



Taconite Harbor Economic and Market Analysis



January 7, 2025

Agenda

- Introductions
- Economic Geography
- Cook and Lake County Demographics and Economics
- Mining Economy
- Market Analysis
 - Industrial
 - Resort
 - Residential
- Funding
- Next Steps

Economic and Market Research

Market Data

- Costar
- US American Community Survey (ACS)
- OnTheMap, US Census Bureau
- ESRI Business Analyst
- Other national economic data sources

Literature

- Mining economy reports
- Other

Research Interviews

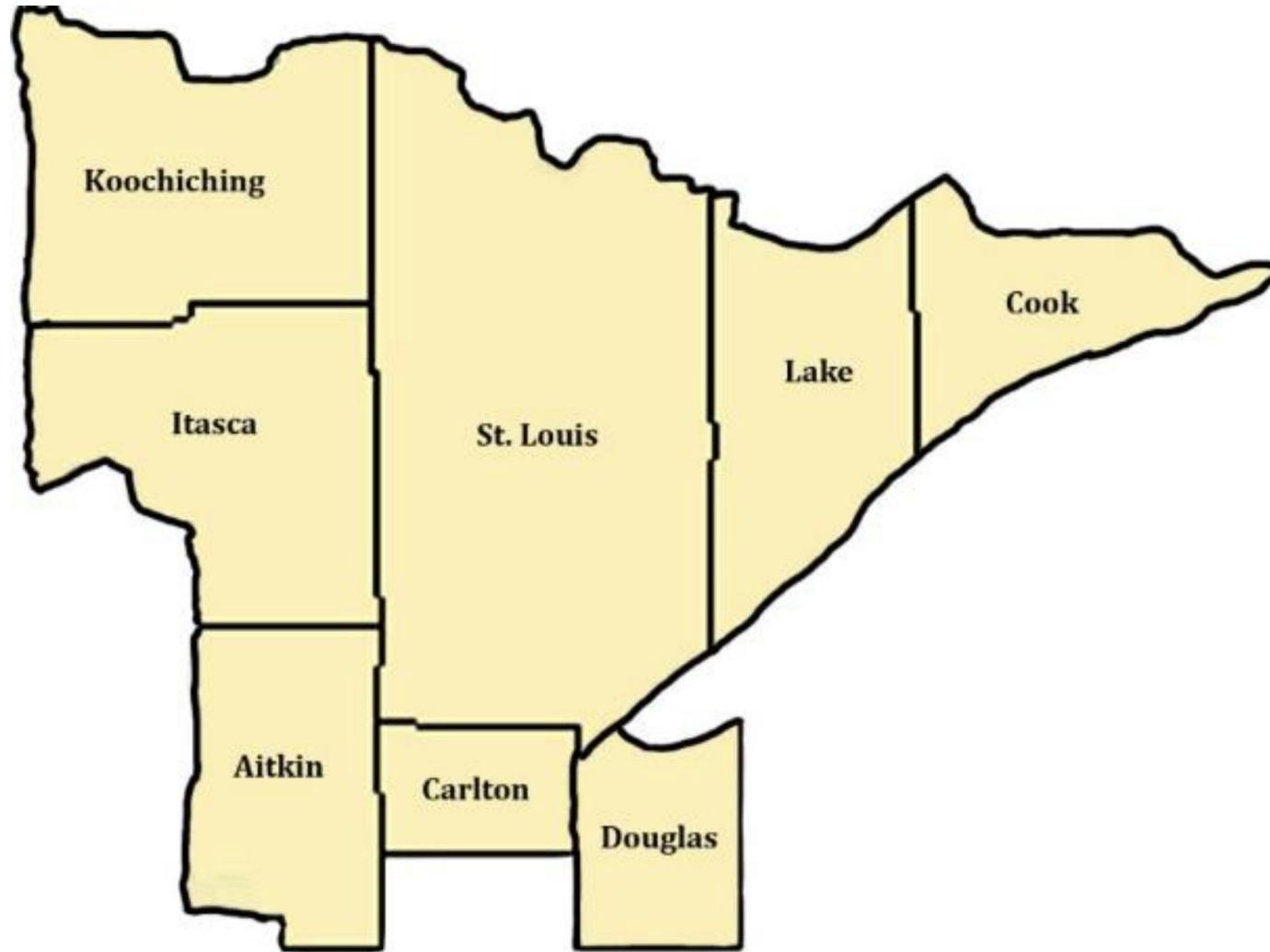
- James Taylor, Eric Frost, Bluefin Bay Family of Resorts
- Jeff Brand, Cook County HRA
- Matthew Johnson, Lake County HRA
- Jason Janisch, Ryan Malich, Whitney Ridlon, IRRRB (Iron Range Resources and Rehabilitation Board)
- Laura Mullen, Duluth based entrepreneur
- Jason Hale, Theresa Bajda, Northshore Development Company
- Linda Jurek, Visit Cook County
- Julie Lucas, Mining Minnesota
- Carson Gorecki, Minnesota DEED (Department of Employment and Economic Development)

Economic Geography

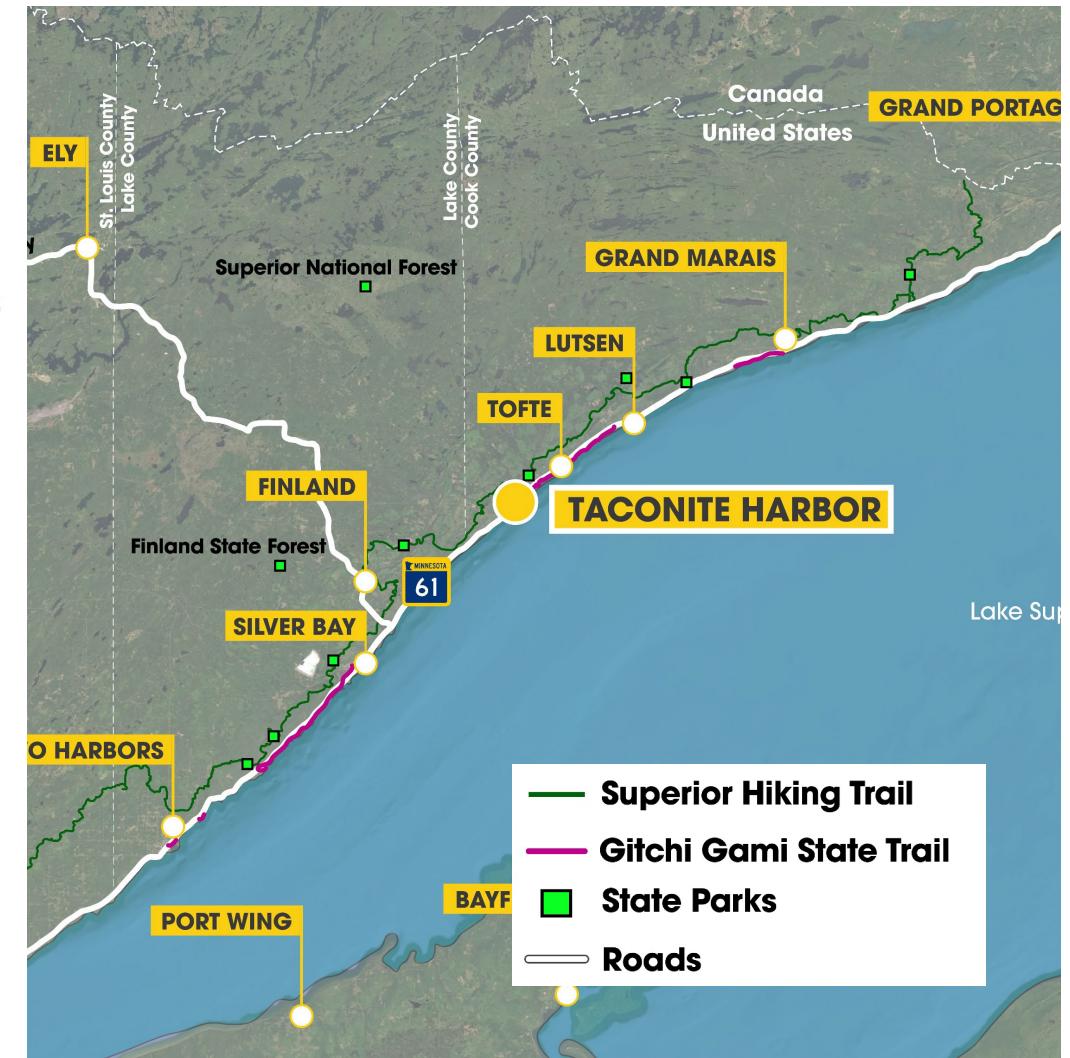


CONTEXT SETTING | TWO ECONOMIC GEOGRAPHIES

Arrowhead Region



Lake and Cook Counties

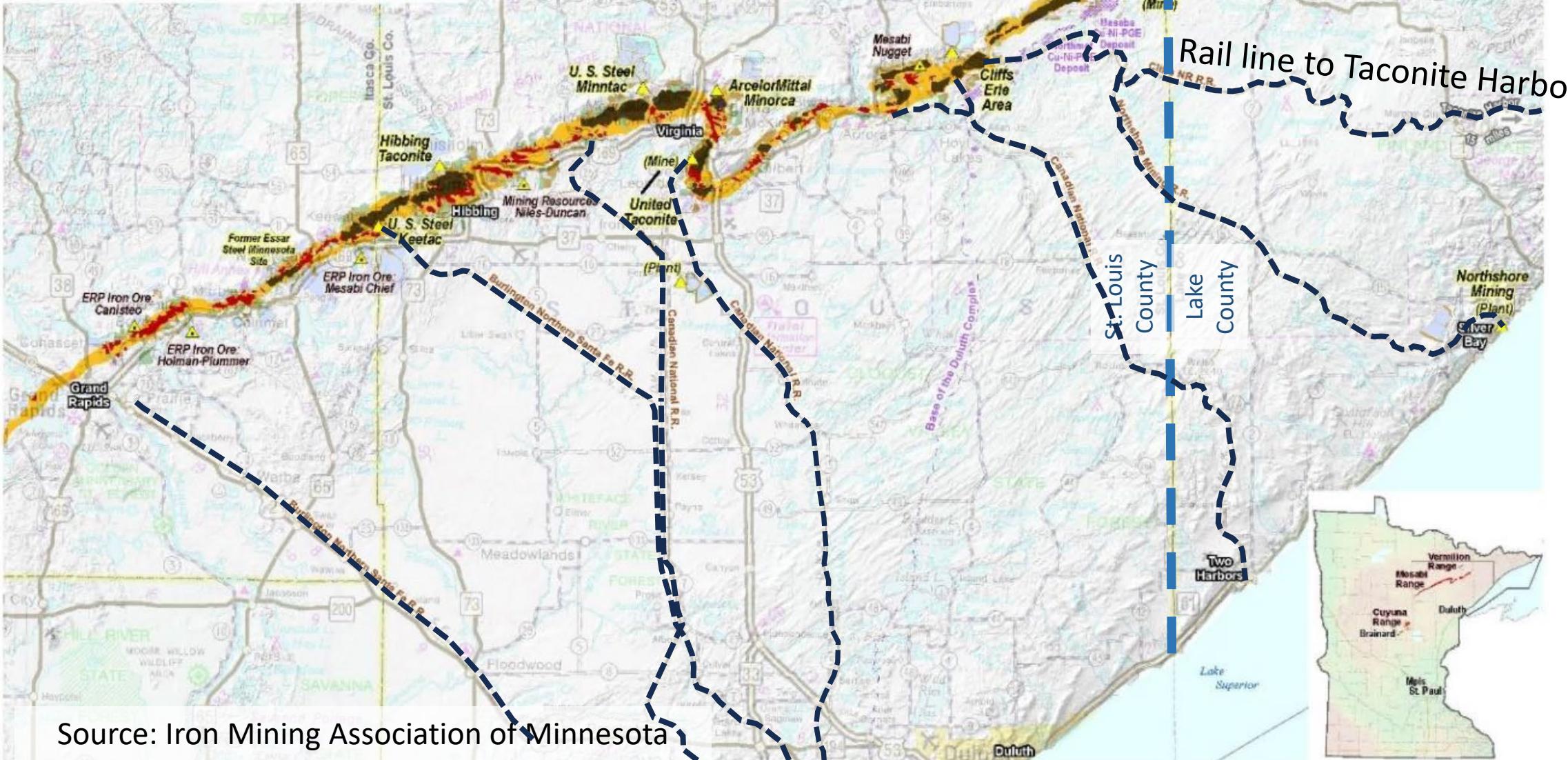


Mesabi Range Mining Operations

- ▲ Taconite / Iron Ore Operation
- Taconite Pit
- Natural Ore Pit
- Iron Formation

