Center for Rural Entrepreneurship
energizing entrepreneurial communities

Development Opportunity Profile

Addison County, Vermont

Developed for Addison County Economic Development Corporation

September 13, 2017

Introduction

The Center for Rural Entrepreneurship believes in **empowering research** – making data-driven decisions about economic development to be more strategic and, ultimately, create the kinds of economic development outcomes and long-term community or regional prosperity you desire. We work hard to build tools and resources that communities can use to access and understand data and turn that raw information into knowledge you can apply in your community. This **Development Opportunity Profile** is one of our **Getting Started Tools**. This profile was prepared for Addison County, Vermont, by the Center, for our partner, the Addison County Economic Development Corporation.

Taking Stock – The Power of Assessment

Whether a community or a region is successful over time – or not – depends upon the commitment and choices of its leaders and people, and the investments they make in their development. As Deepak Chopra says, "When you make a choice, you change the future." Making the *right* development choices is a prerequisite for achieving community and regional prosperity. The best way to make the *right* development decisions is to commit to a thoughtful and robust assessment of your region's opportunities. By taking the time to discover and better understand your region's genuine development opportunities, you will make smarter investments and enhance your region's potential for greater prosperity.

This **Development Opportunity Profile** is a start on a pathway to prosperity. But, it is only a start. It reflects one view of your region, based on secondary data. We challenge you to build on this work, draw on your own knowledge of the region and its assets, and create a deeper understanding of your unique development opportunities. Then use this understanding to craft and implement a smart development game plan. We hope this **Development Opportunity Profile** is helpful and contributes to your future development success.

Exploration …

Dreaming …

Visioning …

Planning …

Goal-setting …

Action …

Impact!

Asking the Right Questions

To be successful and achieve sustainable prosperity, every region needs to achieve two things, at a minimum – economic renewal and demographic renewal. These two things are intimately connected. New residents are attracted to and put down roots in places that offer diverse economic opportunities. And, a healthy population supports a more robust quality of life and the amenities that go with it – schools, health care, shopping, arts and recreation, for example. This **Development Opportunity Profile** helps you begin to answer a number of questions about your community or region:

1. What is the regional context for your place?
2. What are the demographic trends in your place?
3. How is your economy doing in terms of job creation?
4. How is your economy doing in terms of income generation?
5. What is driving your economy?

You may choose to address additional questions for your community or region – how are families are doing; how is the ethnic makeup of your community or region changing? The answers to these and other questions will help you focus in on your genuine development opportunities.

The first section of this Profile provides an historical overview of your economy as a whole:

- The regional context
- Population trends
- Employment trends
- Personal income trends
- Economic drivers

The second section delves more deeply into the business or entrepreneurial economy, describing general business ownership trends and specific entrepreneurial attributes of your region. In the final section, we provide a summary of key development opportunities for your county as well as some identified development challenges.

Electronic Library

Research collected and analysis completed in support of this Profile is available through an Electronic Library at the following site:

https://goo.gl/m8n98P

Being a Smart Data Consumer. *We provide a summary of research sources at the end of this Profile. Detailed source information can be found by reviewing specific research items in the Electronic Library. Data used in this Profile is based on sampling and estimates. Through the sampling process, data can be skewed particularly in smaller, more rural regions. We encourage you to carefully review the data and question the results if they are at odds with your experience. At the same time, remember that others – prospective residents, employees, and entrepreneurs – are using this same secondary data to learn about your county.*

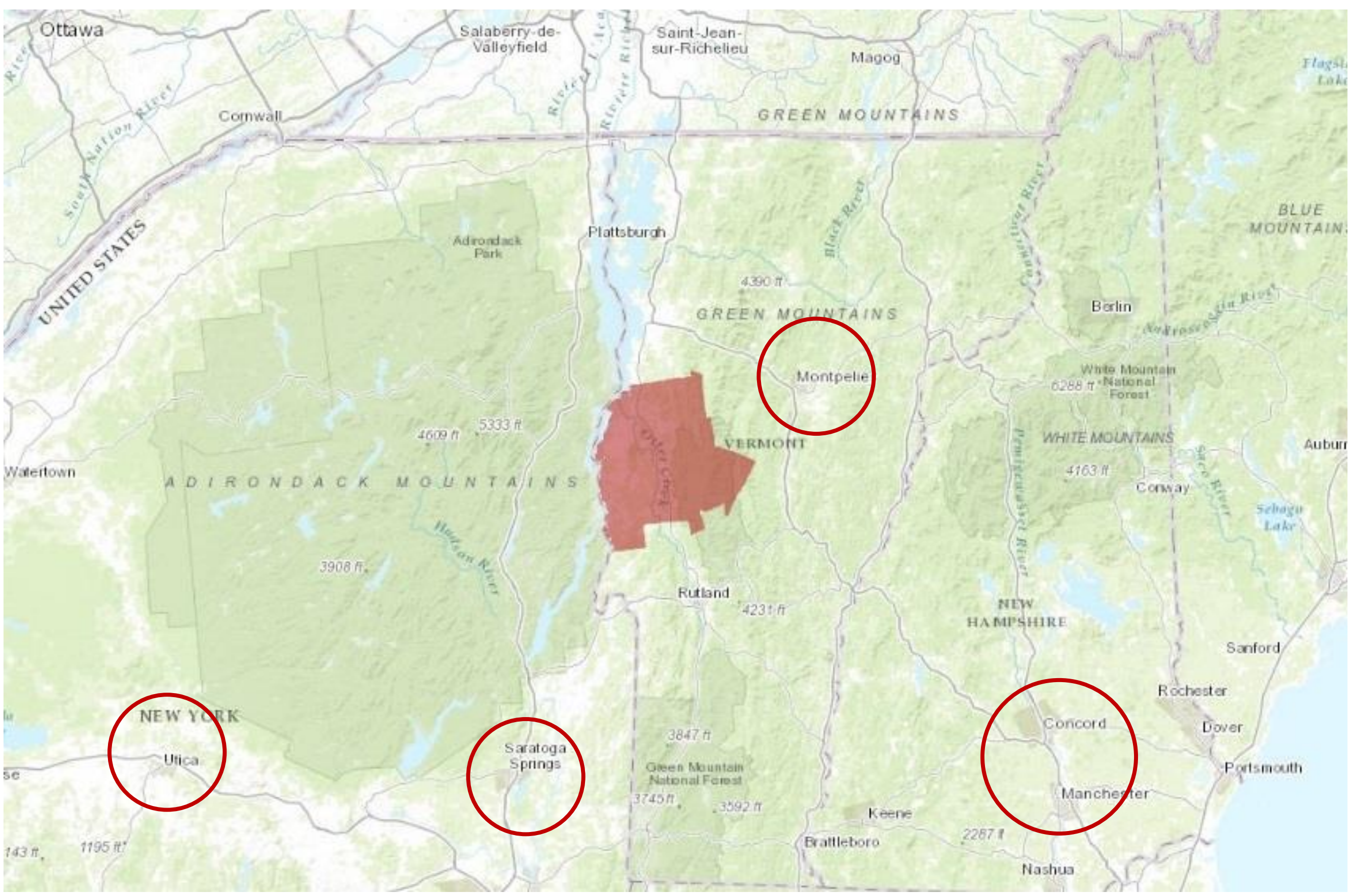
Understanding the Economy – Historical Overview

Regional Context

Every region has a unique location offering both opportunities and challenges. Even in our globally interconnected world, location still matters. Early in America's history, a region's access to water transportation was a plus. Today, a location with access to high-speed internet and a unique quality of life might attract, for example, entrepreneurs or telecommuters who can choose to work from anywhere. Individual communities exist within a larger regional context that drives both economic and residential development.

Addison County is located in West Central Vermont. Your community is situated between the Adirondack Mountains in New York and the Green Mountains, and adjacent to Lake Champlain. This location coupled with significant natural, cultural, and historical assets positions your community for both a unique quality of life and destination tourism. Located south of Burlington, your community is situated between the major north south Interstates 87 in New York and 89. U.S. Highway 7 is the major transportation corridor serving Addison County.

Figure 1. Addison County, Vermont



Population Trends

Community and economic development should be focused on strategies that not only grow a more robust economy but create opportunities to attract and retain people. A growing population contributes to a strong workforce and supports community infrastructure including schools, health care, arts and culture, and retail activity. Failure to address population loss contributes to further economic and social contraction as a community or region's vibrancy and capacity decline.

