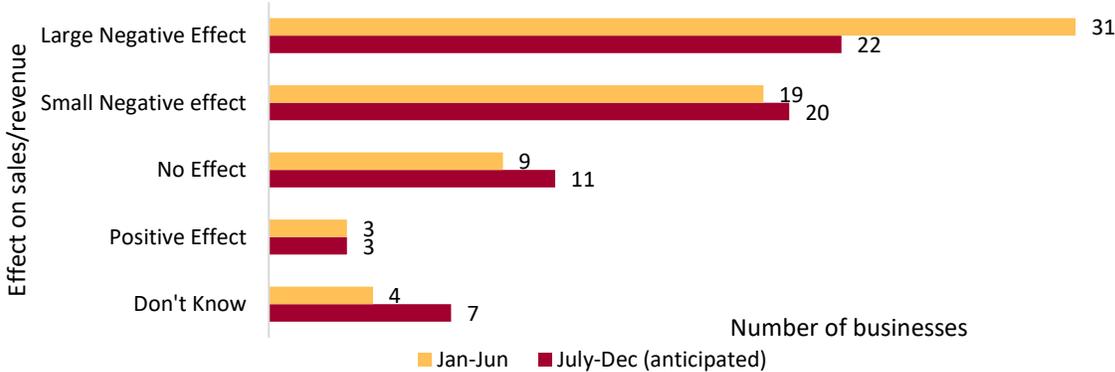


SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Further examination found that the sectors reporting the greatest difficulties included banking/finance, restaurant/food, entertainment, and transportation/distribution. More than a third of businesses in these four sectors reported that it was somewhat or extremely difficult to recruit qualified workers.

Next, businesses were asked, “Compared to the same period last year, how has COVID-19 affected sales/revenues in your business so far this year, and what impact do you expect in the near future?” Of the 66 businesses that responded to this question, 50 of them said they had experienced negative effects (either large or small) on sales or revenues from January through June, and 44 of the businesses said they anticipated negative effects on sales or revenues from July to December.

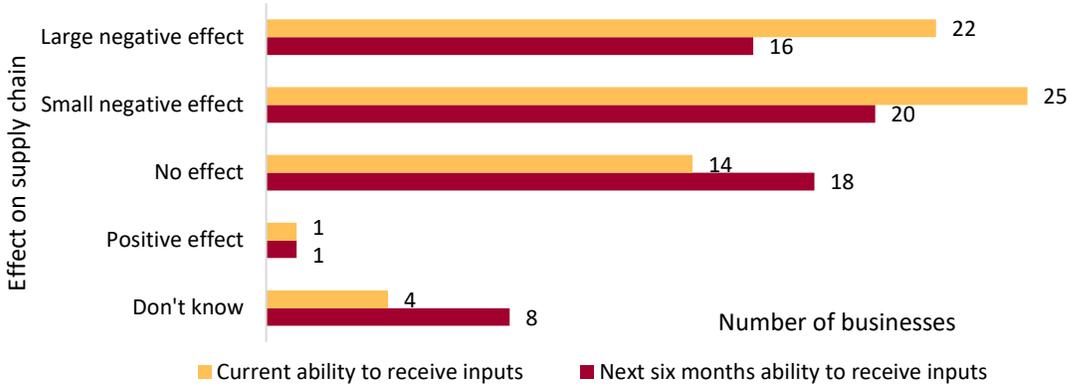
Figure 7. Compared to the same period last year, how has COVID-19 affected sales/revenues in your business so far this year, and what impact do you expect in the near future? (N=66)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

A similar question asked businesses to indicate the effects that COVID-19 had on their business supply chain and how they anticipated it would affect their supply chain six months from now. Of the 66 businesses that responded, one-third (n=22) indicated that COVID-19 had a large negative effect on their ability to receive inputs (half of those businesses were in retail or manufacturing), and 16 predicted COVID-19 would continue to have a large negative effect six months from now. On the other hand, 14 businesses indicated that they were not experiencing any effects from COVID-19, and one business said they had experienced a positive effect on their current ability to receive inputs.

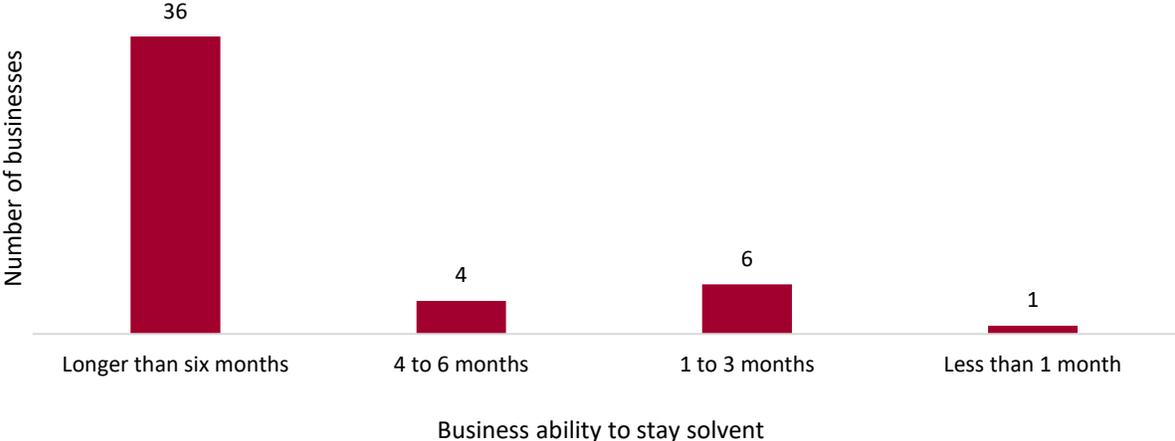
Figure 8. Compared to the same period last year, what effects has COVID-19 had on your business’s supply chain? (N=66)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

When asked about their ability to stay solvent during COVID-19 if the same conditions persisted more than 30 days, the majority of respondents (36 out of 47) said they could remain solvent longer than six months. One business said they would not be able remain solvent for a month.