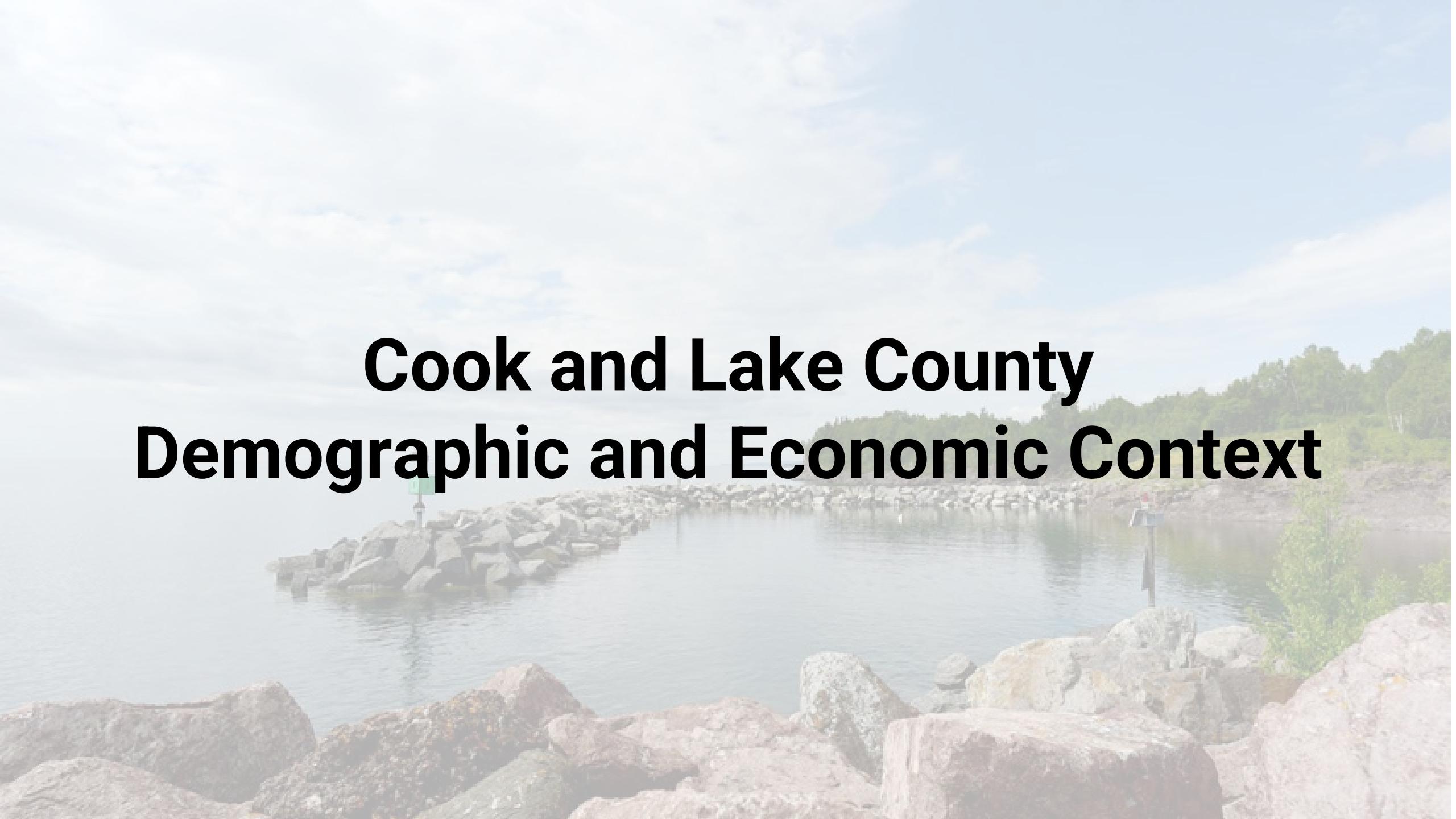
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Copyright 2010, State of Minnesota; MnDNR - Division of Lands and Minerals; last Tung Hsieh, Tim Pashka, 8/12/10



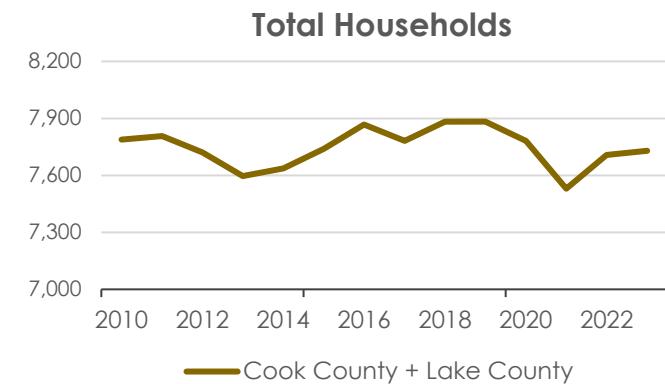
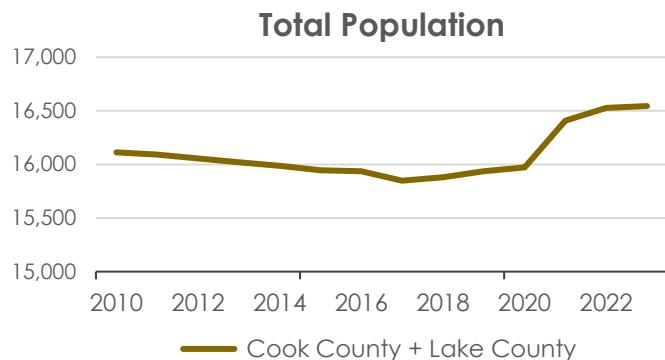
Location of Mines on the Iron Range in the Arrowhead Region of MN

Source: Iron Mining Association of Minnesota



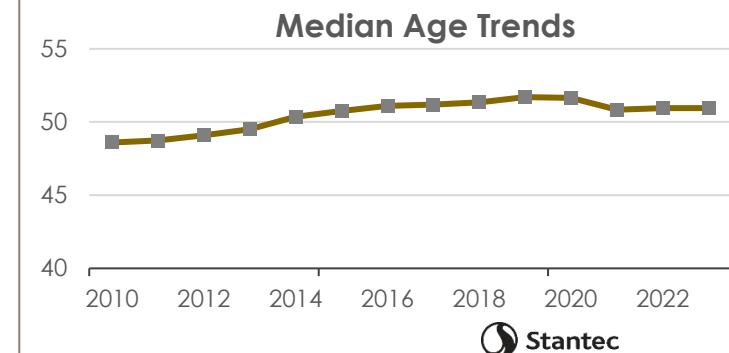
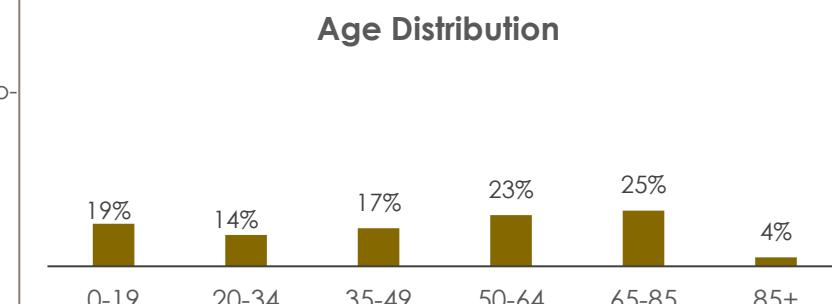
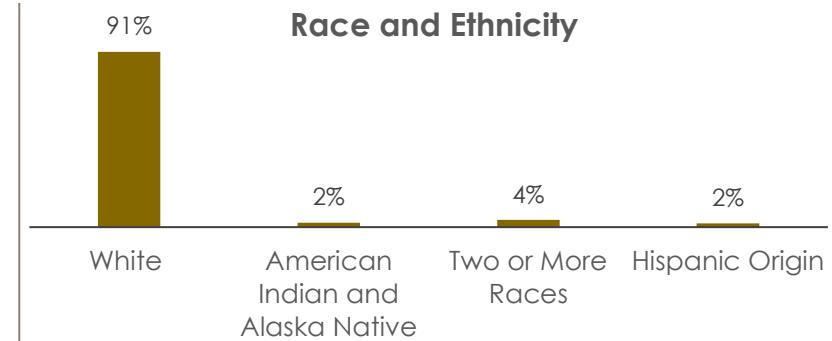
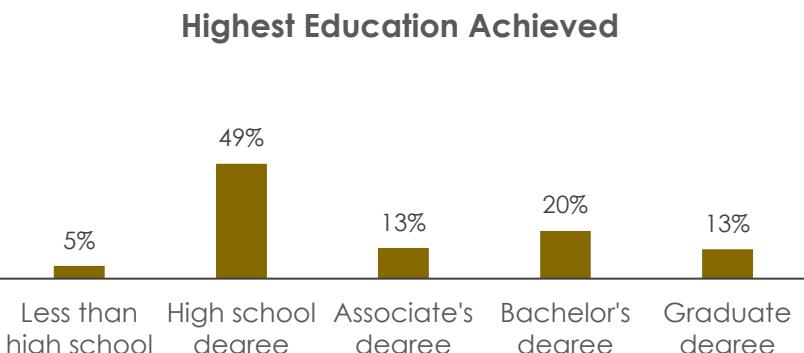
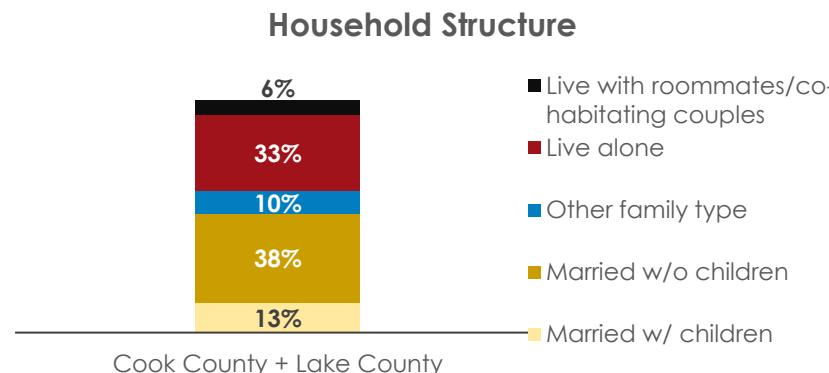
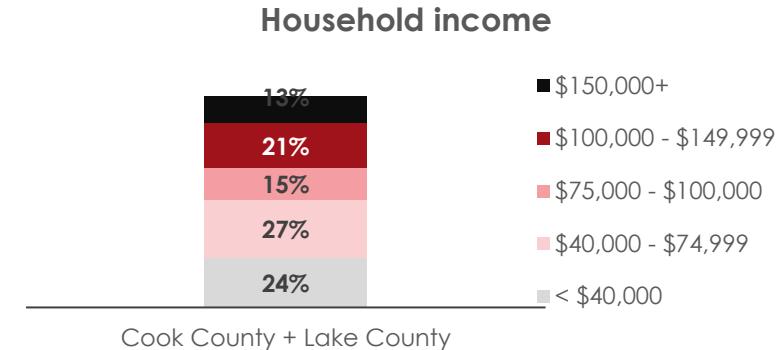
Cook and Lake County Demographic and Economic Context