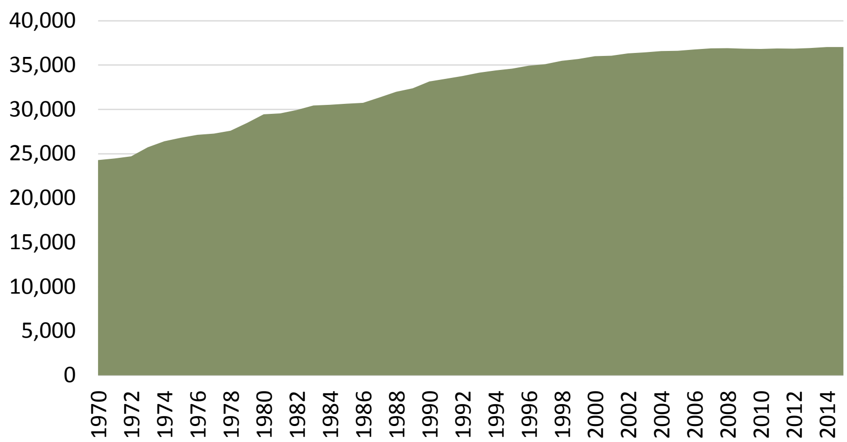
Addison County, VT
Quick Demographic Profile

2010 Population – 36,821
Median Age – 41.3 Years
Households – 14,084
Average Household Size – 2.41

2017 Projected Pop – 37,883
2021 Projection Pop – 38,653

Projected 2017-2021
Growth Rate = +0.40% per year

Figure 2. Population Trends



The Census Bureau makes a minor statistical correction called a "residual" which is included in Figure 2, but omitted from Figure 3. Because of this correction, natural change plus net migration may not add to total population change in Figure 2.

Figure 3 shows average annual change in population, including natural change (births and deaths) and migration (in-migration and out-migration), for 2000 through 2016. Natural population change (births over deaths) is positive for the county. However, migration is negative with evidence of strong outmigration. As the population continues to age, this net outmigration may result in annual population loss. Stabilizing this outmigration trend is important for the demographic renewal of the county. As America ages, overall birth rates are coming down. For many counties, migration or new residents is essential to not only sustain current population levels but to enable growth. For areas to be prosperous, rapid population growth is not necessary.

Figure 3. Population Change
2000-2016

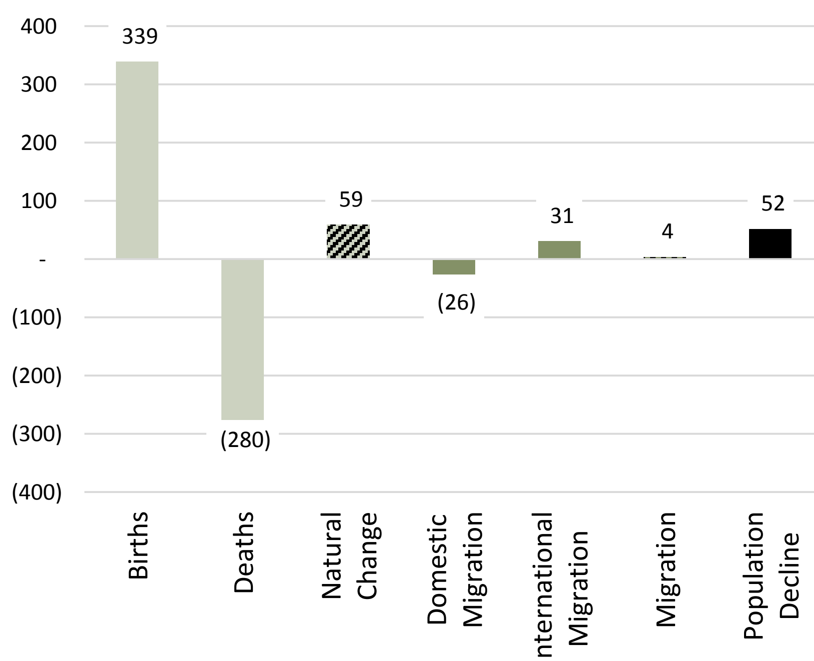


Figure 4. Percent Age Cohort Change, 1990-2000

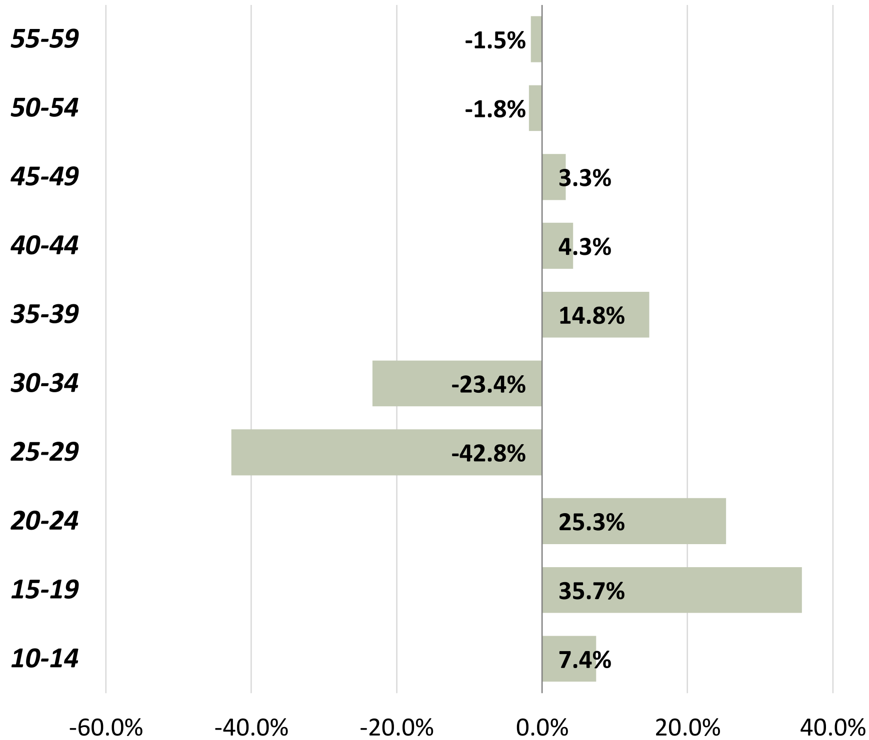
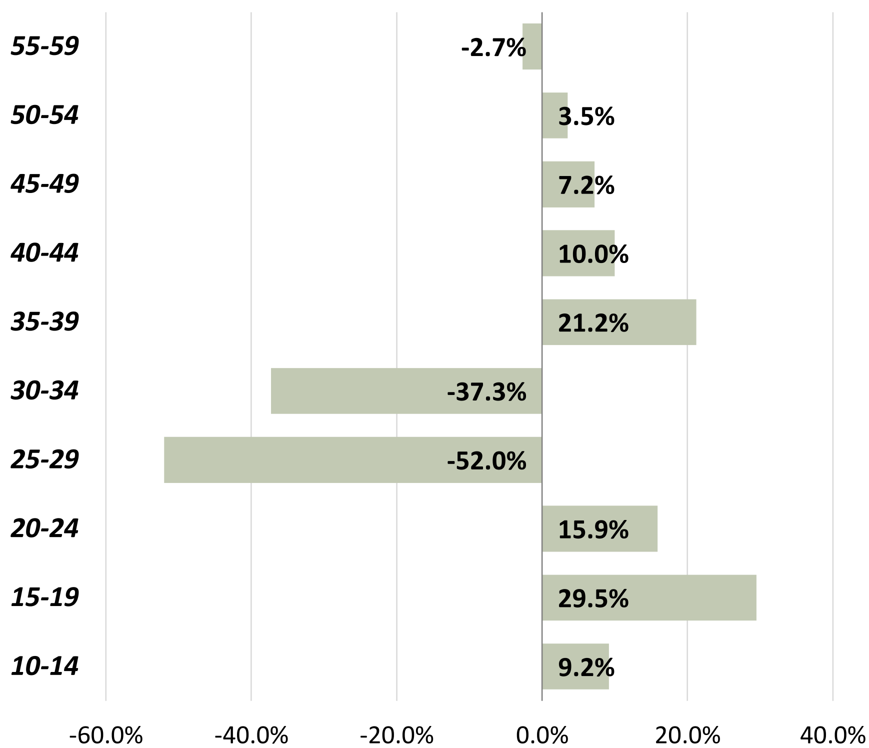


Figure 5. Percent Age Cohort Change, 2000-2010



Dr. Ben Winchester with the University of Minnesota studies population trends across America. We have been using his research increasingly over the past few years.

One way to think about a community's or region's **demographic health** is to compare changes in age cohort groups over ten year or Census periods. In much of rural America, there is a national trend where rural communities typically lose many of their 20-year-olds as they leave high school and often leave their home county to pursue higher education or work elsewhere.

What Dr. Winchester has observed is a trend of 30-year-olds returning after this away-from-home experience. This trend is potentially important to rural communities that have been losing population over time. With returning 30-year-olds, we have younger families, school-age children, a larger workforce and potential entrepreneurs.