Figure 9. Operations effect: If the economic conditions as of now persist for more than 30 days, how long could your business stay solvent? (N=46)

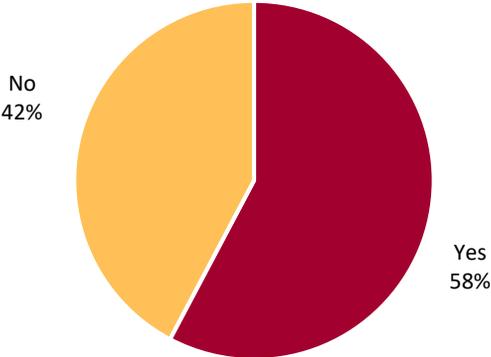


SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

The research team then analyzed a handful of factors to determine whether the factors influenced businesses’ ability to remain solvent longer than six months. According to the analysis, 86% of older businesses (those that had been established for more than ten years) predicted they could remain solvent for more than six months, while only 63% of newer businesses (established less than ten years) predicted the same. Retail establishments were most likely to report concerns about solvency, with six retail establishments stating they might not be able to remain in business for more than six months if conditions persisted.

Of the businesses surveyed, 58% stated that they currently had standing lines of credit to help bridge their current business interruption, while the remaining 42% did not.

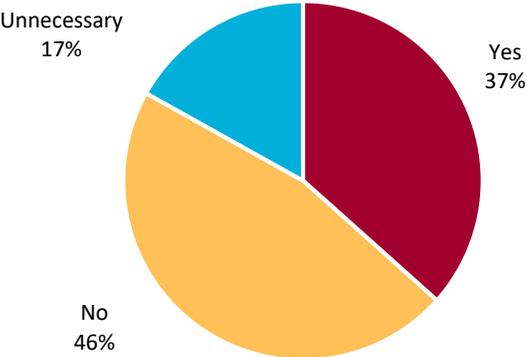
Figure 10. Do you have standing lines of credit to help bridge this business interruption? (N=71)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Businesses were asked if they had contacted their bank about bridge loans or other methods of financing. Of the businesses that responded, 46% said they had not contacted their bank, 37% said they had contacted their bank, and 17% said it was unnecessary.

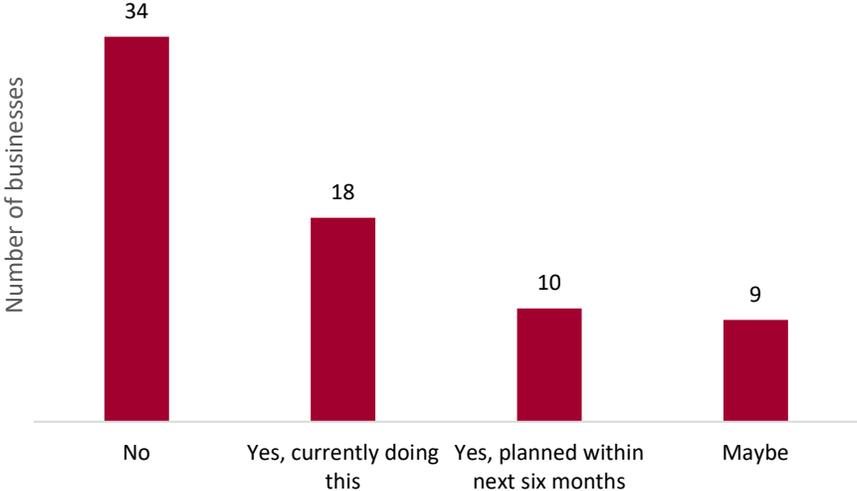
Figure 11. Have you contacted your bank about a bridge loan or other financing? (N=71)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Surveyed businesses were asked if their business had considered any facility improvements or energy efficiency upgrades. Of the 71 businesses that responded to the question, 34 said no, while 18 indicated they were currently making these improvements, and ten had plans to make improvements sometime in the next six months.

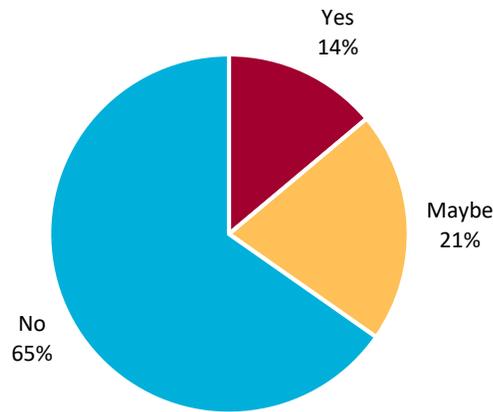
Figure 12. Is your business considering any facility improvements or energy efficiency upgrades? (N=71)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

When asked surveyed businesses whether their business would be interested in an energy audit from Minnesota Power, 65% of them indicated they would not be interested, while 35% of the businesses were either interested or potentially interested.

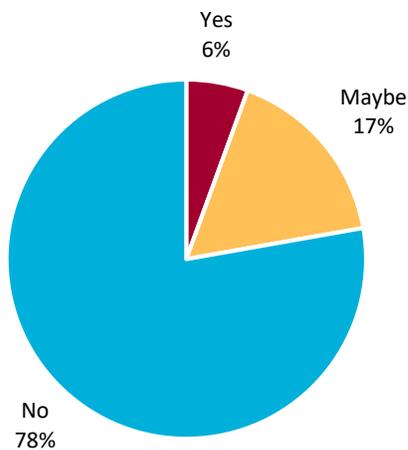
Figure 13. Would your business be interested in an energy audit from Minnesota Power to identify opportunities for energy efficiency improvements? (N=72)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Businesses were asked, "If you feel your business may be vulnerable to closing due to COVID-related circumstances, would you like to meet with a business consultant who might be able to help you?" Nearly 80% of businesses surveyed said no, while 22% of businesses indicated that they were interested or that they might be interested.