DEMOGRAPHICS | COOK COUNTY + LAKE COUNTY COMMUNITY PROFILE



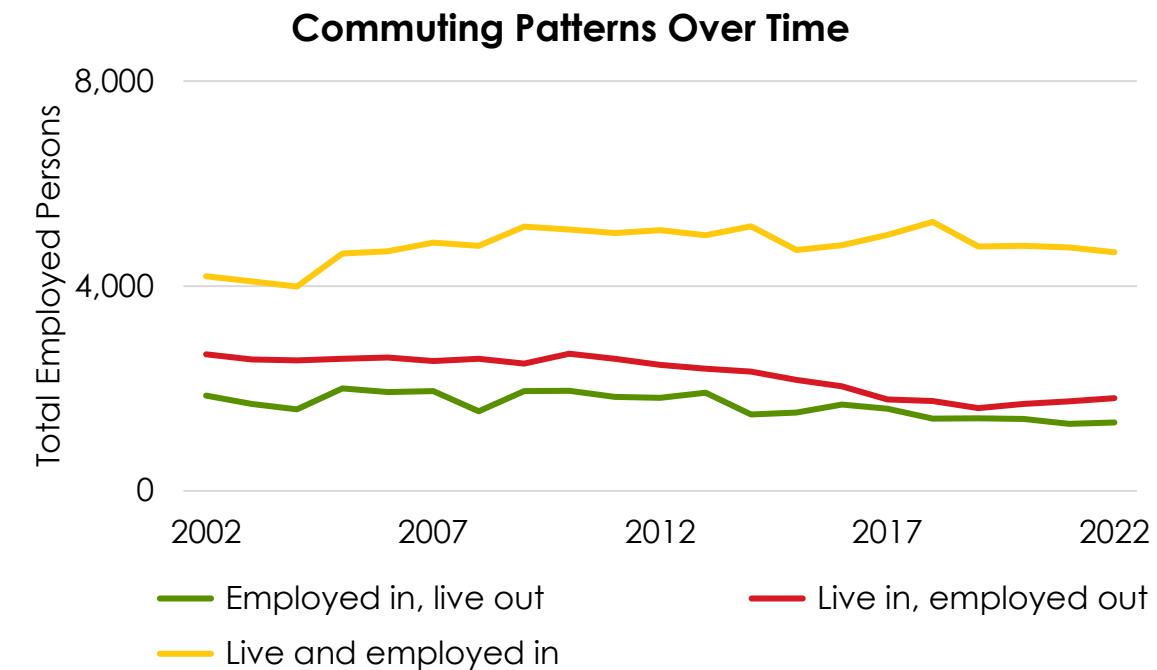
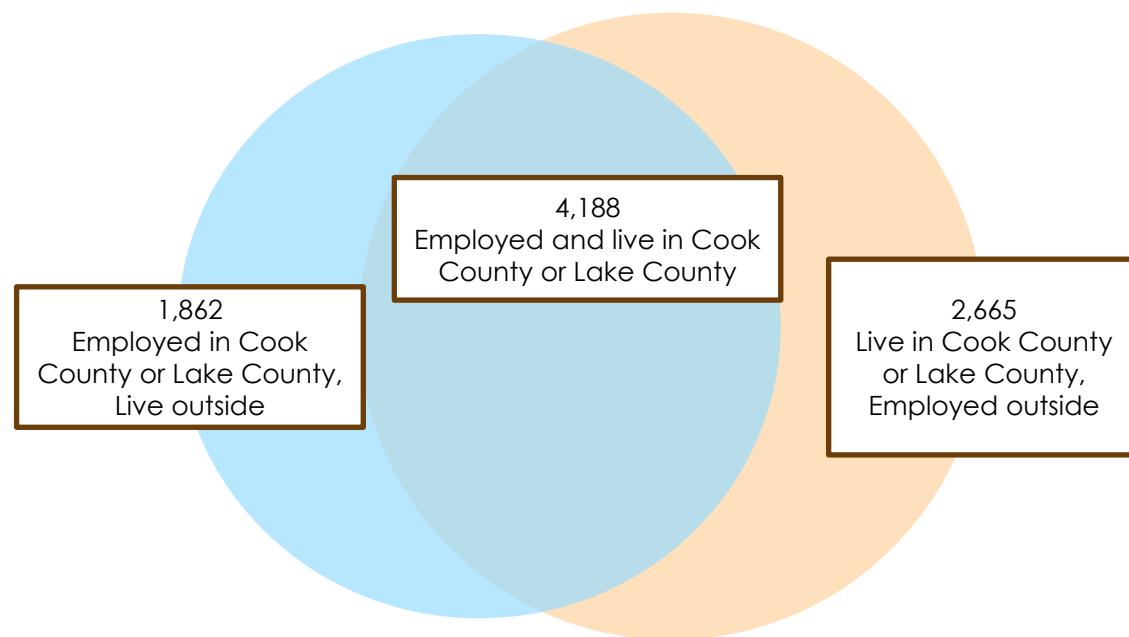
Cook and Lake show steady household and population counts, while shifting to an older demographic. The population is bimodal in age, income and education. Half of households earn under \$75,000 per year. Over a third of households earn \$100,000 and up. There is a strong cohort of people in the empty nester/retiree age brackets.

Source(s): ESRI Business Analyst, ACS 2023, National Historical GIS



Labor market in Cook County and Lake County is contracting.

The majority of the workforce both live and work within Cook and Lake counties, indicating a self-sufficient regional economy. Total employment has declined over the period, with a reduction in both in-commuting and out-commuting for work



ECONOMICS | ECONOMIC SUPERSECTORS

The New Economy refers to the structure of the North American economic structure since the late 20th century, when offshoring, outsourcing, and global supply chains became dominant. It is also characterized by the digital revolution, internet, and mobile technology.

New Economy High Wage sectors are knowledge-based jobs that remain concentrated in urban centers and are historically less prone to geographical relocation. These industries remain the main catalyst for agglomeration – or spatial concentration – of industries. Knowledge production is a tradeable good that often drives urban development. Wages in these sectors drive effective demand for other service-based industries, medical services, and education.

Blue Collar sectors contain industries historically central to a manufacturing-based economy and contain tradeable goods that benefit from economies of scale. Manufacturing – in particular – is less “geographically sticky” (can be moved more easily) in an era of globalization. These jobs often have lower educational requirements, but due to higher productivity, skill demands, and union density, wages remain higher than service sector work. They, likewise, are major drivers of regional economic development.

New Economy Low Wage sectors (predominantly service sector jobs) grow in proportion to other regional economic drivers. They are non-tradeable sectors and are ‘geographically sticky.’ Due to lower labor productivity, growth in demand is met with increased labor. Wages remain low, although exceptions exist (such as Wholesale Trade). These are generally non-tradeable goods, but often a sizeable sector in a regional economy.

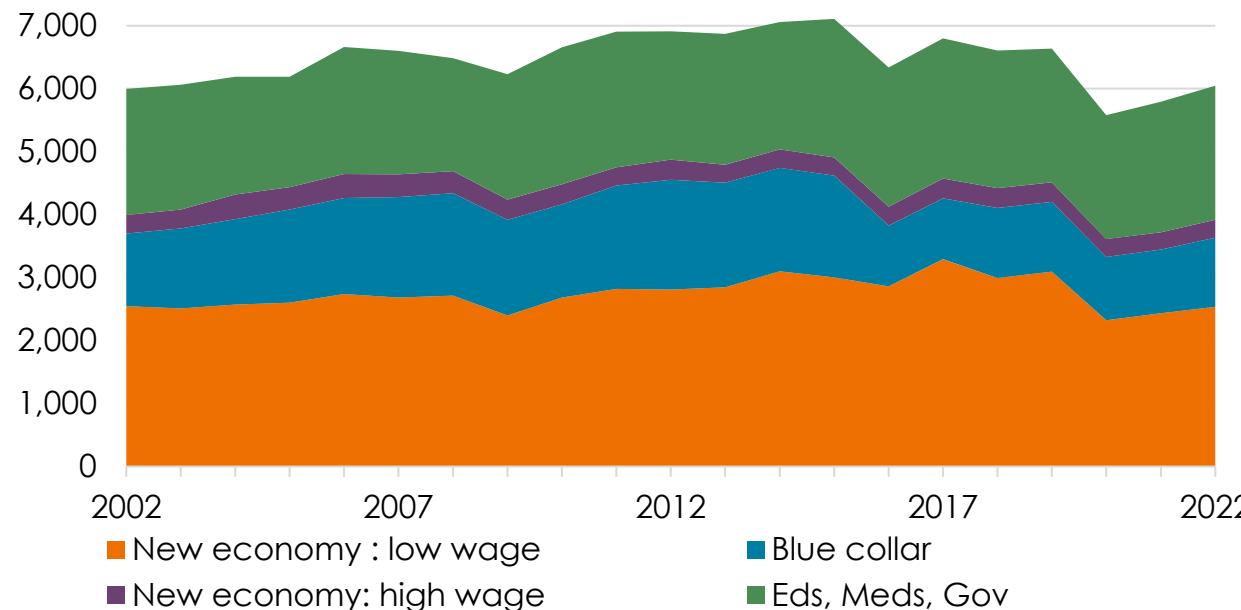
Eds, Meds and Gov contain industries with higher proportions of middle-income wage earners due to educational requirements. These jobs concentrate both in regional hubs driven by New Economy High Wage jobs and in historic regional centers. They are non-tradeable goods and place-bound, but in the case of higher education institutions or sizeable public sector installations they can drive regional economic development.