Increasing the population of 30 year olds should be a development objective in the county. In creating a more entrepreneurial economy and society, your county can be more successful in retaining and attracting the 25 to 40 year old age groups. For this to happen more frequently, communities must create more and better economic opportunities with a range of jobs and careers through local business formation and growth.

Employment Trends

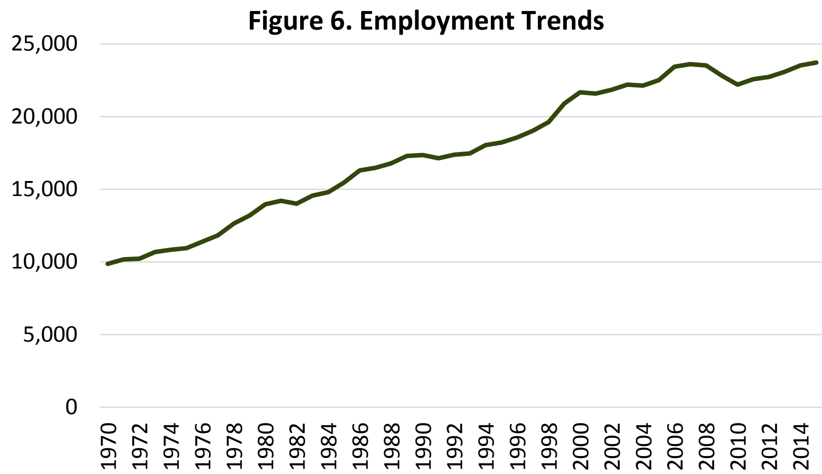
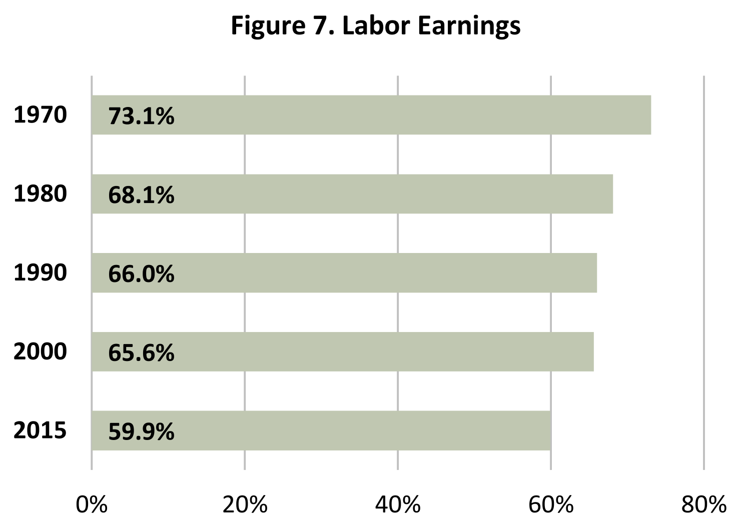


Figure 6 to the right provides the long-term historical trend for total employment in the county. Typically, if a county's population is increasing, we will also see increasing employment. However, for rural counties, it is not uncommon to see declining population with growing employment at least for some time. In most parts of America, workers are willing to travel long distances for jobs and careers. Workforce is often regional where people live in one community and commute to another community for work and running businesses. Eventually, if a community continues to experience population loss, its ability to sustain job growth is undermined. Later in this Profile, we provide more detailed information on job trends associated with different kinds of ventures by type and size of employment.

Table 1. Net Job Growth During Recession Periods

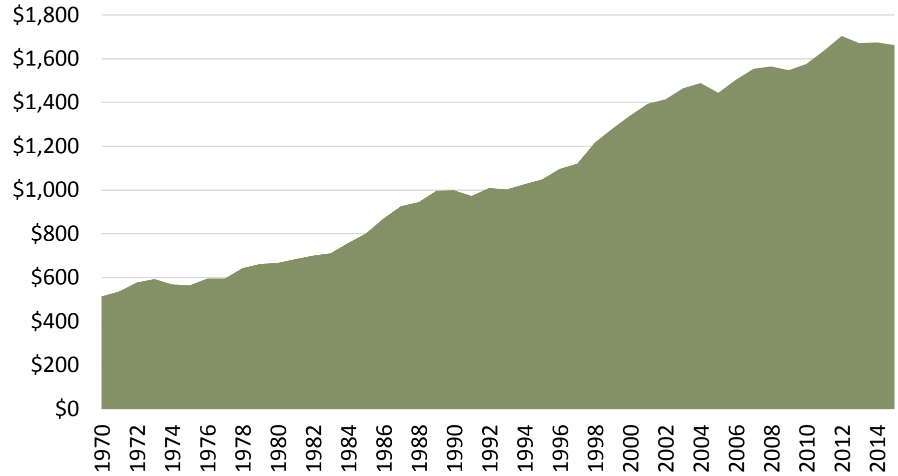
2001 Recession		**Great Recession**	
Recession (Mar-Nov 2001)	0.6%	Recession (Dec 2007-June 2009)	0.1%
Recovery (Dec 2001-Nov 2007)	0.0%	Recovery (July 2009-Present)	-0.1%



"Labor earnings to total personal income" is a good proxy for how dynamic or robust an economy is. Across the country, the share of labor earnings (active work) relative to total personal income has been dropping reflecting both an aging and stagnating economy. A healthy labor-earning rate is in the range of 60 to 70 percent. For communities with a Labor Earnings Ratio that has been consistently dropping, there should be concern about the vitality of a community's economy. In some situations, this ratio will fluctuate due to influences of natural resource extraction and processing. In communities where farming is predominant, earnings will fluctuate from year to year impacting this ratio. The same is true for other economies where oil, timber, fisheries and tourism are king. Understanding how these economic activities impact community health and well-being is important and a commitment to economic diversification is key to more stable and prosperous communities.

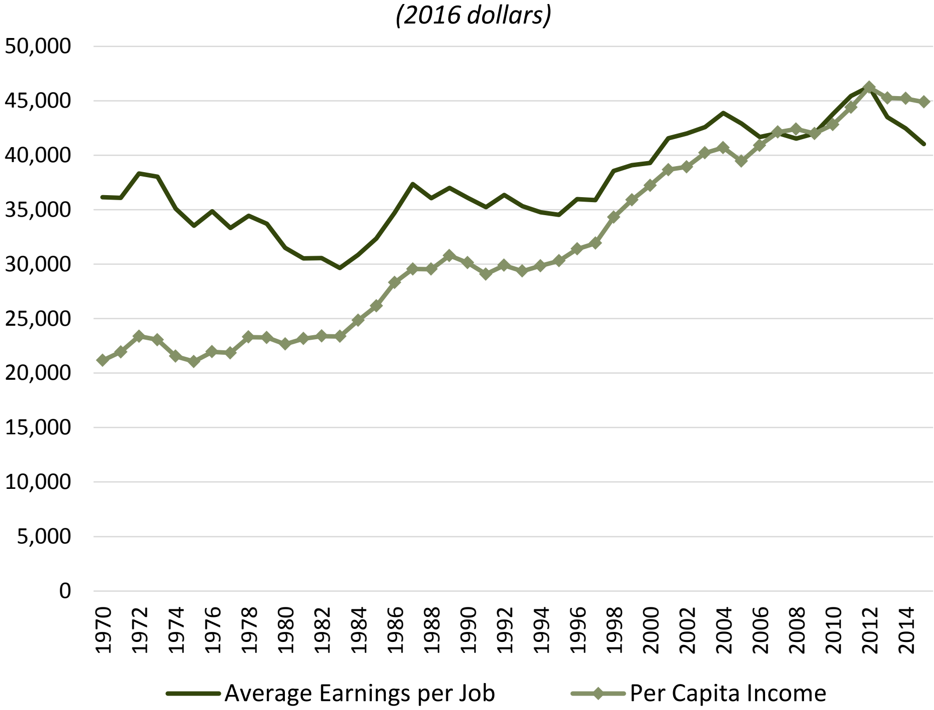
Personal Income Trends

Figure 8. Personal Income Trends
(Millions of 2016 dollars)



Long-term personal income trends, measured in real or inflation adjusted dollars (where a dollar in 2015 has the same purchasing power as a dollar in 1970) are presented for your county in Figure 8. Personal income is a critically important indicator of community well-being. Generally speaking, when personal income is rising faster than both population and employment, household and community well-being is improving. What Figure 8 does not show is income distribution. We have additional research in your Electronic Library profiling Household Disposable Income and Current Net Worth.

Figure 9. Average Earnings Per Job & Per Capita Income
(2016 dollars)



Per capita income (total personal income for the county divided by the number of permanent residents or population) is a good indicator of how well a county is doing. Per capita income in most rural communities is rising because of an aging population. Total personal income includes active earnings (wage and salary earnings) and passive earnings associated with rents, Social Security, retirement, royalties and the like. With aging populations, active earnings may be stagnant but per capita income is rising due to growing passive earnings. Average earnings per job gives us a better indicator of how business owners and workers are doing. When average earnings are rising, chances are good that the county is doing better. The converse is true when average earnings are contracting reflecting reduced earnings from businesses and wage stagnation or cuts for workers.