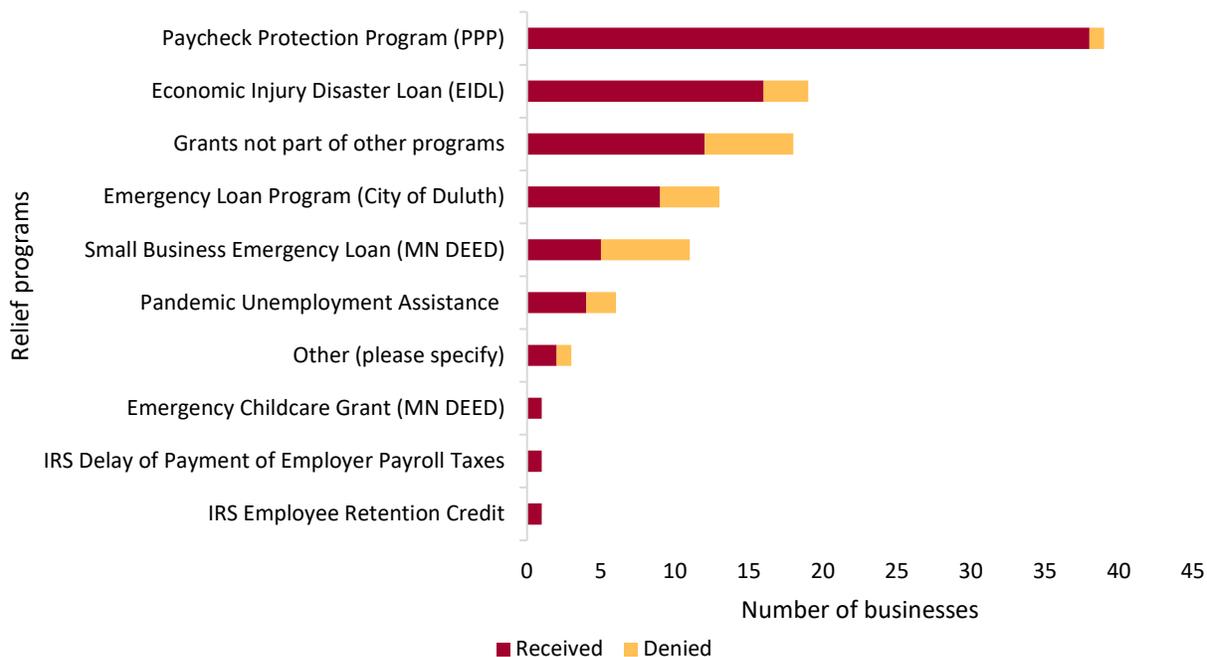
Figure 14. If you feel your business may be vulnerable to closing due to COVID-related circumstances, would you like to meet with a business consultant who might be able to help you? If you reply "yes" or "maybe," someone will contact you with further information. (N=72)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Businesses were then asked “What federal, state, or local relief programs has your business accessed?” For each relief program, businesses were given the opportunity to select from the following choices: applied for, did not apply for, received, denied, plan to apply for, I’ve never heard of this, my firm does not qualify, or not necessary.

Figure 15. What federal, state, or local relief programs has your business accessed?

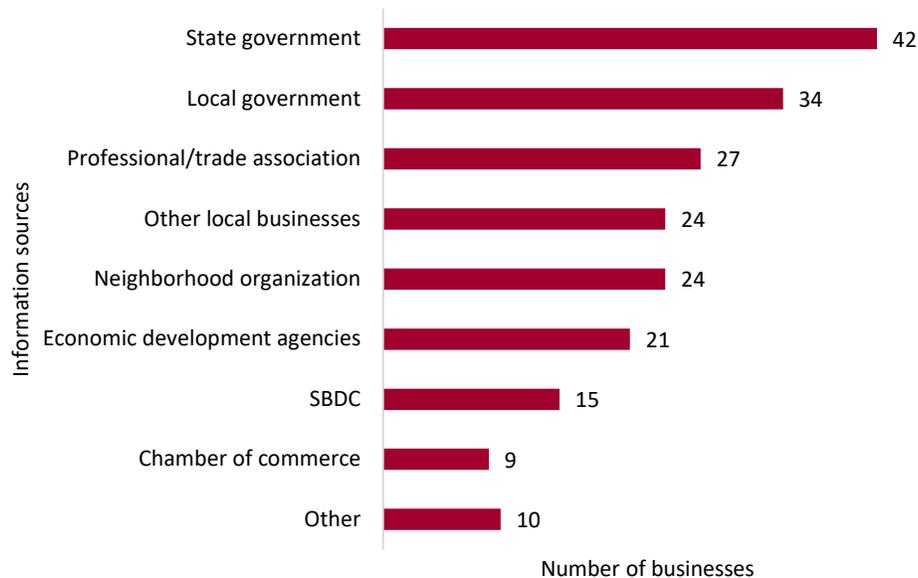


SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

Figure 15 shows, for each program, the number of businesses that either received funding or were denied. As shown in the figure, the Paycheck Protection Program (PPP) was the most common form of relief applied for and had one of the highest acceptance rates of the relief programs. The Economic Injury Disaster Loan (EIDL) was the second most common form of relief applied for and had a relatively high acceptance rate as well. It is interesting to note that, for many of the programs listed, the most common response among surveyed businesses was “not necessary,” indicating that many businesses may not feel they need to apply for funding.

Business were asked to indicate which sources they had been using to stay informed regarding business decisions. Of the 65 business that responded to the question, 42 stated that they had been using the state government to stay informed, 34 had been using the local government, and 27 had been using professional/trade associations. Very few businesses (n=9) reported using the chamber of commerce as a primary source to stay informed.

Figure 16. Please indicate which sources, if any, you have been using to inform your business decisions related to COVID-19? (select all that apply) (N=65)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

As a follow-up question, businesses were asked to elaborate on which organizations had provided the most useful information and in what format. Ecolibrium3, state agencies (e.g. Minnesota Department of Health, governor’s office), the Small Business Development Center (SBDC), and the Entrepreneur Fund were mentioned most frequently.

The survey then asked businesses, “Looking back, what actions that you took/decisions you made in response to the pandemic do you feel were most beneficial to your business today, and what would you have done differently?” Businesses were given the opportunity to write open-ended comments, and 59 businesses chose to respond. Of those, 33 offered specific comments related to actions they had taken that were beneficial for their business. Some of the most common examples included applying for funding (n=6), building upon/expanding their online presence (n=5), and implementing curbside service (n=4). Eight businesses offered comments related to things they would have done differently. Interestingly, two of these businesses regretted applying for the PPP loan, as they felt the rules of the loan ended up being too restrictive. The following are some of the most descriptive comments, most of which reflect themes within the comments overall.

