Adolph Utility Extension Economic Impact Study

City of Hermantown Minnesota

APEX

April 20, 2026

About the BBER

The Bureau of Business and Economic Research (BBER) has been in official existence since 1970s, though it began with the *Duluth Business Index* in the early 1960s.

The BBER has become a respected go-to resource for unbiased research and analyses, and directors have long been sought for media responses to current economic issues.

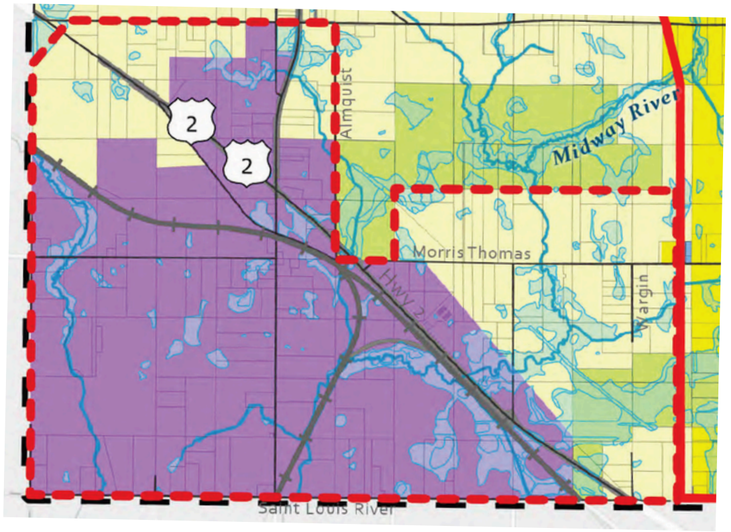
BBER collects, analyzes, and disseminates economic information, delivers unbiased data and analysis concerning economic viability, and provides research to identify economic problems and opportunities.

Project Scope

In partnership with the City of Hermantown, APEX (Area Partnership for Economic Expansion) contracted with the Bureau of Business and Economic Research (BBER) at the University of Minnesota Duluth to conduct an economic impact analysis of the development potential for industrial and commercial expansion in the Adolph area, as called for in the 2045 Comprehensive Plan.

The analysis included five hypothetical, but realistic, development scenarios. The scenarios used were selected from real-life opportunities that were previously explored in the region but not realized due to the lack of large development sites.

These scenarios — ranging from high-tech industrial and heavy machinery manufacturing to regional logistics and wood product production— could feasibly occupy the district if utilities were expanded to the area.



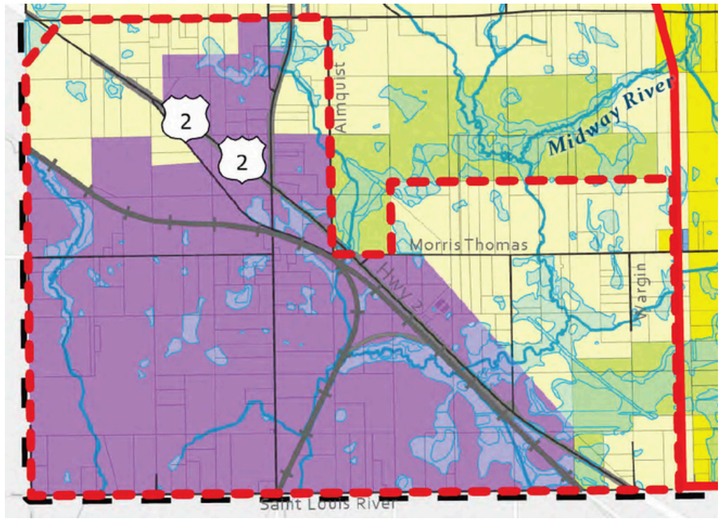
Project Scope

The study quantifies the economic effects that could result from developing this area, specifically focusing on how new development would impact the regional economy.

The primary focus of this study is on the long-term, ongoing operational impacts of the development scenerios on the study area of St. Louis County.

While each project would generate significant one-time economic activity during its construction phase, but this report quantifies only the permanent ripple effects that could result from stabilized operations.

SAINT LOUIS COUNTY
MINNESOTA



Study Definitions

The BBER used the IMPLAN input-output modeling data and software for modeling economic impacts.
The analysis used 2024 data and impacts were modeled in the year 2026.