Economic Drivers

Every community, region or state is shaped by certain ***economic drivers*** that generate income. Using data on total earnings by industry, this profile highlights the top 10 ***economic drivers*** for the county, how each of these has done in the last decade and its relative importance benchmarked to U.S. averages.

Figure 10.	2015 Earnings (thousands)	Change 2001-2015	2015 Per Capita Values Benchmarked to the U.S.
Retirees	$549,572	44.8%	1.07
Commuters	$318,196	19.5%	US Commuter Values are not available
Manufacturing	$145,169	-3.9%	1.18
Educational services	$130,397	19.1%	5.98
Health care and social assistance	$128,108	45.2%	0.91
Government	$117,096	13.7%	0.55
Retail trade	$97,318	13.5%	1.27
Hardship Related Transfer Payments	$85,229	96.9%	0.87
Professional and technical services	$66,184	77.7%	0.50
Construction	$60,952	-29.1%	0.82

The following analysis provides additional detail on each of these "economic drivers" shaping your county's economy and society. Additional information is available through the Profile's electronic library and from the Center by contacting Don Macke at don@e2mail.org.

Retirees. America is aging and retirees are among the most important economic drivers in our communities today. Retirees are a non-traditional economic sector. We may consider manufacturing, mining and even health care as economic sectors, but retirees are increasingly important to our community's economic well-being. Retirees generate significant spending for 55-plus housing, health care, recreation and other activities. For some rural communities and regions, the local hospital and clinics exist because of retirees and their Medicare insurance programs.

Commuters. American workers are often willing to travel significant distances for work and careers. We may choose to live in one community and work in another. For many rural communities and regions, commuters are an important economic driver. People living in the community and working outside of it bring earnings home, generate local spending and support other economic and social activities foundational to a community or region's character and well-being.

Manufacturing. Manufacturing is a mainstay economic activity. Manufacturing in the United States is under-going profound change due to automation and off shoring. Lower value and lower skill manufacturing is in decline. However, overall manufacturing activity in the U.S. based on value-added output is actually rising. Manufacturing can range from the production of clothing, cars and furniture to natural resource processing and refining.

Educational Services. Government funded education ranging from Head Start to K-12 schools and including publically funded higher education are reported in the Government sector. However, there are educational institutions and services that are non-governmental ranging from church schools to private academies and higher education services. This sector includes these private educational activities.

Health Care and Social Assistance. Depending upon the source and the community, between 5 and 10% of the entire American economy is associated with health care and social services. For many rural communities, the local hospital, clinic, dental office and care home represent major economic drivers and important sources of both jobs/careers and supply chain businesses like the local private pharmacy that exists because there is an assisted living home in your community.

Government. Government includes everything from military agencies to federal, state, and local government organizations. Government also includes public education ranging from the local public K-12 school system, public community colleges, colleges, universities and educational learning centers and agencies. For some communities, all or part of their health care system is public and would be included in the government sector. Government adds stability and diversification to your community while also providing critically important services. Ensuring government stability is highly recommended. Growing, through business development, a larger tax base is an important game plan providing adequate tax revenues to support government functions while reducing the burden on both farm and residential taxpayers.

Retail Trade. Retail Trade is a bedrock and iconic economic activity in every community. Over the years the Norman Rockwell main street has experienced significant change with emergence of strip commercial activities, shopping centers, franchised box stores and now electronic commerce (think Amazon). Locally owned retail trade today is both very important to community health (e.g., captures and recycles local spending and roots wealth) and challenged.

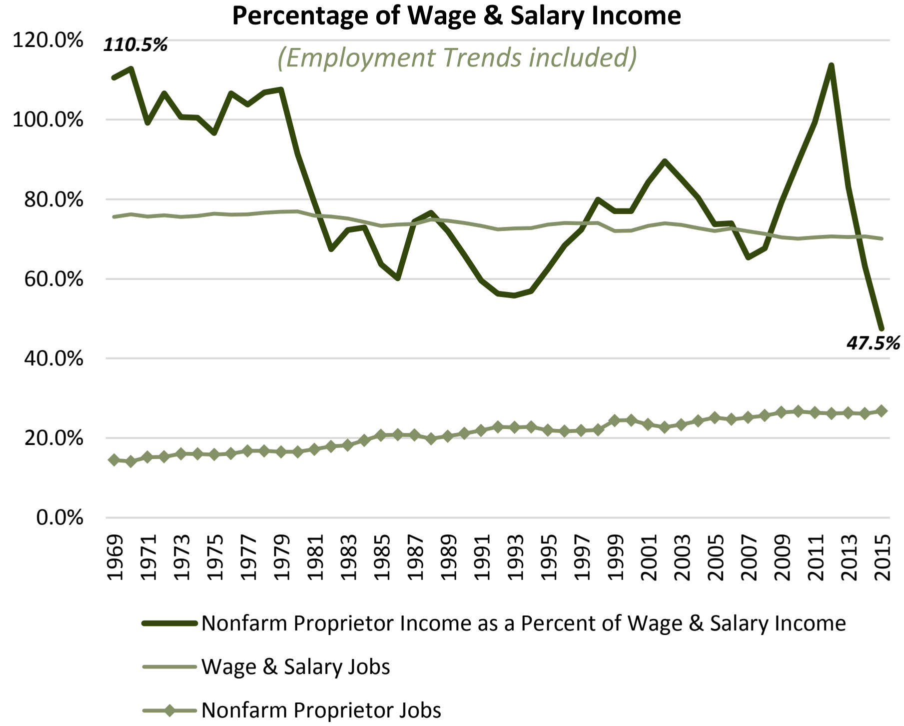
Hardship Related Transfer Payments. According to Headwaters Economics (www.headwaterseconomics.org), Hardship Related Transfer Payments include payments associated with poverty and include Medicaid, Food Stamps (SNAP), Supplemental Security Income (SSI), Unemployment Insurance and other income maintenance benefits. With the Great Recession and an aging population hardship payments have grown and become more important for many communities.

Professional & Technical Services. Professional and Technical Services include typical activities like attorneys and accountants found in most communities as well as less common professions including engineering and architects. These are important activities as they are core to the emerging "knowledge economy" and they generally generate higher earnings.

Construction. Construction, like local retail trade and services, is found in most community and regional economies. Construction activity ranges from locally based contractors like plumbers and homebuilders to regionally based construction companies and external companies doing major projects (e.g., roads, power plants, etc.) in a community.

Locally Owned Ventures. Historically, one of the greatest assets of American communities was locally owned retail businesses, services and manufacturing operations (often referred to as Main Street USA). These were area-owned and operated. They were rooted in the community. Figure 11 measures the income associated with these locally-owned businesses compared to that associated with wage and salary jobs. This ratio provides an indication of how well these ventures are doing in our changing environment.

Figure 11. Nonfarm Proprietor Income as a Percentage of Wage & Salary Income

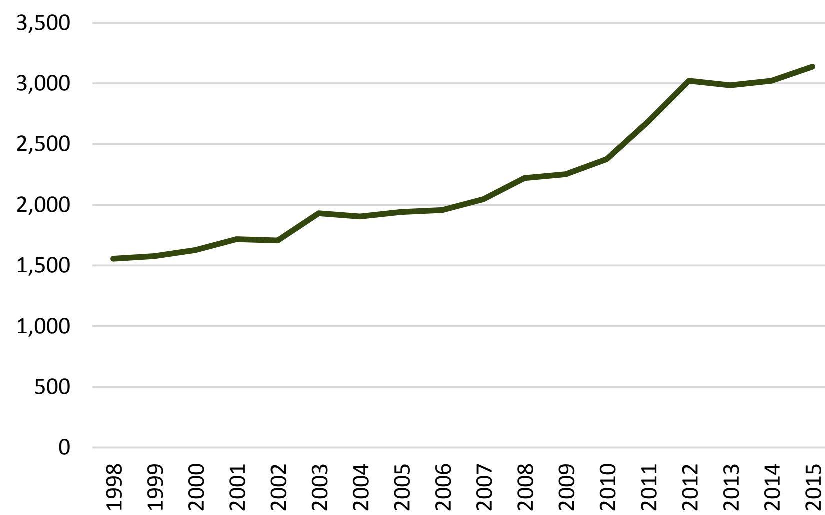


Understanding the Business/Entrepreneurial Economy

Big Picture Overview

A central driver of community or regional prosperity is the business community. Figures 11-16 provide an overview of the county's business community, including for-profit, non-profit and governmental enterprises, from 1998 through 2015. Figure 12 highlights the longer-term trend in the number of all regional establishments including for-profit businesses, non-profit ventures and government entities.