We decided early on to grit through and push to build sales to maintain jobs. It was a group decision that has formed us into the strong staff we are now. Our team is stronger than I ever could have imagined. It honestly gives me hope for the future to see folks fight for a workplace they love and care for.

Having an online shop already in place allowed for sales to still happen smoothly, which was very beneficial. I should have kept one employee staffed at reduced hours to help with the workload. Once all staff was laid off, it took a while for them to want to come back due to the extra \$600/weekly payment they were receiving with unemployment.

I'm glad that I diversified my retail offerings and opened regular hours. I will stay closer to home and travel less in the future even if things resume as before.

Looking back, we feel uncertain that applying for and receiving the PPP loan was the best decision for our company. Due to the fact that there is an unknown factor of whether or not the business owners will be responsible for the taxes on the loan amount; we are fearful of what this could mean for the future of our business's survival. We brought employees back to work to do busy work such as putting a roof on our building, making improvements to our shop (organizing/shelving/clean-up/etc.) and by doing so, paying out those wages and benefits were something we felt we would be able to deduct from our year-end books. Now come to find out that we are going to be forgiven the loan to pay those employees but will not be allowed to deduct those wages and benefits on our books will create a tax burden of potentially \$60-\$80,000 that we will owe as taxpayers on our personal tax return. To be put in that position makes absolutely no sense! We put our employees to work and then have to turn around and lose money to do it.

We made the decision early to shut down and start online sales—as an agency we developed a COVID-19 plan of action and each program did the same.

We tried very hard not to lay anyone off and only laid off one person and brought them back a month later. In hindsight laying off more employees right away and then bringing them back would have saved a little but not make a huge difference.

Figure 17. Which of the following tools/resources would be most helpful for your business in the coming months? (select all that apply) (N=53)



SOURCE: LINCOLN PARK COVID BUSINESS SURVEY

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The survey then asked respondents “Which of the following tools/resources would be most helpful for your business in the coming months?” These findings are shown in Figure 17, on the previous page. Businesses were allowed to select multiple options. Funding for capital investment (43%) was the number one resource followed by marketing strategies (40%). “Help preparing businesses for reopening” was the least selected option, with only 4% of respondents indicating it as a useful tool or resource.

Finally, businesses were given the opportunity to share any additional comments or ideas regarding future COVID-19 advocacy and education activities. Businesses responded with 17 comments, including the following:

I think there needs to be a long-term local strategy rather than always relying on the state or the feds to come up with solutions. I think COVID will be around for a long time unless there is a commitment by local government and the business community to agree on a plan of action that enforces wearing masks, social distancing, etc., and closing down areas where people congregate without using any precaution. The lack of local leadership and information has been disheartening especially now when the numbers of COVID cases are on the rise. I also think there should be funding to assist businesses with adapting to the pandemic in case it is here for one to two more years—the only way to survive is change.

The small business loans/grants offered restrict non-profits from applying. Nonprofits need as much if not more funding than for-profit businesses.

We could use a low cost web page to help advertise. We have ideas to expand our rescue but need help with a business plan. We could use someone to help with the finances and budget since we have grown, but it needs to be a volunteer or low cost option. We also need a nonprofit resource for questions. Very hard to find someone in this city to help without high cost. Thanks.

As the sole employee of a LLC without a brick and mortar location, there are very few funding opportunities available. That has been a struggle. If there are opportunities for funding or technical assistance for folks like myself, I'm all ears. My specific situation does not qualify for any pandemic assistance or unemployment assistance. I have applied for all grants for which I am eligible. I have been awarded the \$1k grant advance from EIDL. I have not made the cut on the rest.

When developing the survey instrument, the research team loosely based the instrument on a survey of Rochester, Minnesota, businesses that was conducted in May 2020. This allowed the team to compare the results from Lincoln Park businesses with those in Rochester. For example, when asked “How has your business adapted to COVID-19 disruptions?”, Duluth businesses, across the board, were less likely to have adapted to COVID disruptions (45% of Lincoln Park businesses allowed remote work compared with 67% of Lincoln Park businesses, 76% of Lincoln Park businesses modified cleaning protocols compared with 89% of Rochester businesses, and 44% of Lincoln Park businesses offered new products/services compared with 52% of Rochester businesses). However, when asked “If current economic conditions persist for more than 30 days, how long could your business stay solvent?”, 77% of Lincoln Park respondents felt that their business would be able to remain solvent for longer than six months, compared to only 46% of Rochester respondents. Lastly, Rochester businesses appeared to be more positive about COVID’s effects in the coming months (41% positive effect), while Lincoln Park businesses were more cautious about future sales/revenue (5% positive effect).

One question that came up during the research review meeting was whether businesses that have been involved in the Main Street Lincoln Park (MSLP) program—either by attending regular meetings, serving on committees, or assisting with promotional efforts—responded differently to any of the survey questions compared with those businesses that have not been involved with the program. Of the 70 survey respondents that provided their name and contact information, the research team (with assistance from

Ecolibrium3) identified 37 businesses that have been actively involved in MSLP.

After comparing the responses from these businesses with those of businesses that have not participated in the program, a number of interesting findings came to light. For example, more than half of businesses involved in MSLP had contacted a bank about a bridge loan or other financing, while roughly one-third of businesses not involved in MSLP had done the same. Similarly, MSLP participants were much more likely to have applied for and received funding from one or more sources (as shown in Figure 15, page 10). In fact, more than half of MSLP participants received funding from two or more funding sources, compared with only 10% of businesses that had not participated in MSLP. Finally, when asked about which sources businesses had been using to inform their decisions related to COVID-19, those involved with MSLP reported receiving information from a much wider variety of sources. These findings, taken together, suggest that businesses' involvement with MSLP may have helped increase their awareness of existing resources and their likelihood to pursue assistance/funding early on during the pandemic.

II. Potential Business Retention and Expansion Strategies and Related Project Ideas

Once the survey results were tabulated, the research team organized a research review meeting with local stakeholders. The meeting had 18 attendees representing organizations, such as Ecolibrium3, Local Initiatives Support Corporation (LISC), the City of Duluth, Minnesota's Department of Employment and Economic Development (DEED), the Northland Small Business Development Center (SBDC), the University of Minnesota, and the Arrowhead Regional Development Commission (ARDC). These stakeholders reviewed the results of the survey and provided ideas and suggestions for potential strategies and projects that Ecolibrium3 might consider as it works to address the needs of Lincoln Park businesses.