Economic impact analysis: an initial economic shock or activity — such as a new business operation — using multiple rounds of industry and consumer spending to show the multiplier (or ripple effects) through a local economy. The initial shock or activity is considered the direct effect, the resulting increase in industry spending is the indirect effect, and the resulting increase in consumer spending is the induced effect.

Direct effect:
initial economic activity such as wages & direct spending.

Indirect effects :
spending by industries within the study area to supply goods/services to support operations.

Induced effects:
economic activity generated by increased household spending from employees.

Total effects:
the sum of direct, indirect, and induced impacts.

A multiplier:
how much additional spending is generated throughout the study area for each dollar of direct spending.

Value Added:
industry's contribution to the local community; it includes wages, rents, interest, and profits

Study Scenarios

The five scenarios were selected with the primary objective of being representative sample for developments aligning with the future land use of the 2045 Comprehensive Plan, such as light industrial, manufacturing, warehousing, and logistics.

The team then used opportunities previously brought to the region through Requests for Information either by the Minnesota Department of Employment and Economic Development or from site selectors working directly with APEX.

Each of these five scearios are real

Each scenario represents an actual businesses that compared our region to other areas in the state (or even nationally) as a place to start operations, hire people, and produce or distribute goods.

Though without development sites that met all of the requirements – e.g. large enough in acreage, power availability, rail access, water and sewer served – the companies chose other locations.

This study showcases how extending water and sewer utilities to Adolph creates those development sites that are a regional shortage.

Study Scenarios

Scenario 1:

Regional Fulfillment and Logistics Center - Mid-sized storage and distribution facility

Scenario 2:

Advanced Specialty Material Manufacturing - high-tech industrial facility focused on the production of specialized components or refined materials

Scenario 3:

Heavy Machinery and Equipment Manufacturing - facility dedicated to the manufacturing of heavy construction machinery, such as those used for earthmoving or industrial infrastructure projects

Scenario 4:

Specialized Manufacturing and Distribution - facility dedicated to the production and regional distribution of prefabricated wood buildings and/or miscellaneous wood products

Scenario 5:

Reconstituted Wood Product Manufacturing - facility dedicated to the production of wood-based construction materials, such as trim and siding

Study Scenarios

Scenario 1: Regional Fulfillment and Logistics Center

A hub for regional logistics, involving the sorting and fulfillment of products for an e-commerce or retail network, such as a fulfillment center. Operations would include inventory management and the transport of goods. Employment at a facility of this scale typically includes a mix of logistics personnel, warehouse staff, and management.

Table 2. Inputs and Assumptions Used in Modeling

Input Category	*Baseline Assumption*
Facility footprint	--
Direct employment	215 jobs
Total annual employee compensation	$11.6 million
Average annual salary (per worker)	$54,400
Estimated land requirement	--
IMPLAN sector	404 warehousing and storage

Table 3. Regional Fulfillment and Logistics Center Economic Impacts in St. Louis County (Millions of 2026 Dollars)

Impact Type	*Employment*	*Labor Income*	*Value Added*	*Output*
Direct effect	215	$11.6	$12.4	$18.0
Indirect effect	17	$1.1	$1.7	$3.3
Induced effect	42	$2.4	$4.7	$7.6
Total effect	274	$15.1	$18.8	$28.9
Multiplier	1.27	1.30	1.52	1.61

- The direct effect: initial economic activity such as wages & direct spending.
- Indirect effects : spending by industries within the study area to supply goods/services to support operations.
- Induced effects: economic activity generated by increased household spending from employees.
- Total effects: the sum of direct, indirect, and induced impacts.
- A multiplier: how much additional spending is generated throughout the study area for each dollar of direct spending.

Study Scenarios

Scenario 2: Advanced Specialty Material Manufacturing

High-tech industrial facility producing specialized components or refined materials utilizing advanced chemical, metallurgical, or precision-engineering processes to create high-value goods for clean energy, aerospace, or defense sectors. Likely a sophisticated facility with a workforce comprising specialized engineers, technicians, and precision operators. Likely a regional exporter.