Figure 12. Businesses



Addison County, VT
Business Summary

Total Businesses
1,998

Businesses per 1,000 Residents
Addison County – 53
Vermont – 53
U.S. – 77

Total Employees
16,667

Employees per 1,000 Residents
Addison County – 440
Vermont – 558
U.S. – 447

Figure 13. Jobs

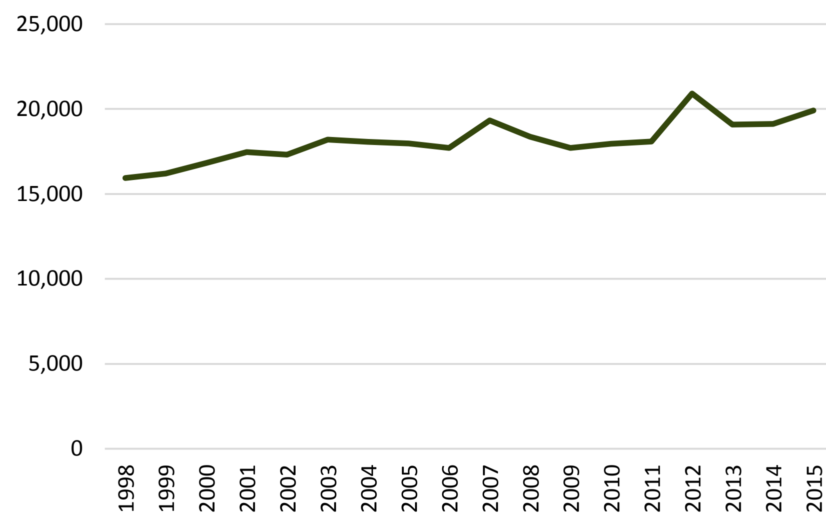


Figure 13 provides a comprehensive picture of all employment from for-profit business to non-profits to government entities including schools. This does not reflect the employment of those who live in the county and work outside of the county.

Data in Figures 12-14 & 16-19 is from www.youreconomy.org.
Find the source data for these figures in the electronic library.

Esri (www.esri.com) produces regional analysis of ventures and employment by sector. The data provides a useful overview of the relative importance of specific sectors in the county's economy in 2015 (Table 2). Economic sectors are organized into two components. A county's *traded sectors* produce products and services that are sold outside the county, bringing new income into the county. Traded sectors are also referred to as *basic industries*. Strong regional economies have strong and diverse traded sectors.

Table 2 provides an accounting of the county's ventures including the number of Ventures by sector and associated full-time equivalent employment. This data source does not always capture all venture activity. For example it may not fully reflect the number of farms and ranches in a rural area. For those sectors where we have data gaps, there are supplemental reports in your county's e-library.

Table 2. Economic Sectors, Addison County, VT, 2017

Sector	Ventures	Employees	Percent of Total Employees
Agriculture	74	441	2.6%
Mining & Utilities	12	42	0.3%
Construction	179	858	5.1%
Manufacturing	66	698	4.2%
Wholesale Trade	68	580	3.5%
Retail Trade*	**291**	**2,129**	**12.8%**
Transportation & Warehousing	53	723	4.3%
Information	41	279	1.7%
Finance & Insurance*	**61**	**479**	**2.9%**
Real Estate	66	182	1.1%
Professional Services	176	647	3.9%
Management & Administrative	58	276	1.7%
Education	83	2,929	17.6%
Health Care	128	2,843	17.1%
Arts, Entertainment & Recreation	46	564	3.4%
Accommodations	52	655	3.9%
Food Service	61	914	5.5%
Hospitality Sector*	***159***	***2,133***	***12.8%***
Other Services	213	658	3.9%
Public Administration	153	721	4.3%
Unclassified Establishments	117	49	0.3%
Total	**1,998**	**16,667**	**100%**

*Esri provides additional detail for these sectors including sub-sector information.

**Hospitality Sector is created by combining the three preceding sectors.

Retail Trade nationally has undergone major changes as once dominant locally owned retailers are now competing with externally owned big box stores and online sellers. A strong and diverse retail sector is important to capturing local spending and generating additional economic growth. Additionally, services for business, households, non-profits and governmental agencies are increasingly important. We have additional information on your county's service sector in your e-library.

Table 3 on page 13 provides more detail on retail demand and supply, identifying positive trade balances and spending leakages. The electronic library includes a more detailed **Retail MarketPlace Profile**. Your county might want to consider a two-part retail strategy focusing on (1) assisting business transitions in the ***local sector*** and (2) finding competitive niches for existing or new retail businesses.

Table 3. Retail MarketPlace Profile, Addison County, VT, 2017

Summary Demographics	
2017 Population	37,883
2017 Households	14,691
2017 Median Disposable Income	$49,401
2017 Per Capita Income	$31,486

Industry Summary	NAICS	Demand (Potential)	Supply (Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Total Retail Trade and Food & Drink	44-45,722	$570,475,785	$446,757,530	($123,718,255)	12.2	354
Total Retail Trade	44-45	$521,220,679	$413,014,440	($108,206,239)	11.6	293
Total Food & Drink	722	$49,255,106	$33,743,090	($15,512,016)	18.7	61

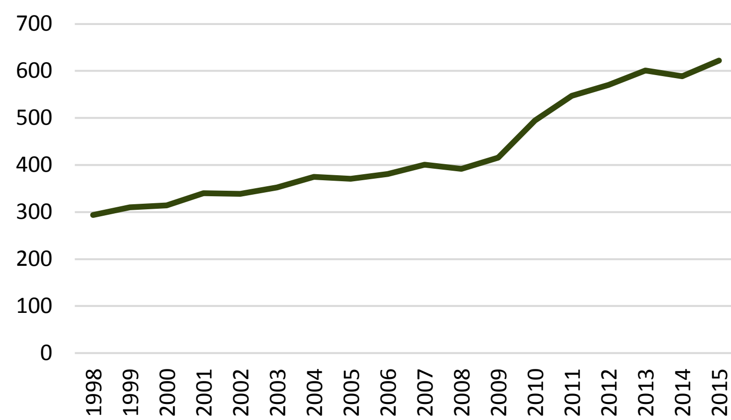
Industry Group	NAICS	Demand (Potential)	Supply (Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Motor Vehicle & Parts Dealers	441	$108,197,930	$91,897,563	($16,300,367)	8.1	35
Automobile Dealers	4411	$90,942,418	$58,602,004	($32,340,414)	21.6	13
Other Motor Vehicle Dealers	4412	$8,857,689	$14,847,939	$5,990,250	25.3	11
Auto Parts, Accessories & Tire Stores	4413	$8,397,823	$18,447,620	$10,049,797	37.4	11
Furniture & Home Furnishings Stores	442	$17,235,211	$4,405,308	($12,829,903)	59.3	11
Furniture Stores	4421	$10,209,113	$3,671,099	($6,538,014)	47.1	8
Home Furnishings Stores	4422	$7,026,098	$734,209	($6,291,889)	81.1	3
Electronics & Appliance Stores	443	$17,776,665	$6,511,904	($11,264,761)	46.4	9
Bldg Materials, Garden Equip & Supply Stores	444	$31,964,825	$44,964,284	$12,999,459	16.9	35
Bldg Material & Supplies Dealers	4441	$28,920,150	$37,115,994	$8,195,844	12.4	25
Lawn & Garden Equip & Supply Stores	4442	$3,044,675	$7,848,290	$4,803,615	44.1	10
Food & Beverage Stores	445	$84,325,906	$77,884,657	($6,441,249)	4.0	30
Grocery Stores	4451	$73,837,123	$73,956,875	$119,752	0.1	22
Specialty Food Stores	4452	$5,187,086	$1,220,636	($3,966,450)	61.9	4
Beer, Wine & Liquor Stores	4453	$5,301,697	$2,707,146	($2,594,551)	32.4	4
Health & Personal Care Stores	446,4461	$35,275,397	$32,423,261	($2,852,136)	4.2	19
Gasoline Stations	447,4471	$65,460,753	$88,205,610	$22,744,857	14.8	26
Clothing & Clothing Accessories Stores	448	$33,669,703	$6,884,060	($26,785,643)	66.0	24
Clothing Stores	4481	$25,029,954	$4,793,999	($20,235,955)	67.9	20
Shoe Stores	4482	$3,481,114	$1,628,736	($1,852,378)	36.3	3
Jewelry, Luggage & Leather Goods Stores	4483	$5,158,635	$461,325	($4,697,310)	83.6	1
Sporting Goods, Hobby, Book & Music Stores	451	$36,276,290	$9,204,473	($27,071,817)	59.5	27
Sporting Goods/Hobby/Musical Instr Stores	4511	$34,006,933	$7,842,611	($26,164,322)	62.5	23
Book, Periodical & Music Stores	4512	$2,269,357	$1,361,862	($907,495)	25.0	4
General Merchandise Stores	452	$48,113,710	$11,853,322	($36,260,388)	60.5	9
Department Stores Excluding Leased Depts.	4521	$31,191,765	$7,563,941	($23,627,824)	61.0	3
Other General Merchandise Stores	4529	$16,921,945	$4,289,381	($12,632,564)	59.6	6
Miscellaneous Store Retailers	453	$18,280,718	$34,597,463	$16,316,745	30.9	63
Florists	4531	$754,650	$509,465	($245,185)	19.4	6
Office Supplies, Stationery & Gift Stores	4532	$5,138,600	$3,441,682	($1,696,918)	19.8	14
Used Merchandise Stores	4533	$2,111,553	$1,776,864	($334,689)	8.6	18
Other Miscellaneous Store Retailers	4539	$10,275,915	$28,869,452	$18,593,537	47.5	25
Nonstore Retailers	454	$24,643,571	$4,182,535	($20,461,036)	71.0	5
Electronic Shopping & Mail-Order Houses	4541	$21,456,583	$3,919,388	($17,537,195)	69.1	4
Vending Machine Operators	4542	$404,487	$0	($404,487)	100.0	0
Direct Selling Establishments	4543	$2,782,501	$263,147	($2,519,354)	82.7	1
Food Services & Drinking Places	722	$49,255,106	$33,743,090	($15,512,016)	18.7	61
Special Food Services	7223	$1,726,920	$60,972	($1,665,948)	93.2	2
Drinking Places - Alcoholic Beverages	7224	$1,617,895	$129,538	($1,488,357)	85.2	1
Restaurants/Other Eating Places	7225	$45,910,291	$33,552,580	($12,357,711)	15.6	58