The strategies and associated project ideas presented in this chapter were developed and organized to help Ecolibrium3 and its partners address the issues that were identified in the business surveys. Many of the ideas were contributed by participants at a Research Review meeting, and others were developed by the authors based on strategies that have been successfully implemented in other communities around Minnesota and the country. Ecolibrium3 and its partners should feel free to adopt any of these ideas in their entirety, and/or modify or tweak them to something more appropriate, and/or develop completely new ideas that were not mentioned in this report. Note that the ideas have not been put through any kind of feasibility analysis. However, they are considered pertinent to the Lincoln Park situation.

Strategy 1. Provide Assistance for Business Owners

LISC Recovery Guide

The COVID-19 pandemic has been incredibly challenging for local businesses. In the business survey, nearly half of all surveyed businesses (47%) said that COVID-19 had a large negative effect on their sales and revenue. In addition, 67% of businesses said they expect to see continued negative effects (small or large) in the coming months. Additionally, nearly a quarter of surveyed business owners said that if economic conditions persist for more than 30 days, their business could stay solvent for fewer than six months.

When asked which of the following tools and resources would be most helpful in the coming months, businesses cited funding for capital investments (43%), marketing strategies (40%), online business strategies (30%), assistance with funding applications, and business mentors (23%) as the most useful resources.

One tool that was developed specifically for community economic development organizations and businesses

for this crisis is the LISC Commercial District Recovery Guide.¹ The recovery guide was developed in May 2020 to serve as a “roadmap for action to support COVID-19 recovery efforts.” It has suggestions for securing funding, business marketing strategies, summaries of e-commerce platforms and other technical tools, information on best practices from around the country, and much more. Businesses or business advocacy groups in Lincoln Park could immediately implement many of the ideas in the guide.

Pages 14-16 in the guide outline strategies and tools that should be undertaken immediately during a crisis or disaster to stabilize the commercial district and local businesses (i.e. Response). These include strategies related to outreach, data collection, implementation, retail sales/marketing, and physical environment. Pages 36-37 contain a similar list of strategies focused on business recovery and stabilization (Recovery). Many of these strategies are already happening in Lincoln Park and the surrounding area. However, it might be beneficial for LISC, Ecolibrium3, local businesses, the Duluth Chamber of Commerce, the city, and other economic development agencies to review the strategies in the guide, compare local approaches, and determine if there are new or innovative ideas in the guide that haven’t yet been considered for Lincoln Park and Duluth.

Neighborhood Strategy for Business Succession

While the global pandemic may be causing a great deal of anxiety among business and communities, it might be the perfect time for a business owner to look into ownership transition and succession. It is estimated that in the United States 60% of small business owners were born before 1964, and during the next 17 years, a baby boomer business owner will turn 65 every 57 seconds. According to the *2017 State of Owner Readiness Report* by the Exit Planning Institute, 78% of Minnesota business owners do not have a written transition plan. The same survey reports that 80% of businesses that are put up for sale do not sell.

The loss of these businesses in a community due to failed transitions can have devastating consequences. It is crucial that successful transitions to new ownership occur in order to keep retail corridors active and vibrant.

According to our survey of Lincoln Park businesses, 41% of the respondents indicated that their business has been in operation for over 20 years. In addition, when asked which resources would be most helpful in the coming months, 17% indicated that they would like help writing a business plan, and 11% need assistance putting together a succession plan.

Lincoln Park stakeholders would be wise to consider a strategy, through a variety of existing resources, to decrease the number of unsuccessful business transitions.

The University of Minnesota Extension Center for Community Vitality has developed research and various programs aimed at helping Minnesota communities achieve the goal of successful business successions. More about these programs can be found at z.umn.edu/bizsuccession

The Northspan Group provides business succession planning assistance to private businesses in northern Minnesota and northwestern Wisconsin. Not only does their assistance help in the successful transition of businesses to new ownership, it also helps encourage earlier starts to the business succession planning process that can result in improved positive economic outcomes. Northspan Vice President, Bob Palmquist, an Accredited Business Appraiser has been providing business valuation services and business succession planning assistance since 2010.²

¹ For more information on the LISC Recovery Guide, see https://www.lisc.org/media/filer_public/f8/d7/f8d735f8-b4ff-479d-9bfe-d9b59b767779/200526_lisc_guide.pdf

² For more information on Northspan’s business succession program, see <https://www.northspan.org/business-development/>

Operation Cash Flow

Local resources exist to assist business owners who may need some help navigating cashflow management issues. The results from Lincoln Park business survey indicated that 42% of business owners do not have a standing line of credit to help bridge the business interruptions due to sudden changes caused by the pandemic. In addition, many respondents indicated a desire for training related to business operations.

The Northland SBDC provides one-on-one consultation with business owners as well as group educational classes that target existing business owners.

SBDC consultants could arrange online or (future) in-person workshops or individual consultations that cover the following steps that business owners could consider:

Step 1. SBDC consultants will help analyze historical business financials through their historical analysis spreadsheet that will compare a business with industry standards. The consultants can help advise on past performance or ways to obtain more cash throughout the business.

Step 2. Consultants will then put together a projection spreadsheet for income and expenses and look at what the cash shortfall may be.

Step 3. Next, consultants can help define what can be done to increase cash, such as discussing:

- increasing sales via ecommerce or improved marketing efforts
- increasing profit margins by raising prices
- cutting expenses.

Step 4. If needed, the consultant can work with the business owner to identify resources for refinancing, or obtaining financing. Some of these potential resources include the Entrepreneur Fund, Northland Foundation, or Arrowhead Regional Development Commission.

Step 5. In response to the CARES Act, the SBDC has hired some subject matter experts that can help with certain areas, such as marketing, human resources, accounting, and technology. These consultants, who are also available at no charge to the business, are available if needed.