Analytical Category	NAICS Sectors
New Economy: High Wage	Finance and Insurance Real Estate and Rental and Leasing Information Management of Corporations Professional and Business Services
New Economy: Low Wage	Transportation and Warehouse Wholesale Trade Retail Trade Arts, Entertainment and Recreation Accommodation and Food Services Other Services
Blue Collar	Construction Manufacturing Utilities Agriculture, Forestry, Fishing and Hunting Mining, Quarrying, and Oil and Gas Extraction
Eds, Meds and Gov	Educational Services Health Care and Social Assistance Public Administration

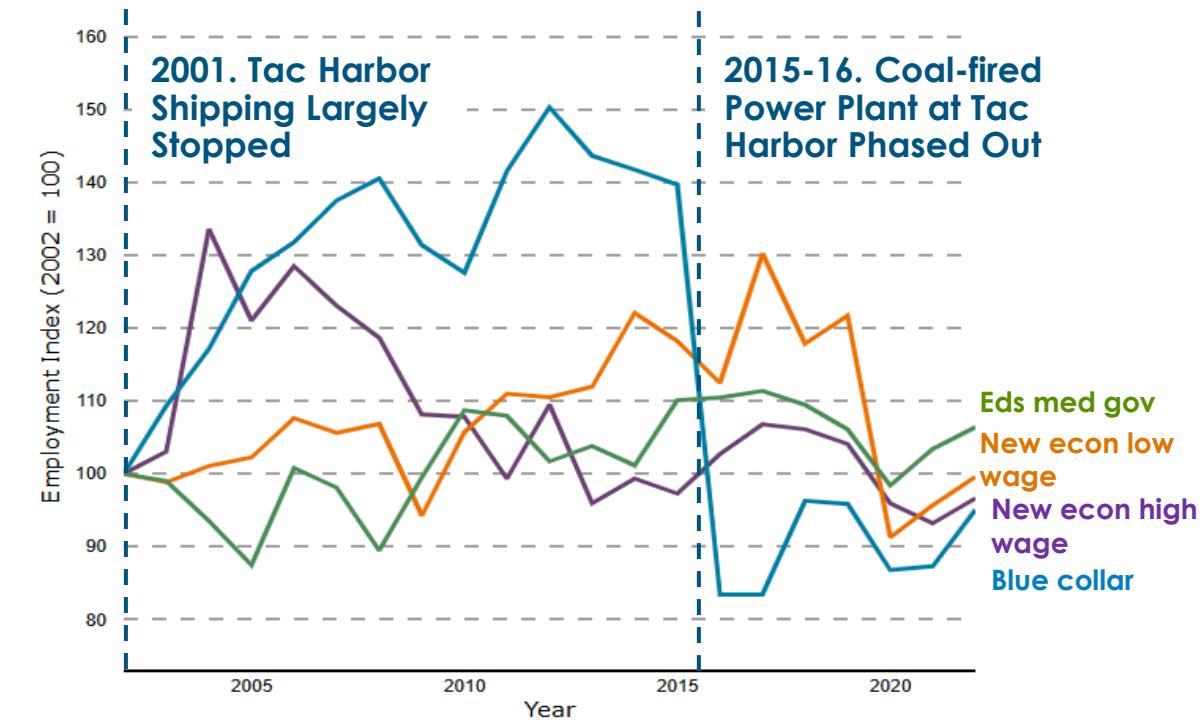
Cook and Lake Counties have an economy that relies on low-wage service work.

From 2002 to 2015, Cook and Lake Counties have a growing total employment from 5,995 to 7,100 jobs. However, between 2015 and 2016, blue collar employment collapsed from 1,617 jobs to 966 jobs, representing a 40% of job loss. Today, low wage jobs dominates at 2,534 jobs, with total employment still 15% below the 2015 peak.

Employment Supersectors in Cook County & Lake County



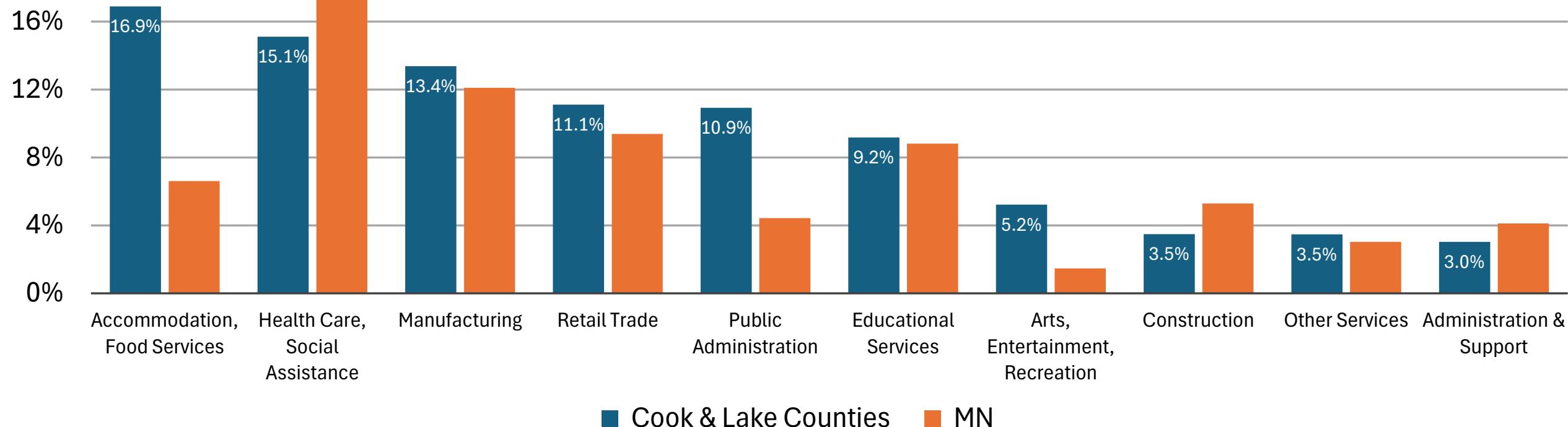
Industrial Composition: Index Change



The region shows a service-based economy with Accommodation and Food Services as the largest employer.

The employment structure in Cook and Lake Counties has shifted from being heavily reliant on resource extraction to focusing on tourism and institutional services. Today, most jobs in the region are concentrated in tourism, institutional services, and retail sectors.

Jobs by Industry Sector - Top Ten Sectors



Mining Economy



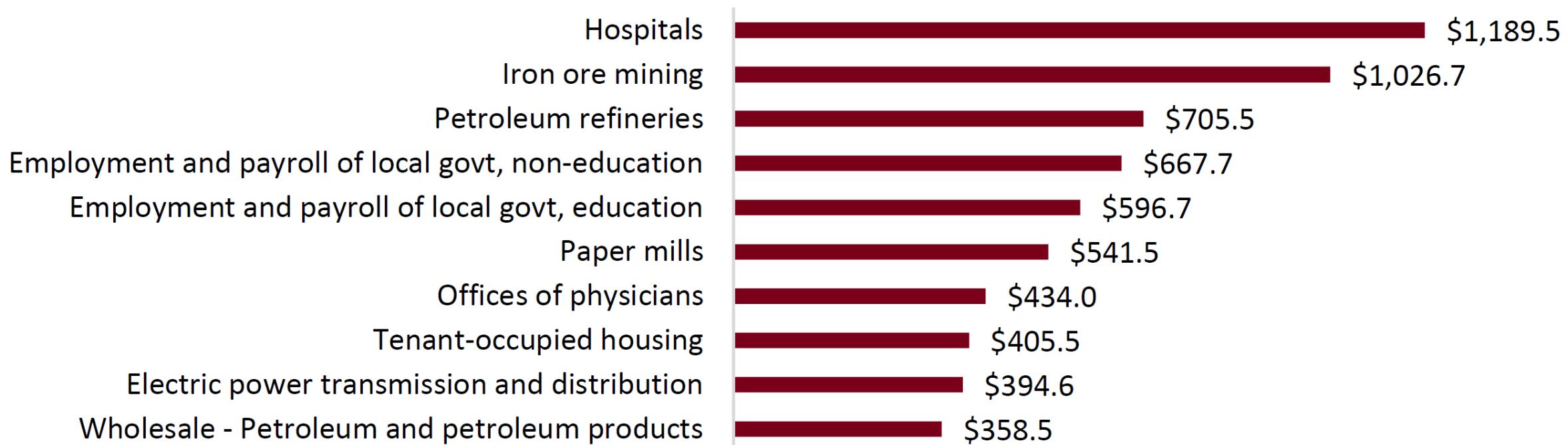
OWNERSHIP MAP



Iron ore mining in Minnesota has a significant economic impact.

It generates more economic output than any other economic sector in the Arrowhead, except for hospitals. Domestic iron mining is important to the US for national security and economic stability reasons.

Top Ten Industries in Arrowhead Region by Value Added (2018)



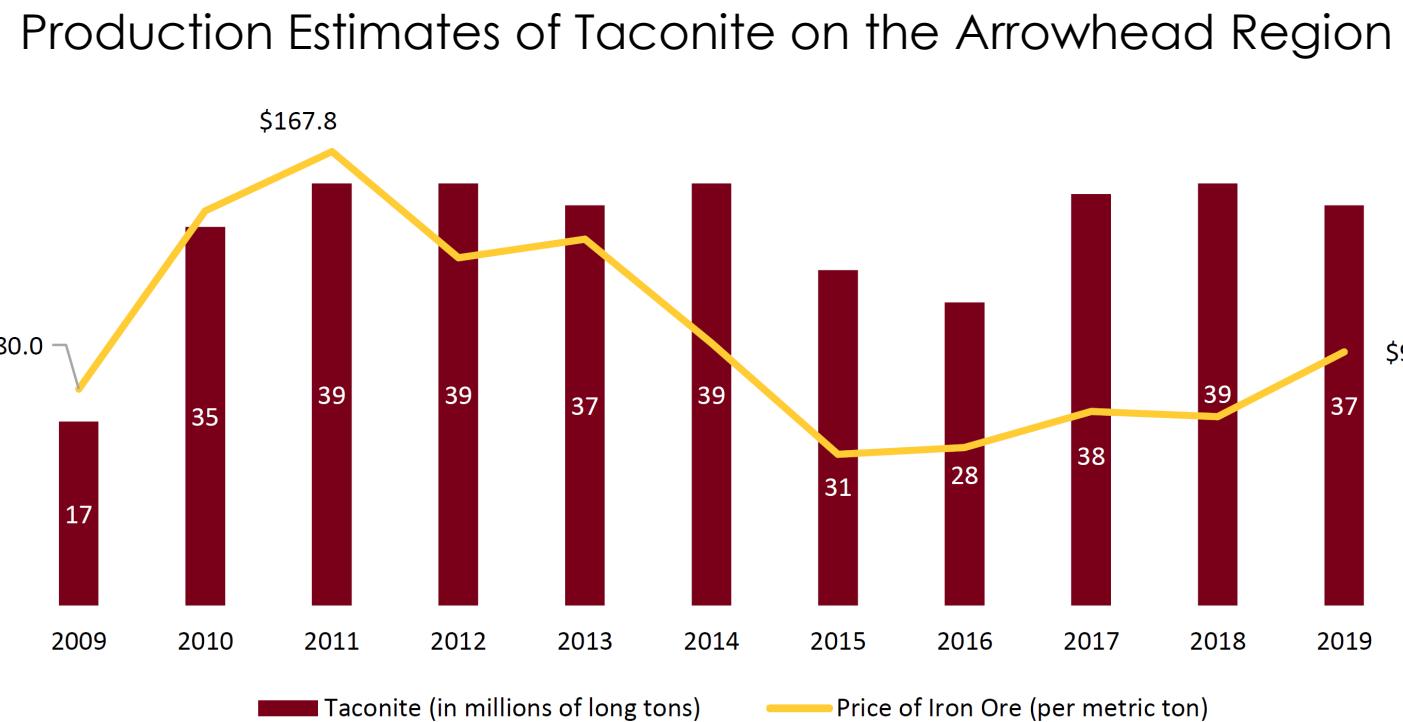
Production Volume to Date

- Production has been largely steady since 2010.
- Production dipped in 2015 – 2016 due to Chinese illegal steel dumping.

Future Outlook

According to reports by IBISWorld and Grand View Research:

- Iron ore mining is subject to price volatility.
- New sources of supply are coming online around the world.
- There is a growing need for higher grade steel products and movement toward onshoring mining and manufacturing.
- The net demand forecast in the next five years is for relative stability to modest growth.



Demand could grow

- The demand for iron ore is volatile, and under certain external circumstances it could significantly increase.

Alternative shipping facilities exist

- Other trans-shipping facilities exist along Lake Superior—at Silver Bay, Two Harbors, and Duluth-Superior. Interviewees believe there is capacity at these alternative locations to accommodate additional material.

Taconite Harbor Trans-shipment Infrastructure

- The facility was largely closed in 2001. The condition of the rail line and shipping infrastructure is unknown, but some level of reinvestment would certainly be needed to put it back into active use.
- No one at Cleveland Cliffs was interviewed by our team. The facility was largely closed in 2001. Owners of the property maybe retaining it to respond to an increased demand scenario or because it would be costly to decommission the site, or both.
- **Takeaway.** We can't assume it's going away in the short to medium term.