Entrepreneurial Profile

Entrepreneurs play a central role in revitalizing community and regional economies. Where you have more robust entrepreneurial activity, you typically have more competitive, dynamic and prosperous economies. This is particularly true when there are rooted entrepreneurs who are part of the overall community, contributing to the economy and actively engaging in the civic and social life of the county. Healthy economies support a range of entrepreneurial talent – from aspiring and startup to growth-oriented and breakout entrepreneurs.

Startup Entrepreneurs are the seeds of an entrepreneurial economy, making up the mouth of the pipeline. Successful startups create opportunities for business growth that generates employment and ultimately drives the economy. One good proxy for startup entrepreneurs is the number of ***self-employed*** (where the owner/operator is the only employee). Figure 14 shows self-employment trends for your county from 1998 through 2015 (www.youreconomy.org). Rising self-employment can be due to two things. First, it can reflect the lack of wage and salary jobs where people in a community are forced into necessity entrepreneurship to get by until better jobs emerge. Second, it can be an indicator of increased new venture startups. Self-employment is a leading indicator of new entrepreneurial activity in a community. Working with the self-employed offers a significant development strategy for the county.

Figure 14. Self-Employed



Conversely, declining self-employment can reflect two realities in a community. First, it can indicate an improving wage and salary job market where self-employed persons are taking jobs. For example, this may happen when a business expands and there are significant new job openings. Second, it can indicate deeper community decline where overall economic activity is contracting. Understanding what is behind these trends is paramount.

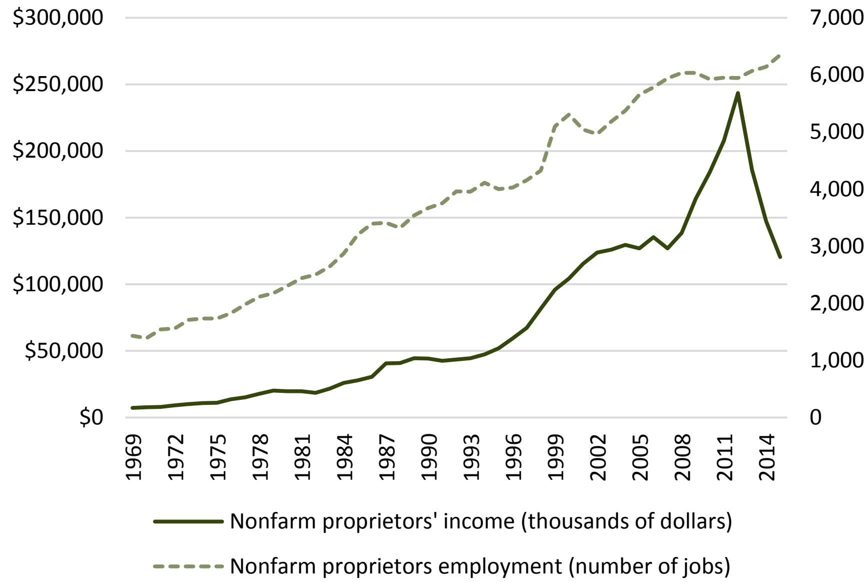
Regardless of your county's trend direction, it is important to discover who your self-employed entrepreneurs are. We urge the county to focus on the following three questions as it explores this development opportunity:

- Who are these self-employed startups?
- What are they doing?
- How could we help them be more successful?

Increasing self-employment or startup activity can be an important business development objective within an overall economic development strategy.

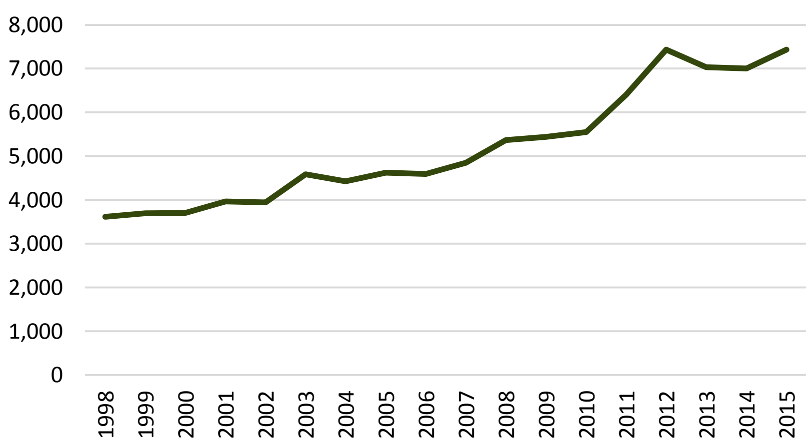
Established, Locally-Owned Entrepreneurial Ventures are important components of a community's entrepreneurial pipeline. When family-owned, local businesses prosper, they hire more employees, pay more local taxes and are able to more actively support their communities. We use two sets of data to describe these entrepreneurs. The U.S. Bureau of Economic Analysis (Figure 15) tracks nonfarm proprietors, typically small main street type businesses that are not incorporated. Youreconomy.org (Figure 16) tracks ventures based on the number of employees, with Stage 1 businesses (2-9 employees) representing small, most likely family-owned or locally-owned businesses.

Figure 15. Nonfarm Proprietors' Income & Employment



Stage 1 ventures with 2-9 employees overlap with Nonfarm and farm proprietorships. Typically, statistics on Stage 1 ventures have higher numbers for both number of ventures and employment. This difference is due to the fact that Stage 1 ventures can include small corporations and LLCs that may not be classified as proprietorships. Comparing the two sets of data can help a community or region gain a better idea of what is happening with this all important component of your venture community. For communities or regions that are more rural, Stage 1 ventures and nonfarm proprietorships are the bedrock of "main street" type locally-owned ventures. These are our cafes, retail shops, dental offices, medical clinics, small manufacturing operations, local trucking firms and the like. Stage 1 indicators can vary as ventures move between the magic line of 9 to 10 to 10 to 99 employees. Watching how Stage 1 and Stage 2 indicators are changing can reflect movement between these two classes of businesses. Maintaining and sustaining nonfarm proprietorships and Stage 1 ventures are foundational to most regional economies. This is particularly true if ownership is local meaning profits from the ventures are creating local wealth.

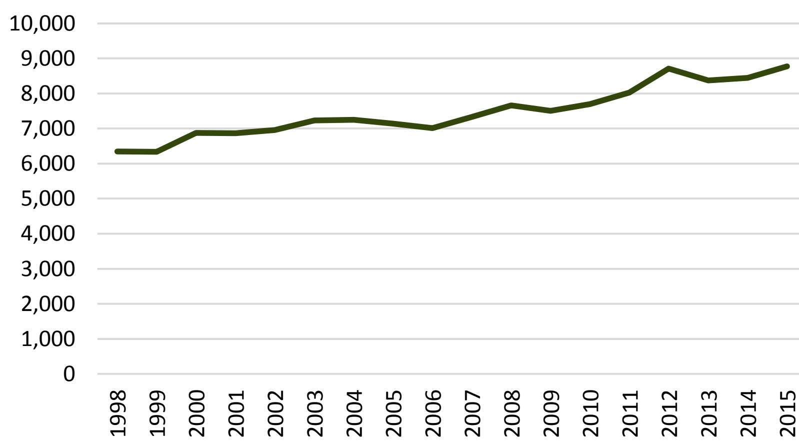
Figure 16. Employment in Stage 1 (2-9 Employees) Ventures



Growth-Oriented Entrepreneurs comprise an important part of the entrepreneurial pipeline. These entrepreneurs have the desire to grow and have – or are seeking – the market opportunities to turn that desire into a reality. There is a great deal of attention paid to **growth entrepreneurs** – Economic Gardening (Edward Lowe) focuses almost exclusively on these entrepreneurs. In most community and regional economies, we have found fewer growth entrepreneurs and much larger numbers of **growth-oriented entrepreneurs**. This latter group includes entrepreneurs who are actively exploring ways to grow their businesses but who may still benefit from the types of business development assistance most regions and communities can offer. Helping growth entrepreneurs often requires much higher level resources, including diverse forms of capital.