The SBDC consultants can help business owners discuss some or all of the above and develop a scope of work to address needed areas of improvement.³

Post-PPP Tax Consulting

Results from the Lincoln Park business survey indicate that there was a high demand and utilization of government relief programs. According to the data, 38 Lincoln Park businesses received a PPP loan. With the implementation of the paycheck protection program (PPP) and various other pandemic-related financing programs available to aid small businesses, concerns have arisen over the tax implications of receiving the funding. DEED has resources for businesses struggling in the pandemic, however, there exists limited resources for tax filing after receiving COVID-related funds. Many small businesses file taxes without the help of a tax firm. However, this year, it could be beneficial for small businesses who received the PPP loan to have access to a tax expert who understands the many aspects that the PPP may have had on the business regarding taxes. Ecolibrium3 and its partners could coordinate a resource document that lists the agencies and individuals who specialize in commercial taxes for small businesses. They also could possibly reach out to the UMD Labovitz School of Business and Economics' accounting department. In the past, qualified

³ For more information on Northland SBDC's business management services, see <https://nesbdc.anysitesolutions.com/managing-a-business/>

accounting majors have helped oversee the Volunteer Income Tax Assistance (VITA) program, which provides tax return preparation services for low and moderate-income residents of the Duluth-Superior area. In 2015, the VITA program prepared returns for over 950 low-income clients. Given the current situation, the accounting department might be open to developing a similar program for business owners.⁴

Additionally, Ecolibrium3 and its partners could check with the Northland SBDC and Internal Revenue Service (IRS) for the possibility of those entities working in tandem to facilitate an advisory project. This could involve the IRS providing webinar-style information with the SBDC providing consulting to individual businesses that need greater assistance.

Business Mentorship Program

According to the survey, roughly 25% of business owners in Lincoln Park said they were interested in a business mentor. One strength of the Lincoln Park business community, as shown by the survey results, is that the neighborhood has both a vibrant community of relatively new business owners (36% of surveyed businesses were established within the past 10 years) along with a sizable group of more experienced business owners (64% of surveyed businesses were established more than 10 years ago). Pairing newer businesses with those that have been around for many years might be a good way to educate and inspire the business community in Lincoln Park. The Lincoln Park business community might consider creating a business-mentoring program with Lincoln Park (or citywide) businesses. This could be beneficial, as it would increase social capital between local business owners in Duluth.

Other options may be other existing programs such as Minneapolis Business Mentors⁵ or SCORE,⁶ which both offer remote mentoring for small businesses in Minnesota. The SCORE website explains the process and the many benefits and resources available to participants. According to SCORE, “small business owners who receive three or more hours of mentoring report higher revenues and increased growth.” SCORE has over 10,000 volunteer experts in their fields. Minneapolis Business Mentors are offering free virtual workshops with videos.

Business Resource Guide

The business survey unsurprisingly showed that the COVID-19 pandemic has had a sizeable negative impact on business sales/revenues and the supply chains that the businesses rely on. The survey also pointed out that most respondents know about or utilize only a few existing local or statewide resources for help, while at the same time indicating that they would like these services provided. Ecolibrium3 and its partners could help solve this information gap by compiling a list of resources that are available locally, regionally, or statewide. The second step could be to deliver this directory to businesses directly.

Using the compilation of existing businesses’ addresses, emails, and phone information assembled by the report team for this project, a committee (or other existing group) could attempt to make direct contact with every business in the neighborhood to be sure that owners are aware of all available resources and how to obtain the help that these resources provide.

General Marketing Fund

When the local economy begins to recover and the day-to-day activities of the consumer return to more normal circumstances, businesses will be faced with creating effective and viable marketing campaigns to

⁴ For more information on LSBE’s VITA program see <https://lsbe.d.umn.edu/vita>

⁵ For more information on Minneapolis Business Mentors, see <https://www.mbmentors.org/>

⁶ For more information on SCORE, see <https://www.score.org/>

welcome customers back to their businesses. The COVID-19 pandemic has forced businesses to drastically change their business models with the implementations of outdoor dining, curbside delivery, and the restructuring of businesses. The pandemic has also taken a toll on businesses' cash flows making it challenging to launch any type of marketing program. Businesses have already made many adjustments permanent and temporary, and it is vital that businesses band together in the recovery stage. According to survey data, 40% of Lincoln Park businesses feel that resources on marketing strategies would be helpful. One potential strategy to address the need for marketing while at the same time minimizing costs could be to create a "General Lincoln Park Marketing Fund" that would advertise small businesses in Lincoln Park as a whole. A general marketing fund would allow businesses to band together as partners as opposed to competitors. Businesses would pool funds together and advertise Lincoln Park businesses as a united entity.⁷

Minority-Owned Business Incubator

According to a recent article by the *Star Tribune*, national survey data suggests that only 12% of Black and Hispanic business owners who applied for the PPP loan under the federal initiative received it. To combat some of these inequities, the national LISC chapter is undertaking efforts to support minority-owned businesses by incubating and supporting businesses owned by people of color.

In addition, stakeholders at the research review meeting for this survey mentioned that the U.S. Economic Development Administration (EDA) has funding available to support a minority-owned business incubator in Duluth. If interested, Ecolibrium3 and its partners could reach out to MEDA (formerly named the Minority Economic Development Association), for information about existing minority business incubators in the Twin Cities.⁸

If interested, the first step would be a feasibility study. Several University of Minnesota departments such as the Urban Research Outreach Center, Extension, the Department of Applied Economics, or UMD's Labovitz School of Business and Economics are all possible collaborators on a study. Private consultants are available as well. According to LISC representatives, the EDA would fund 50% of the cost of a feasibility study.

Strategy 2. Build Infrastructure for Recovery

Improve Relationships with Potential Neighborhood Investors

Multiple participants from the initial data analysis and review session pointed out the need for community stakeholders to establish or enhance relationships with potential investors. Numerous options in the community are available to investors that are looking for opportunities to invest their dollars locally. Local and statewide programs to incentivize development in the neighborhood exist as well. A current program that investors may consider is Opportunity Zones.⁹ Opportunity Zones are a community development program established by Congress in the Tax Cut and Jobs Act of 2017 to encourage long-term investments in low-income and urban communities nationwide.