Market Analysis (Industrial, Resort and Residential)

Key Considerations

Site

- Large site, single ownership, combined with land scarcity
- Utility constraints
- Lake frontage

Location

- Parks and trails
- Low population density
- High tourism activity
- Distance to amenities

Market Analysis Questions

- What is the local and regional demand for the development type?
- What makes this site and location more suitable site than alternative locations?

Market Analysis: Industrial



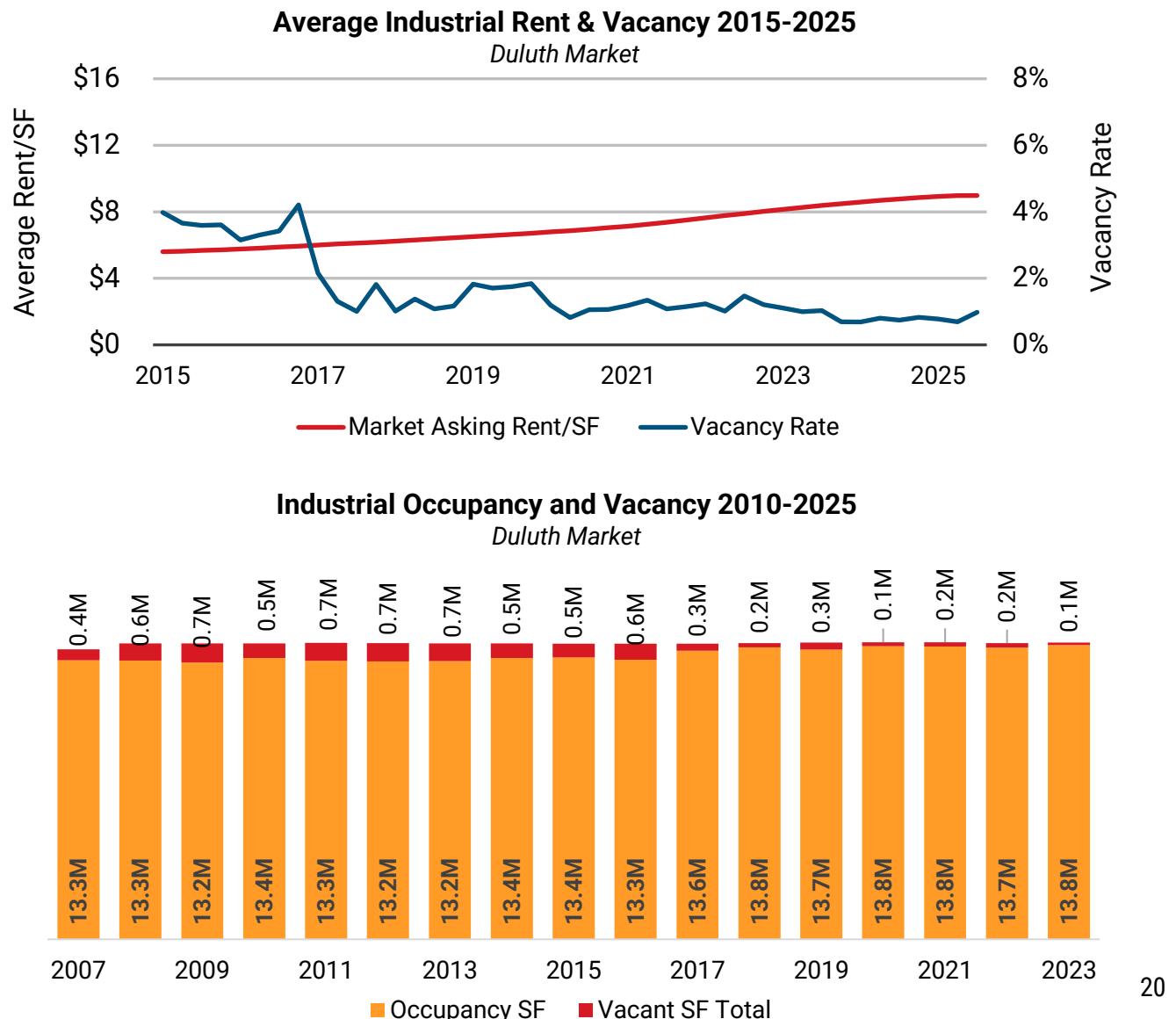
MARKET ANALYSIS | INDUSTRIAL MARKET SNAPSHOT

According to Costar records, from 2015 to 2025, asking rents for industrial properties have steadily risen from \$5.60/SF to over \$8.60/SF.

Vacancy rates dropped from around 4% to below 1%, suggesting a tight market. Rising rents and low vacancy rates are indicators of strong industrial demand.

Despite high demand, the inventory of industrial properties has remained stable over the past two decades. Interviewees reported that land availability is a big challenge in the region and all the way up the Shore.

Existing industrial parks are mostly full, and it can be difficult for industrial businesses to find a suitable property to build a new facility.



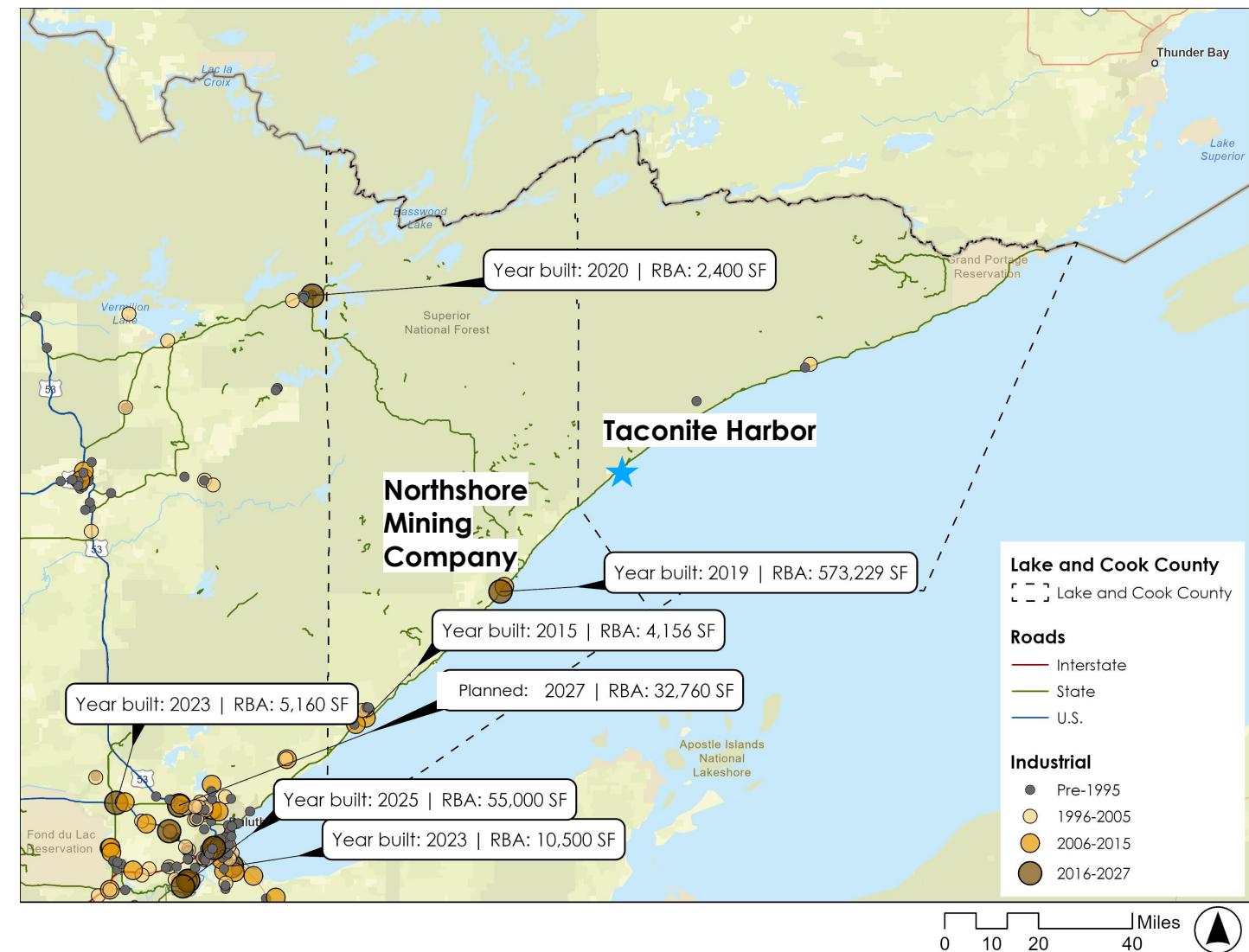
* Duluth market is defined by Costar

Most of the industrial development in the region is concentrated near Duluth and surrounding areas. These sites are strategically located along major transportation corridors, providing strong connectivity to regional and national supply chains. The Duluth area is also home to a concentration of skilled workers.

Over the past decade, only seven new industrial developments have been completed in the Duluth area and up the shore, according to Costar records, and only three of those are larger than 15,000 square feet.

Taconite Harbor is challenged for industrial development by its distance from regional transportation networks, and its access to a skilled workforce.

Utility availability may also be a challenge.



Three industrial development scenarios were explored.