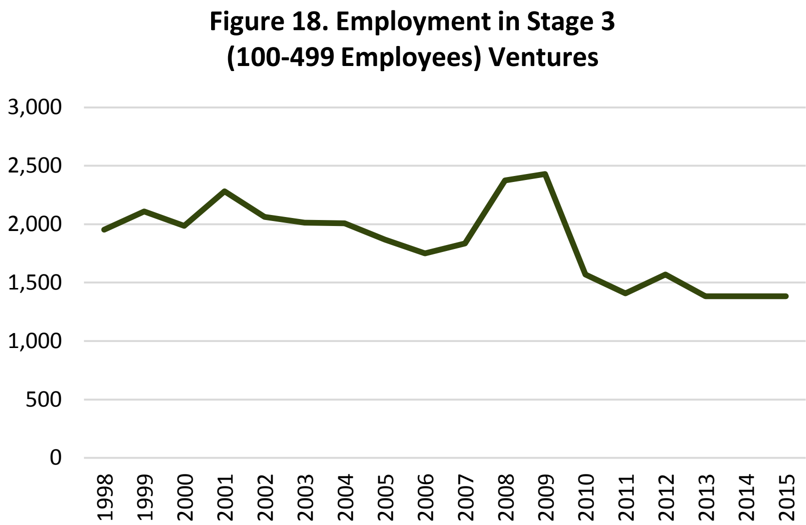
As a proxy for growth-oriented entrepreneurs, we use employment for Stage 2 ventures (10-99 employees). Figure 17 illustrates what we call Stage 2 Ventures or those employing 10 to 99 employees. Stage two ventures are critically important to a community or region. These ventures tend to create more jobs and better jobs. There may be less part-time or flexible time situations. Ventures at this size tend to need a stable and productive workforce creating jobs with better compensation, security and benefits. Ownership can be area, franchises with local and outside ownership and branch facilities of outside LLCs and corporations. Increasing Stage 2 ventures is an important development goal as these ventures tend to provide better jobs. Most likely some Stage 1 businesses became Stage 2 employers through growth.

Figure 17. Employment in Stage 2 (10-99 Employees) Ventures



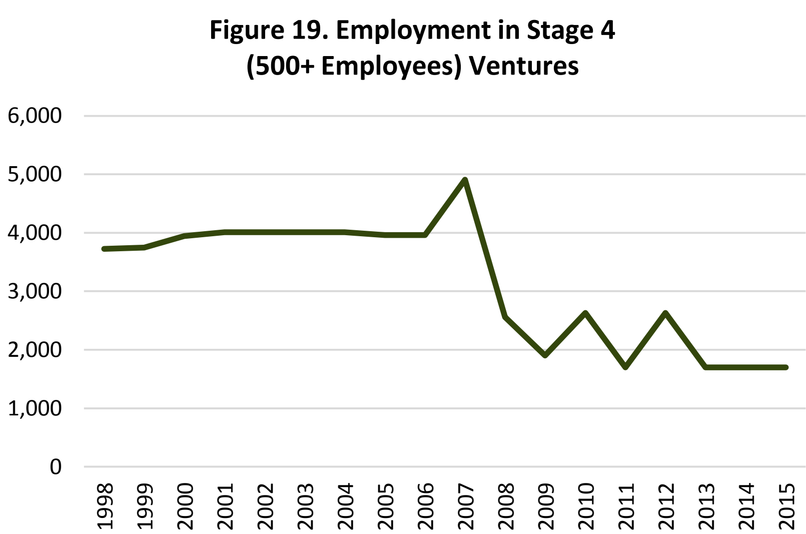
Breakout Entrepreneurs are very important to both local and regional economies. Ideally, these entrepreneurial ventures create many jobs, stimulate economic growth and increase overall economic prosperity as new employee spending drives retail, service, construction and other sectors of the economy. In the ***new economy***, many businesses are experiencing rapid sales growth but creating few jobs as they rely instead on contract employees and outsourcing strategies. As part of the entrepreneurial pipeline, communities should focus on those existing businesses that achieve breakout or rapid growth status ***and*** create many jobs in the process. According to Christine Hamilton-Pennell (former market research analysis with Littleton, Colorado's Economic Gardening program), the typical high growth entrepreneurial venture is one that has been around for several decades and reaches a point where there is both motivation and opportunity for high growth. It often takes an entrepreneur time to figure out how to achieve higher growth, creating opportunities for the community to provide support and resource connections. This observation also suggests that leaders should not limit their focus to new entrepreneurial ventures. It is important to look at existing, established entrepreneurs who may be on the cusp of breakout growth.

As a proxy for breakout entrepreneurs, we use employment associated with Stage 3 ventures (100-499). Many Stage 3 ventures achieve a certain level of growth and plateau. If we see employment growth among Stage 3 ventures, there is a strong probability that there is breakout entrepreneurial activity.



At the local or regional level, it is relatively easy to identify potential breakout entrepreneurs (remember, they can be non-profits and public enterprises). At this stage, businesses are often moving out of existing space and building new office complexes or even campuses. They may be actively expanding their leadership teams or seeking new supplier relationships. Regional and local leaders should be watching for such evidence and meeting with these entrepreneurial teams to understand their plans and consider what support the community can provide.

Large or Stage 4 Ventures. The U.S. Small Business Administration defines the dividing line between small and big businesses as 500 employees. YourEconomy defines State 4 ventures as those with 500 or more employees. In rural regions, ventures with this kind of employment are rare and often associated with branch manufacturing plants, regional health care facilities, regional colleges and universities, consolidated K-12 school systems and major energy, power or mining operations.



Just as a water or natural gas pipeline is critical community infrastructure, the ***entrepreneurial pipeline*** is the lifeblood of a community or regional economy. A diverse set of entrepreneurial talent, across the entire pipeline, is one key to building a strong, diverse entrepreneurial economy. For the county, Table 4 provides a comprehensive picture of all private, public and non-profit business establishments across the entrepreneurial pipeline, using data from www.youreconomy.org.

Every community, particularly within a larger regional setting, has elements of the entrepreneurial pipeline in place, with more businesses in the earlier stages of venture development. Regional and local leaders should focus on understanding the entrepreneurial talent that exists across this pipeline and targeting resources toward those with the desire, capacity and opportunity to grow.

Table 4. Addison County, VT Entrepreneurial Pipeline

	1998	2001	Change	2001	2016	Change
Establishments	1,556	1,717	161	1,717	3,125	1,408
Self-Employed (1)	294	340	46	340	684	344
Stage 1 (2-9)	995	1,085	90	1,085	2,039	954
Stage 2 (10-99)	249	273	24	273	388	115
Stage 3 (100-499)	14	15	1	15	12	-3
Stage 4 (500+)	4	4	0	4	2	-2
Jobs	15,937	17,456	1,519	17,456	21,158	3,702
Self-Employed (1)	294	340	46	340	684	344
Stage 1 (2-9)	3,618	3,965	347	3,965	7,719	3,754
Stage 2 (10-99)	6,346	6,861	515	6,861	9,059	2,198
Stage 3 (100-499)	1,954	2,280	326	2,280	1,996	-284
Stage 4 (500+)	3,725	4,010	285	4,010	1,700	-2,310

Using this Development Opportunity Profile

This **Development Opportunity Profile** is meant to be used as a conversation starter in your community or region. We believe that the best development decisions are made after a thorough assessment of your assets and opportunities. This Profile provides one set of information to get you started. We encourage you to share this profile with a diverse group of community and regional stakeholders and residents. The data shared here will be enriched by conversations with a range of partners who bring new and unique perspectives on your economy and opportunities. An entrepreneur is likely to look at this information from a different perspective than a community banker or county commissioner. Yet, all of these perspectives can help you establish a better understanding of your starting point, and create the space for you to dream about what might be possible in your county going forward.