One idea could be to host an educational session (potentially a breakfast) with an overview of existing

⁷ For an example of cooperative advertising, see <https://www.thebalancecareers.com/cooperative-advertising-to-promote-business-4156297>

⁸ For more information on MEDA, see <https://www.meda.org/>

⁹ For a list of sites eligible for Opportunity Zone funding, see <https://mnoppco.com/directory/>

For more information on businesses pooling funds, see <https://www.thebalancecareers.com/cooperative-advertising-to-promote-business-4156297>

For more information on collaborative business ideas, see <https://www.shopify.com/blog/collaboration-ideas-boost-small-business-sales>

opportunities. Community and economic development staff could establish a working list of existing buildings and lots with zoning information and other relevant data to spur the discussion process.

A key potential collaborator to develop this idea would be the Duluth Superior Area Community Foundation (DSACF). The DSACF already has relationships with many local investors and would be in a trusted position to manage a committee to work on this project.

Northspan and Duluth LISC are two other local organizations that are familiar with programs such as Opportunity Zones and would be valuable contributors to this effort.

Improve Parking and Traffic Flow

During the data analysis and review meeting, existing business owners' concerns regarding neighborhood parking and traffic flow were raised. Parking can be a deterrent for customer hospitality both in terms of lack of parking space as well as being used inefficiently—where a better option for the business may be using that space as outdoor seating.

Michelle Reeves, a national consultant in the community planning and economic development industry, recently presented to the neighborhood and facilitated discussion on various issues that Lincoln Park has been experiencing. These issues include existing tenant mix and storefront concerns, and she highlighted parking as one item that the neighborhood and the city need to address.

However, in order to properly address this issue, it is important for local business leaders to convene the right people and organizations, such as the City of Duluth Planning, Engineering, and Police Departments to talk about possibilities and potential first steps to address what makes the most sense for the Lincoln Park neighborhood. The Arrowhead Regional Development Commission is also well positioned to participate and be a valuable resource for this conversation.

Business Improvement District

During the research review meeting, and in conversations after the meeting, some stakeholders recommended developing a special service district for Lincoln Park. Special service districts (SSDs) are a way for a city to provide an increased level of service or infrastructure to its commercial or industrial areas. Businesses (or business advocacy groups) agree to pay for an increased level of service. Duluth already has one SSD called the Downtown Waterfront District, managed by the Greater Downtown Council.¹⁰ The services provided include a comprehensive marketing campaign, clean and safe ambassadors, safety escort program and physical enhancements such as signage, lighting, and flowers.

If Lincoln Park is interested in pursuing this option, they could either work toward developing their own SSD or they could work with the Greater Downtown Council to determine whether it might be economically feasible to expand the GDC's program to include the Lincoln Park neighborhood. With its infrastructure already in place, collaborating with the GDC might be a more economically viable option.

Energy Efficiency Programs

Just over 43% of survey respondents noted that they would like assistance financing capital expenditures. Nearly 40% responded they are planning some form of energy efficient upgrade, and 35% responded that they are or could be interested in an energy audit from Minnesota Power.

¹⁰ For more information on the Greater Downtown Council's Clean and Safe program, see <https://downtownduluth.com/clean-and-safe-team/>

A program helping businesses secure the resources and funding needed to embark on energy efficient upgrades could help Duluth businesses reduce their operating expenses. With many businesses currently closed or minimally staffed, this could be an ideal time for businesses to consider energy efficiency upgrades.

Minnesota Power's *One Business* conservation program¹¹ helps business owners increase the energy efficiency of their space through design assistance, rebates, and incentives. Businesses fill out a short online pre-application form and are then contacted to set up a time to meet. Similarly, ComfortSystems offers a 10% grant to cover the cost of energy efficiency updates up to \$25,000.¹²

Strengthen Connection between Ecolibrium3 and Chamber of Commerce

According to the survey, 22.8% of Lincoln Park businesses responded that they received helpful information from Ecolibrium3, while only 5.3% responded that they received helpful information from the Duluth Area Chamber of Commerce. Additionally, during the research review meeting, a number of stakeholders mentioned that a stronger relationship between Ecolibrium3 and the chamber of commerce could:

- Allow business to be more informed about city-wide business decisions
- Give Lincoln Park businesses the opportunity to better voice opinions and concerns
- Create incentives and new programs for Lincoln Park businesses

If interested in developing this relationship, perhaps Ecolibrium3 could work with the Duluth chamber to identify members located in Lincoln Park who could serve a greater role within the Chamber of Commerce while also advocating for Lincoln Park businesses.

Outdoor Dining Options

Due to the inherent climate of Duluth, traditional outdoor seating is only viable for less than half of the calendar year. The city of Edmonton in Alberta, Canada, has a similar weather predicament. A viable solution for restaurants in Edmonton was the creation of heated igloos made from plastic. These igloos were set up and used by restaurants and hotels and were heated by commercial heaters. The City of Duluth or individual restaurants could find it beneficial to implement a program of winter outdoor dining. With the heavy restaurant/hospitality business demographic of Lincoln Park, adding outdoor winter seating could provide higher volume in traditionally slow periods. The igloos could be disassembled and reused year after year.¹³

Strategy 3. Address Workforce Needs

Shared IT Support Staff Internship

According to the results of the survey, 19% of business respondents cited a need for technology (IT) assistance in the coming months, and 30% mentioned a need for online business strategies. Other resources mentioned included marketing strategies (40%), recruitment help (23%), and assistance increasing workforce diversity (17%). In addition, survey findings shows that, of those businesses who reported hiring, 20% stated

¹¹ For more information on Minnesota Power's One Business program, see <https://www.mnpower.com/ProgramsRebates/OneBusiness>

¹² For more information on Comfort System's rebate program, see <https://comfortsystemsduluth.com/conservation/rebates/>

¹³ For more information on Edmonton's outdoor patios see https://www.edmonton.ca/business_economy/temporary-outdoor-patios-sidewalk-cafes-and-retail-space.aspx

that it has been “extremely difficult” recruiting qualified candidates.

One current initiative that might be beneficial to the Lincoln Park recovery task force is a partnership between SOAR, Lake Superior College, the City of Duluth Workforce Development, and ISD709.¹⁴ These three partners recently designed an IT training program in which Workforce Development and ISD709 staff identify candidates interested in a career in IT, and then they refer those candidates to SOAR for training. Funding may be available for eligible students to do a temporary work experience and/or assist businesses who wish to hire students that complete the program. The first cohort of participants is expected to complete training in December 2020 and will be ready to begin working at local businesses in need of an IT help desk or basic user support staff. Ecolibrium3 and its partners could reach out to SOAR to connect graduates with businesses in need. A shared internship might even be a possibility, depending on businesses’ needs and available funding. It is possible that one intern could support three to four businesses, especially considering so many individuals are currently working remotely.