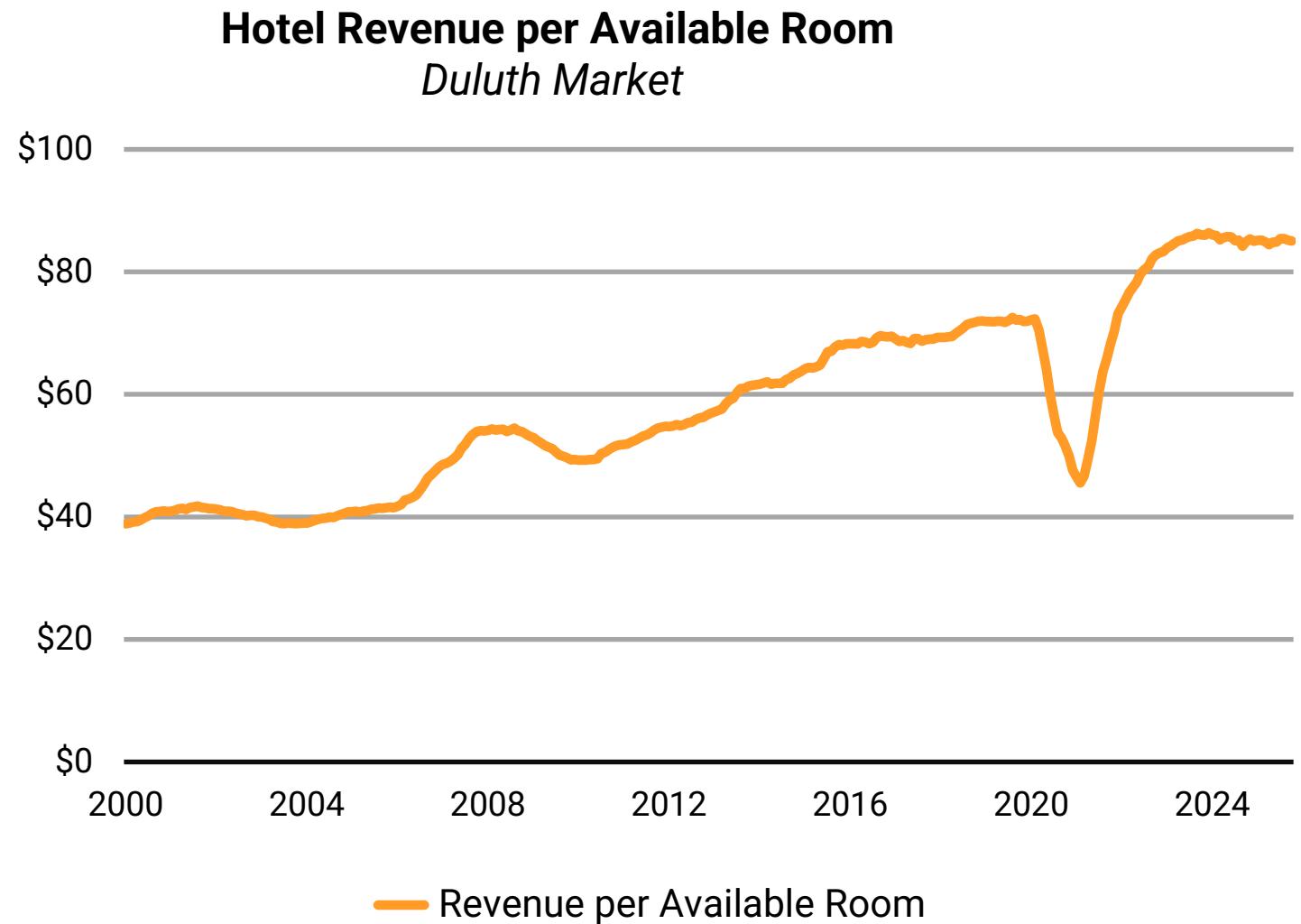
Traditional Industrial Park	Mega-User	Small Business/Creatives
<p>Attractive site characteristics:</p> <ul style="list-style-type: none"> • Large site, areas of which can be made level • Existing industrial zoning • Site contamination is remediated to industrial standards. <p>Challenges:</p> <ul style="list-style-type: none"> • Distant from regional transportation network. • Skilled workforce is not abundant without long commutes. • Natural gas infrastructure is unavailable. Electric supply may be inadequate for heavy users. 	<p>Certain large-scale heavy industrial businesses have explored the site. Why?</p> <ul style="list-style-type: none"> • Large industrial sites under single ownership are difficult to find. • The potential for shipping materials to and from the site is a positive for some. <p>Challenges:</p> <ul style="list-style-type: none"> • The challenge of investing in gas and electric supply is less significant if the site would be completely or largely developed by one user. 	<p>The site could become a center for small-scale creative enterprises.</p> <ul style="list-style-type: none"> • This could build off of existing entrepreneurial and creative arts energy in the area. • It could be supported by the development of shared spaces, including live-work housing. <p>Such development would only comprise a part of the site development, and could be compatible with other business or residential development.</p>



Market Analysis: Resort/Hospitality

One indicator of demand for hospitality development is “Revenues per Available Room.” Rising demand results in rising room rates and revenues—which in turn can prompt new hotel development.

The chart at right shows long-term trends in Revenue per Available Room for the Duluth market hospitality market from 2000 through 2025. Over the past two decades, revenues have consistently risen, reflecting increased demand for hotel rooms over the period. The impacts of COVID can be clearly seen in the rent trendline, but rents are currently higher than pre-pandemic levels.



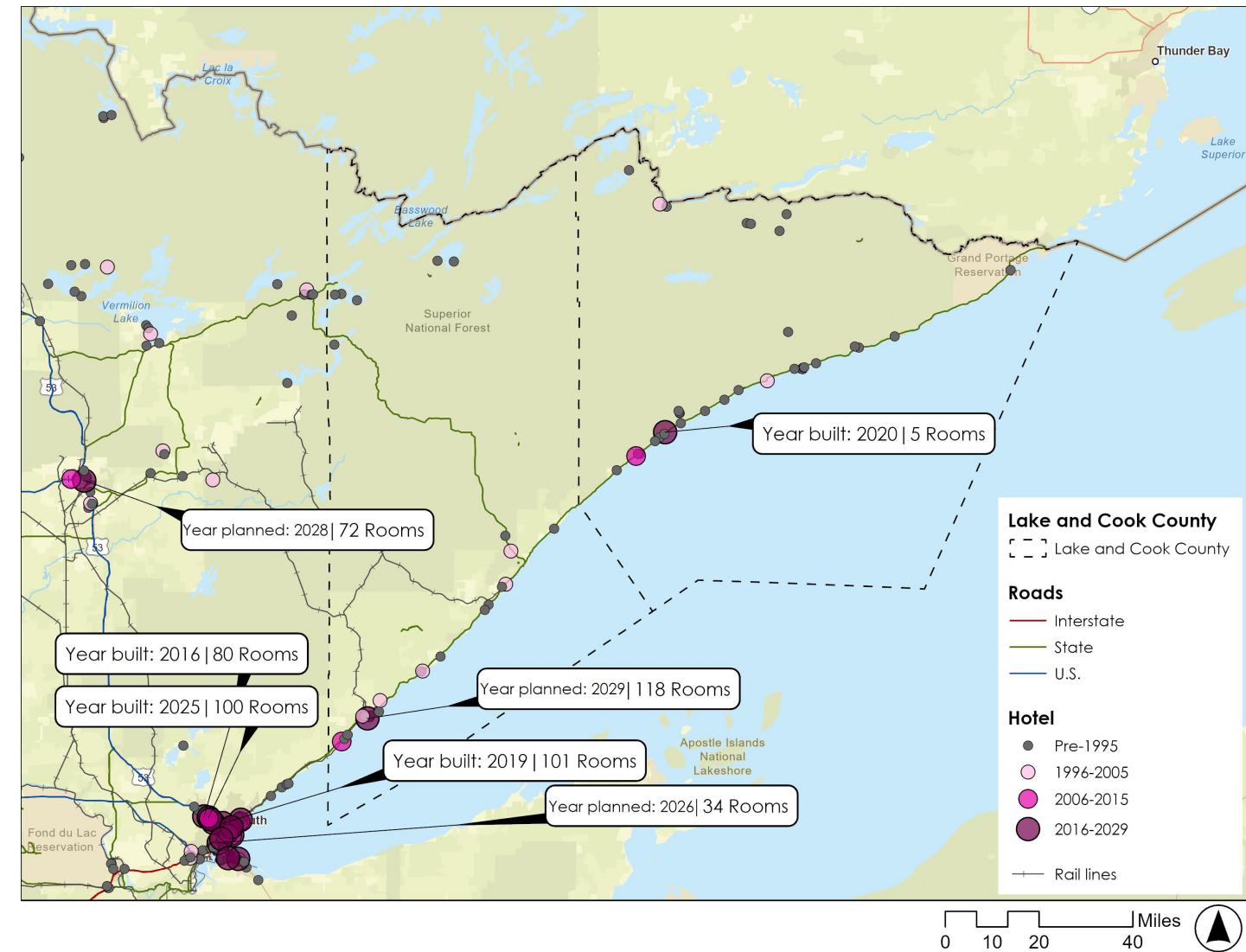
MARKET ANALYSIS | HOSPITALITY DEVELOPMENT TRENDS

The map at right shows existing and new hospitality development. Recent and planned development is labeled.

Recent hotel development has been concentrated in and around Duluth.

Outside of Duluth, most hotels are located along the North Shore, where smaller boutique hotels cater to seasonal visitors. Costar records only show one hotel developed in the past five years, a 5-room property built in 2020. The planned 118-room hotel in Two Harbors is also indicated on the map.

Interviewees said there is high and increasing demand for hotels and resorts. That demand has been exacerbated by the loss of the rooms at Lutsen Lodge and Lutsen Mountain Resort.



Assets

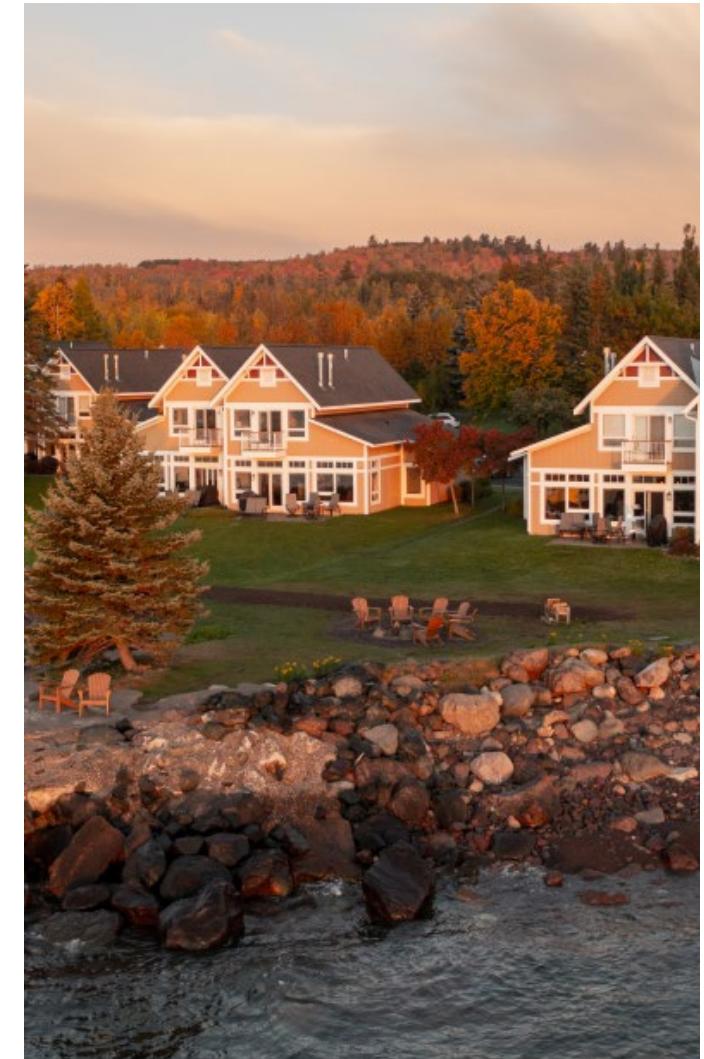
- The proximity to the lake is a huge plus. Hotel and resorts on the water get a price premium over rooms away from the water (such as at Lutsen Mountain).
- The size of the site and its single ownership are conducive to resort development.
- The site is convenient to many beautiful state parks and trails.

Challenges

- The site is a bit distance from other retail, food and beverage, and entertainment amenities. Resort development may need to be at a large enough scale to incorporate a range of amenities within the development.
- Additional site remediation would be required. The cost of such remediation is unknown.

Other

- A large event center is lacking on the North Shore and could be part of a resort.
- There may be opportunities to leverage the sheltered harbor for on-lake activities.