At the Center for Rural Entrepreneurship, we have studied local and regional economies throughout North America. We have deep and long-term experience helping communities understand their development opportunities and create entrepreneur-focused development strategies. Based on this experience, we offer some initial insights into potential development opportunities for Lincoln County. We hope these insights provide the fodder for your initial community conversations.

Observation 1 – Retirees. Retirees are a non-traditional economic sector. However, for your community, retirees are the single largest economic driver as measured in household earnings generated in 2015. Retirees related earnings in 2015 are estimated at nearly $550 million. This part of your economy is growing, increasing by nearly 45% between 2001 and 2015. Every day 10,000 Baby Boomers are retiring in America. This trend is likely to continue for at least two to three decades before it begins to abate. Many of these retirees will relocate during retirement and some are migrating to rural areas with desirable quality of life amenities and cost of living value. There are significant development opportunities in health care, housing, recreation, and home service sectors focused on retiree attraction and retention. We encourage you to consider creating a retiree-focused value chain approach to optimizing this development opportunity.

Observation 2 – Major Employer Retention and Expansion (BEAR). Your community has significant economic activity and jobs related to major employers in health care, education and manufacturing. We suggest development of a more robust and smart major employer retention and expansion program. Consideration should be given to focusing on working with these employers to ensure their competitiveness through workforce development. A potential model worth exploring can be found in West Central Minnesota. The West Central Initiative Foundation's innovative work with manufacturers and their workforce and competitiveness development may have value for your development strategy in this focus area. Figures 18 and 19 (pg 17) offer employment trend data for Stage 3 (100 to 499 employees) and Stage 4 (500+ employees) ventures. Reflecting national trends, these ventures are experiencing stress and stagnation further emphasizing the case for a serious BEAR strategy.

Observation 3 – Commuters. Commuters, or persons living in your county, but working outside of the county, are the second largest economic driver in 2015 generating over $318 million in household earnings. Over the 2001 through 2015 period, community related earnings grew by a modest 20% suggesting that this trend of people choosing to live your community but work outside of your community is growing.

Role of Value Chain Development

Given the assets within your community, we recommend you consider employing value-chain development. Additional information can be found on value chain development at the following link WealthWorks. Value chain development is particularly relevant to tourism, retiree, and main street sectors.

We have produced additional information on current commuter patterns. This information can be accessed at the following link: Commuters. Nearly 13% (2014 data) of Addison County residents work in the Burlington area. Other work destinations include Rutland (2.7%) and Montpelier (0.5%). Overall, according to the Census employing 2014 data, an estimated 8,007 (38% of total workers) workers live and work in Addison County, 4.873 (23% of total workers) live outside Addison County but work in the county, and 8,039 (38% of total workers) live in the county but work outside Addison County.

Observation 4 – Retail Trade and Services. Retail trade and local services are being challenged in today's highly competitive environment. The rise of box stores and electronic commerce is pressing locally owned retailers and service ventures. Retail trade is among your community's top 10 economic drivers and experienced some growth between 2001 and 2015 (nearly +14%) as measured in generated household earnings. According to Esri (Table 3, pg 13), your retail gap is nearly $124 million or nearly 22%. This is not an unusual value given your community's location and size. However, there are opportunities for strengthening your economy and community through increased local retail spending capture. By simply capturing 5% or $6.2 million of your current spending leakage, you could generate up to 100 net new jobs. Success today is rooted in high value, unique, and niche retail services.

Observation 5 – Professional and Technical Services. Professional and Technical Services is your 9th most important economic driver generating over $66 million in household earnings. Additionally, this part of your economy has grown strongly between 2001 and 2015 or by nearly 78%. We suggest a deeper dive into this part of your economy, and that you explore how you might support increased growth in this sector. Professional and Technical Services tend to create higher quality jobs and careers.

Observation 6 – Regional Development. Your community is part of a larger regional economy and society. You are located in the center of an extensive natural resource landscape including the Adirondack Mountains in New York, Lake Champlain, and the Green Mountains. Supporting long-term regional development focused on genuine assets offers the greatest potential for strengthening the regional economy, which will create development opportunities for your community. A regional development strategy focused on new resident attraction and retention, coupled with destination tourism development, makes sense given our analysis.

Observation 7 – Demography. Your community is experiencing very modest population growth. Natural population (births minus deaths) continues to be positive. Migration is positive but relatively weak (see Figures 2 and 3 on page 4 for additional detail). Esri is projecting population growth of 0.40% per year from 2017 through 2021. However, given your age structure, sustaining your population may become increasingly challenged. Lack of human talent can further constrain future development. Lack of qualified workforce is one of the greatest limits to development in the United States today.

Most rural communities tend to lose their 20 year olds. If they are a developing community, they are able to attract 30 year olds balancing their demographic health. Because of your higher education institution amenities, you have net growth with 20 to 24 year olds, but heavy net losses of 25 to 34 year olds. There is a rebound with 35 to 39 year olds. (see Figures 4 and 5, pg 5). Developing an economy and quality of life that is attractive to both 30 year olds and early retirees offers significant opportunities for strengthening your economy and demography.

Observation 8 - Role of Entrepreneurs. Stimulating and growing entrepreneurial development is foundational in today's global economy and society. Consider all forms of entrepreneurship, including civic (governmental), social (non-profit), and for-profit entrepreneurs. Fostering entrepreneurship is a primary pathway to growing a more successful and prosperous economy and community. There are indicators of entrepreneurial development opportunity as follows:

> ***Self-Employment.*** *Figure 14 (pg 14) illustrates relatively strong growth in self-employed ventures. This is the leading edge of an entrepreneurial economy. Focusing on helping these small ventures succeed and grow can regenerate a locally rooted venture community. Out of these self-employed entrepreneurs can come a next generation of growth ventures capable of creating jobs, careers, and local taxes.*

***Main Street Proprietors**. Figures 15 and 16 (pg 15) illustrate positive trends with respect to what we often call "main street" ventures. There is a strong trend line in nonfarm proprietor employment both historically and during the contemporary period. Stage 1 (2 to 9 employees) employment growth was particularly strong in the post-Great Recession period but has flattened in the most recent years. Nevertheless, there appears to be significant opportunity to grow a stronger economy and community by working with these "rooted" entrepreneurs.*

***Stage 2 Ventures.** Figure 17 (pg 16) highlights the trend line in Stage 2 (10-99 employees) ventures. The trend line is positive and suggests health in this part of your economy. We particularly encourage you to focus on those Stage 2 entrepreneurs that are locally owned, focused on growing, and seeking to reach external markets. These entrepreneurs offer the greatest opportunity to evolve a more competitive, diverse and resilient economy.*

Focusing on an entrepreneur-focused development strategy by growing a smart and robust entrepreneurial ecosystem can provide foundational infrastructure and resources in support of most of your development opportunities. Further exploration and investment into this strategic opportunity is recommended based on our **Development Opportunity** analysis.

Sources

Data for this **Development Opportunity Profile** were obtained from the following:

- Esri (www.esri.com), Assorted Esri Market Intelligence Reports, 2017
- Edward Lowe Foundation (www.youreconomy.org), 2017
- Headwaters Economics (www.headwaterseconomics.org), Profile Reports, 2017
- Google Maps
- U.S. Department of Agriculture, *Census of Agriculture 2012*, 2017

Research documents associated with these sources can be found in the E-Library (https://goo.gl/m8n98P).

About the Center

The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing *empowering research* together with *effective community engagement* to advance *community-driven strategies* for prosperity. To learn more about the Center, go to www.energizingentrepreneurs.org.

The Center, along with ***Virginia Community Capital***, has launched a new national initiative, LOCUS, to provide support and services to place-focused foundations to invest their capital locally to build prosperous, vibrant communities. **LOCUS** empowers foundations and donors who want to unlock their philanthropic capital and provides a roadmap for foundations interested in building their capacity for direct impact investing and more. To learn more about LOCUS, go to www.locusimpactinvesting.org.

770 North Cotner Blvd., Suite 400
Lincoln, NE 68505
(402) 323-7336

Our Team

Don Macke is Co-Founder and Director of the Entrepreneurial Communities solution area. Through this work, Don helps communities and regions throughout North America grow entrepreneur-focused economic development strategies. He works with a group of strategic partners across the country to deliver customized economic development solutions.

Deborah Markley is Co-Founder and Managing Director of the Center. Deb guides the Center's measurement and research agendas, including development and implementation of tools for measuring success, practice-driven research, and evaluation of model entrepreneurship development systems and initiatives in rural places.

Ann Chaffin is Senior Associate for Marketing Communications with the Center. Ann heads the Center's Communications team and is responsible for overseeing and branding all content the Center distributes and keeping communications current and professional for each of our solution areas.

Dana Williams is Project Associate with the Center. Dana provides management assistance and operational support across the Center, including providing executive assistance to each of the Center's solution areas and has been actively engaged in product development, supporting the creation of a number of online toolkits.