This model, currently being used solely for IT support, could also be implemented for some of the other business needs identified from the Lincoln Park survey. The agency partners might consider expanding the training program to include a marketing or human resources intern, as those both appear to be in demand among surveyed businesses. If interested, the Lincoln Park recovery task force might consider reaching out to SOAR or the City of Duluth Workforce Development to see how a partnership could be developed that would be mutually beneficial to both students participating in the program as well as businesses looking to hire.

Drive-thru/Walk-thru Job Fair

While more than 40% of Lincoln Park businesses reported that they are not currently hiring (see Q11), it does appear that many businesses intend to hire additional staff in the coming months. When asked about staffing levels six months from now, businesses reported staffing levels near those reported prior to the pandemic, particularly in the case of full-time workers. In addition, of the 45 businesses that are currently hiring, 27 reported that it has been either somewhat or extremely difficult to find qualified workers.

One way to support businesses that are currently hiring could be a job fair in an alternative format. Since March, the City of Duluth Workforce Development department has begun hosting a number of hiring events in a variety of COVID-appropriate formats. For example, the agency has already hosted multiple virtual job fairs and recently hosted its first drive through job fair (September 16 at Wheeler Field in Lincoln Park). The Michigan Works Northeast Consortium has held a number of similar events in its region.¹⁵

The Lincoln Park Business Group could replicate a similar event specifically for Lincoln Park businesses. One consideration is the fact that, according to the American Community Survey, 30% of Lincoln Park households do not have access to a vehicle (ACS 2018 5-year estimates). This means that any event should also be accessible via public transportation or on foot as a drive-through/walk-through job fair might be more appropriate than drive-through only. One option for a location could be the Harrison baseball field, which is a large, open space, and centrally located. If implemented, this idea would have to be done fairly soon before the weather becomes too cold.

Improve Digital Access for Employers, Workers, and Job Seekers

Of the Lincoln Park businesses surveyed, 45% have allowed remote work for their employees since COVID-19 began, and 44% have modified sales processes (e.g. online, curbside, etc). This matches national trends that

¹⁴ For more information on SOAR’s jobs skills training programs, see <http://soarcareers.org/jobskills>

¹⁵ For more information on Michigan Works Northeast Consortium outdoor job fairs, <https://www.9and10news.com/content/uploads/2020/09/JOB-FAIR-FLYER-for-Alpena-Gaylord-1.pdf>

show the businesses are increasingly moving more and more of their operations online.

However, in 2018, according to the American Community Survey, roughly 30% of all Lincoln Park households did not have an internet subscription. This creates incredible challenges for Lincoln Park residents when it comes to accessing remote work, online commerce, virtual education, and all of the other aspects of life that have moved online since COVID-19 began.

If Ecolibrium3 and its partners are interested in improving digital access for Lincoln Park residents and/or serving residents without an internet subscription, the following are a number of ideas that they might consider:

- In August 2020, 23 Minnesota communities were recognized for receiving Telecommuter Forward! Certification from DEED. Cities, townships, and counties that receive the Telecommuter Forward! Certification have adopted a model resolution that includes a statement of support and commitment to promoting telecommuting. Two of the 23 Minnesota communities were located in Northeast Minnesota and could serve as a resource if Duluth was interested in pursuing the designation.¹⁶
- A small-scale idea that could benefit individuals who need access to Wi-Fi for a specific, one-time purpose (e.g. applying for a job, completing a form online) is a reservable library hotspot. Many public libraries across the country are teaming up with cell phone providers like Sprint and Verizon to offer library hotspots for reservation. These hotspot devices can be checked out for an allotted period designated by participating public libraries.¹⁷
- In Shakopee, the school district has outfitted all of their school buses with wireless internet access, allowing students the ability to do schoolwork on their ride home.¹⁸
- Given that many office locations are empty, with workers working remotely, some businesses might consider using one of their empty buildings as rentable office space for individuals with slow or unreliable internet access at home (or for individuals who need to access Wi-Fi for a specific task).
- Many employers currently require that applicants apply for open positions online. Given that many residents do not have internet access, this could greatly limit the businesses' applicant pools. One low-tech idea that could benefit Lincoln Park residents would be for businesses to provide paper applications for positions that do not require the use of a computer at home.

Funding for OJT/Customized Training Efforts

Due to the pandemic, there is a challenge for employers to hire and retain workers. According to the survey, about 13% of business owners in Lincoln Park need help retaining employees and around 8% said they need help training staff.¹⁹ One resource that might be helpful for Lincoln Park businesses that need additional workers but are concerned about the costs associated with training and onboarding is the City of Duluth's On the Job Training (OJT) program. Through the program, employers can be reimbursed up to 50 percent of the

¹⁶ For more information on DEED's Telecommuter Forward! Certification, see <https://mn.gov/deed/programs-services/broadband/telecommuter-forward/>

¹⁷ For an example of reservable library hotspots, see <http://publiclibrariesonline.org/2016/02/check-out-a-library-hotspot/>

¹⁸ For a news article about Shakopee's Wi-Fi program, see <https://www.fox9.com/news/minnesota-broadband-expansion-plan-includes-take-home-wi-fi-hotspots-for-students>

¹⁹ For more information on the City of Duluth's Employer Services, which includes the OJT program, see <https://duluthmn.gov/workforce-development/employer-services/>

wage rate of an OJT participant. The reimbursement of these costs is designed to offset extraordinary costs incurred by the employer during the training period. Additionally, Lincoln Park businesses might benefit from the City of Duluth's Talent Development Program.²⁰ This program provides assistance to help offset the cost of training existing full-time employees. If Ecolibrium3 and its partners are interested in educating Lincoln Park businesses on these and other workforce programs, Betsy Hill, a career counselor with the City of Duluth, could give an introductory session at a future Main Street Lincoln Park meeting.

²⁰ For more information on the City of Duluth's Talent Development Program, see <https://duluthmn.gov/media/9883/lsc-and-cityofduluth-talent-development-program-flyer.pdf>