Market Analysis: Residential

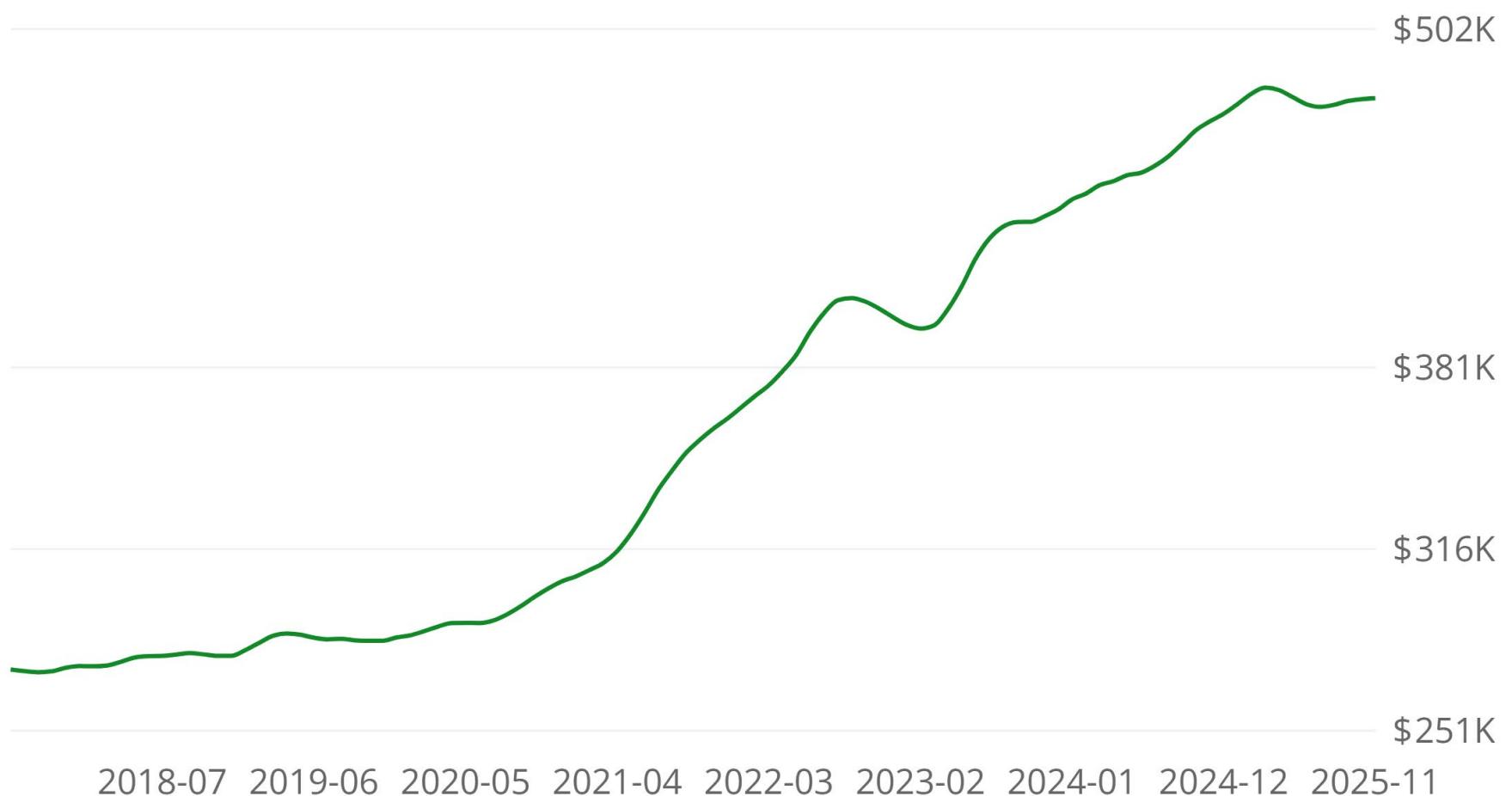
MARKET ANALYSIS | RESIDENTIAL DEVELOPMENT AT TACONITE HARBOR

Increasing demand for North Shore housing combined with limited growth in supply has resulted in rising home prices.

The objective data and interviews with housing experts tell us that there is demand for all types of housing.

• 55612

Zillow Home Value Index – Lutsen Area



Residential Market Challenges

- As in many vacation destinations, existing housing stock is in demand by multiple submarkets. In addition to housing long-time community members and people wishing to live in the area, they are purchased for second homes and conversion to short-term rentals. These multiple sources of demand have driven up home prices and apartment rents on the North Shore.
- New housing is needed, but land available is constrained.
- Construction costs are also higher on the north shore due to material and shipping costs, and the availability of labor. That increases the cost of new development.
- Because of the cost of construction, new housing is primarily being built for those with the means to pay a cost premium.
- Additional site remediation would be required. The cost of such remediation is unknown.

Housing Needs

- Housing that is affordable to the local workforce is particularly needed, including for seasonal workers.
- Interviewees have indicated there is demand for rental housing as well as ownership housing.

Taconite Harbor

- The Taconite Harbor location is well situated on the North Shore to house people across the income spectrum, including the local workforce.
- Residential development at Taconite Harbor could be compatible with resort development, and commercial amenities on the site.

Industrial Development

Is potentially viable.

A traditional industrial park may face more challenges than a mega-user or a center for small business innovation and creatives.

Residential/Neighborhood Development

Is potentially viable.

A mix of housing types would meet a range of needs. Workforce and middle-income housing may require some form of public sector support.

Resort Development

Is potentially viable.

A larger scale resort may have the critical mass to support needed amenities.

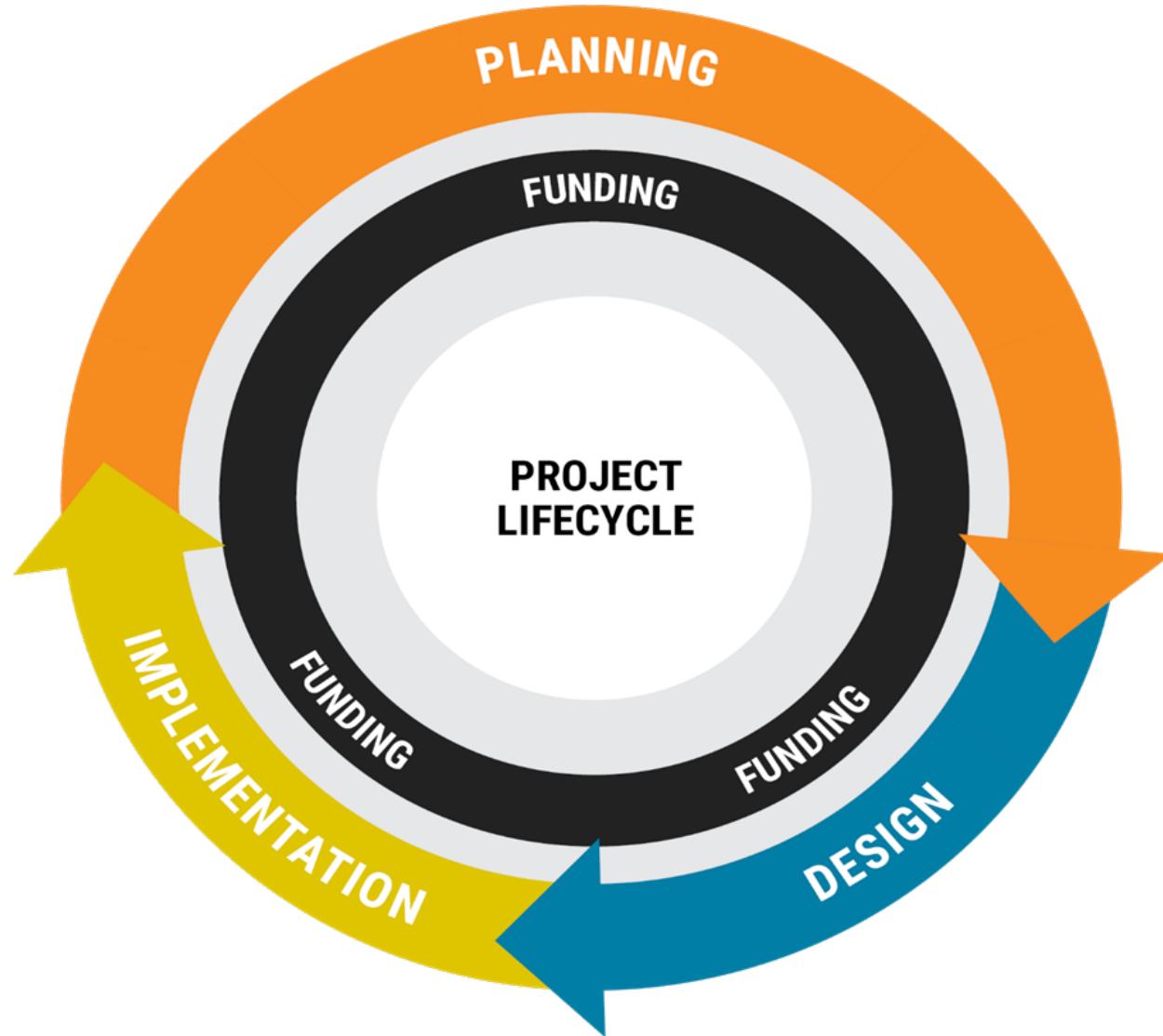
Funding





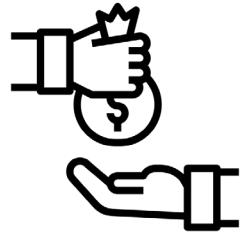
Funding Matters

- a. Funding 101
- b. Federal Landscape
- c. Common Funding Programs
- d. Grant Requirements



Lifecycle Approach to Funding

There are many ways to fund projects



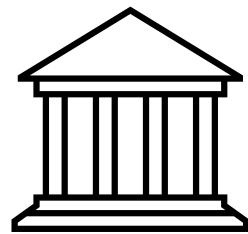
Government grants
and low-interest
loans



Earmarks



Private financing
(for-profit, philanthropic)



Tax revenue



Bonds
(municipal, revenue,
general obligation)



User fee revenue
(rates, fees)

Not all projects are created equally when it comes to funding

Widespread: Water, Major Roads/Bridges, Regional Parks & Trails, Economic Development, Redevelopment



Rare / Harder to Fund: Local Roads, Local Parks, Municipal Buildings, Wayfinding / Signage



Trending: Opportunity Zones, Increasing State Role

Funding Foundations

What are your best options for funding your project?

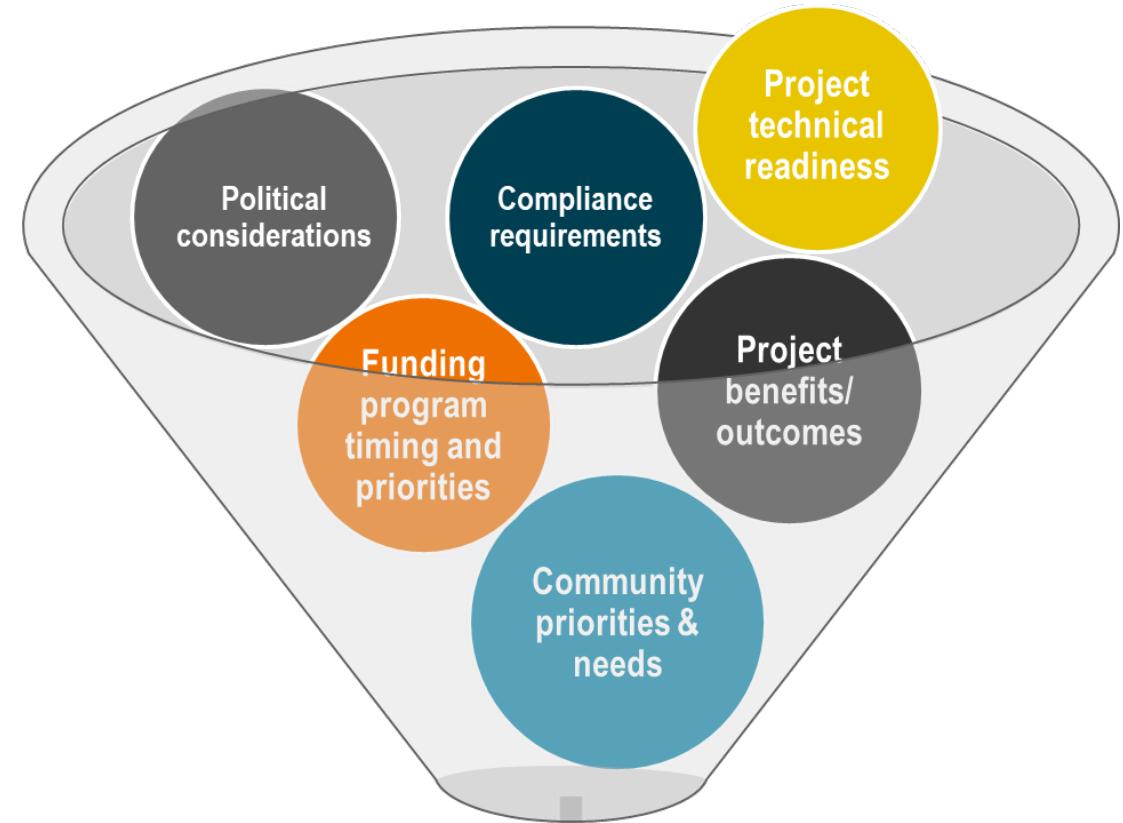
Is it (are they) shovel ready or do you need planning dollars to advance?

Garner political support early – from all levels.

Are there natural partners to advance the project(s) i.e. APEX, IRRRB, Northland Foundation, neighboring communities / counties?

Funding Research

- Research Potential funding sources for identified, prioritized projects
- Evaluate probability of success and return on effort
- Confirm eligibility
- Prioritize which grants and loans should be pursued
- Develop a funding strategy and schedule

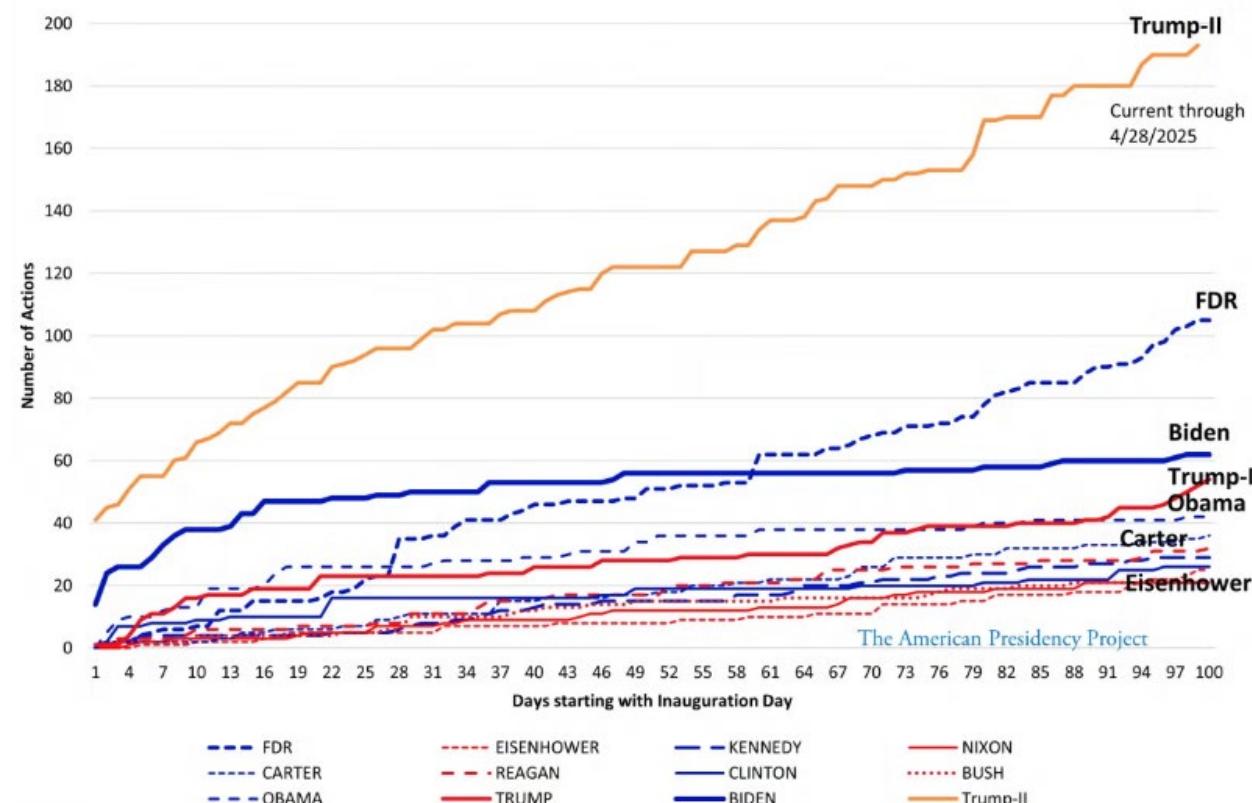


Strategic funding matches

FEDERAL FUNDING LANDSCAPE



100 Day Summary: EOs, Memos & Substantive Proclamations

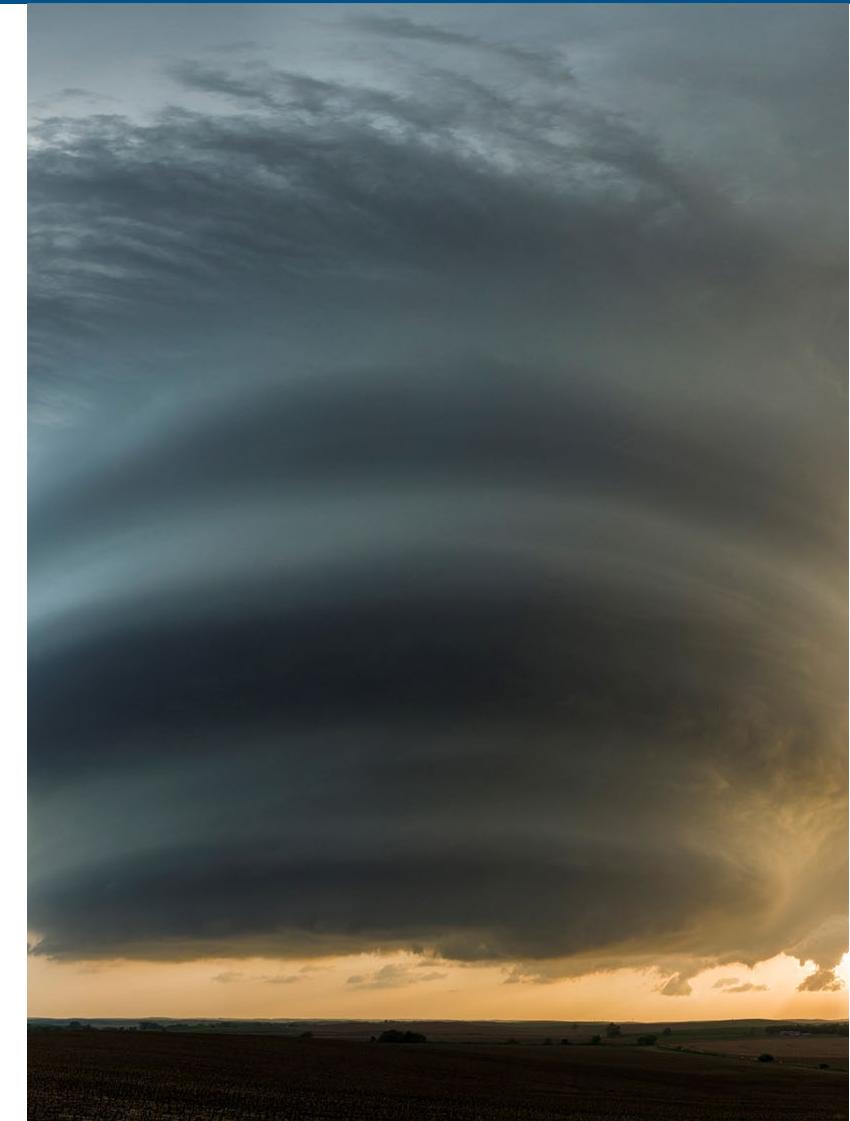


The US administration delivered nearly 200 executive actions, including 143 Executive Orders (EO) as of May 1, 2025.

Category	# EO*
Government Operations	40
Environment & Climate	33
Economic (Tariffs & Spending)	22
Energy	22
DEI	16
Immigration & Border Control	13
National Defense	11
AI & Technology	11
Other	53

Actions on Open Funding Opportunities / Pauses

- Changes to RAISE NOFO
- PIDP NOFO “paused” 2/7, update published 5/2
- PROTECT NOFO “paused” 2/11
- BRIC NOFO pulled for revision 2/13 – canceled 4/4 – reinstated by court ruling
- Removal of Flood Mitigation Assistance (FMA) funding for 2025
- Stripping any work related to equity analysis and electrification.
- Some awards have been rescinded



Reprioritization of Funding

- Previous Merit Criteria
 - Justice 40
 - Climate change
- Emerging Merit Criteria
 - Benefits to families and children
 - Reintroducing / bolstering Opportunity Zones
- Traditional Infrastructure most stable



Traditional Infrastructure Funding Programs

Congressionally Directed Spending / Community Project Funding Minnesota Capital Bonding Bill

ENVIRONMENTAL	ECONOMIC DEVELOPMENT	TRANSPORTATION
<p>US Environmental Protection Agency</p> <ul style="list-style-type: none">• Brownfields, multiple categories <p>MN Department of Employment & Economic Development</p> <ul style="list-style-type: none">• Contamination Investigation & Cleanup• Redevelopment Grant Program <p>US Army Corps of Engineers</p>	<p>MN Department of Employment & Economic Development</p> <ul style="list-style-type: none">• Small Cities Development Program• Greater MN Business Development Public Infrastructure <p>Iron Range Resources & Rehabilitation</p> <ul style="list-style-type: none">• Community Grants – redevelopment / housing / public works• Other – trails / tourism / business rehab <p>US Economic Development Administration</p> <ul style="list-style-type: none">• Public Works & Economic Adjustment Assistance	<p>US DOT – and its divisions</p> <p>MnDOT</p> <ul style="list-style-type: none">• Local Road Improvement Program• Highway Safety Improvement Program• Small Cities• Transportation Economic Development Infrastructure (TEDI)

Funding Requirements

“No such thing as free money”

With the Application

Reports / Studies: Preliminary Engineering Report, Facilities Plan → Problem, Solution(s), Cost Estimates, Timeframe

Resolution

Public Hearing

Letters of Support

SAMS and grants.gov accounts

After Award

Grant Agreement Execution

Environmental Review

Wage Rates

Disadvantaged Business Enterprises

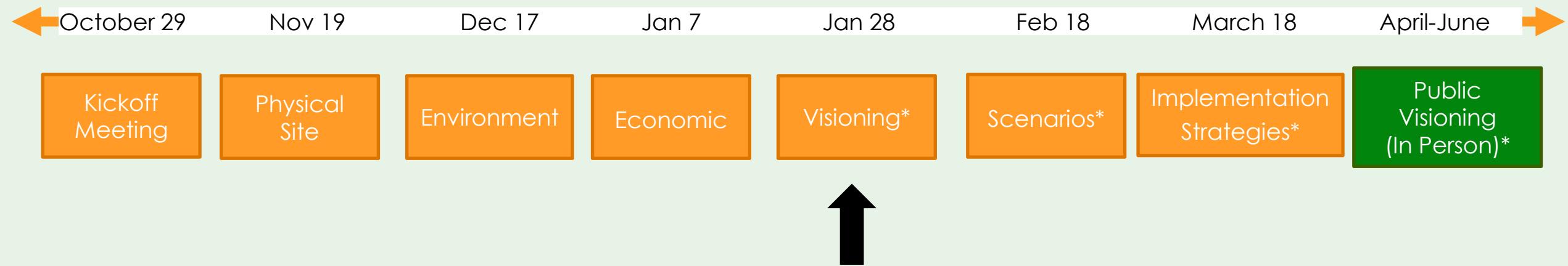
Disbursement Requests

Approved Accounting Procedures

Reporting

NEXT STEPS

Comments/Questions?



THANK YOU!!!

*Tentative Schedule