Table 4. Inputs and Assumptions Used in Modeling

Input Category	*Baseline Assumption*
Facility footprint	700,000 sq ft
Direct employment	180 jobs
Total annual employee compensation	$11.4 million
Average annual salary (per worker)	$64,100
Estimated land requirement	80-100 acres
IMPLAN sector	251 Other fabricated metal manufacturing

Table 5. Advanced Specialty Material Manufacturing Economic Impacts in St. Louis County (Millions of 2026 $)

Impact Type	***Employment***	***Labor Income***	***Value Added***	***Output***
Direct effect	180	$11.6	$15.7	$57.5
Indirect effect	48	$3.3	$5.6	$11.8
Induced effect	49	$2.8	$5.5	$8.9
Total effect	277	$17.7	$26.8	$78.2
Multiplier	1.54	1.52	1.70	1.36

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- A multiplier: how much additional spending is generated throughout the study area for each dollar of direct spending.

Study Scenarios

Scenario 3: Heavy Machinery and Equipment Manufacturing

Manufacturing of heavy construction machinery, such as earthmoving equipment, with a large land requirement of 110–130 acres to accommodate both the primary manufacturing plant and necessary outdoor staging or testing areas. This type of manufacturing would require skilled labor in fabrication, assembly, and industrial engineering.

Table 6. Inputs and Assumptions Used in Modeling

Input Category	*Baseline Assumption*
Facility footprint	--
Direct employment	80 jobs
Total annual employee compensation	$7 million
Average annual salary (per worker)	$87,500
Estimated land requirement	110-130 acres
IMPLAN sector	254 construction machinery manufacturing

Table 7. Heavy Machinery and Equipment Manufacturing Economic Impacts in St. Louis County (Millions of 2026 Dollars)

Impact Type	***Employment***	***Labor Income***	***Value Added***	***Output***
Direct effect	80	$7.1	$15.4	$60.0
Indirect effect	59	$4.6	$8.1	$15.7
Induced effect	39	$2.2	$4.4	$7.1
Total effect	178	$14.0	$27.8	$82.8
Multiplier	2.22	1.97	1.81	1.38

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- Induced effects: economic activity generated by increased household spending from employees.
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- A multiplier: how much additional spending is generated throughout the study area for each dollar of direct spending.

Study Scenarios

Scenario 4: Specialized Manufacturing and Distribution

Production and regional distribution of prefabricated wood buildings such as saunas, and operations would include the precision milling, assembly, and finishing of structures . Finished goods would distribute to regional and national markets requiring space for industrial fabrication and supply chain management. Workforce needs include skilled woodworkers, assemblers, and logistics coordinators.

Table 8. Inputs and Assumptions Used in Modeling

Input Category	*Baseline Assumption*
Facility footprint	360,000 sq. ft.
Direct employment	190 jobs
Total annual employee compensation	$15.2 million
Average annual salary (per worker)	$79,000
Estimated land requirement	--
IMPLAN sector	135 all other miscellaneous wood product manufacturing

Table 9. Specialized Manufacturing and Distribution Economic Impacts in St. Louis County (Millions of 2026 Dollars)

Impact Type	*Employment*	*Labor Income*	*Value Added*	*Output*
Direct effect	190	$15.7	$25.1	$76.9
Indirect effect	69	$4.7	$7.9	$16.6
Induced effect	67	$3.8	$7.5	$12.3
Total effect	328	$24.2	$40.5	$105.8
Multiplier	1.71	1.54	1.61	1.38

- The direct effect: initial economic activity such as wages & direct spending.
- Indirect effects : spending by industries within the study area to supply goods/services to support operations.
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- Total effects: the sum of direct, indirect, and induced impacts.
- A multiplier: how much additional spending is generated throughout the study area for each dollar of direct spending.

Study Scenarios

Scenario 5: Reconstituted Wood Product Manufacturing

Manufacturing plant producing wood-based construction materials, such as trim and siding, utilizing wood fiber. A key operational requirement for this type of development is industrial zoning with direct access to a Class 1 rail line. Support from industries related to the procurement of raw materials (e.g., trucking, logging) would be necessary - important to St. Louis County.

Table 10. Inputs and Assumptions Used in Modeling

Input Category	*Baseline Assumption*
Facility footprint	750,000 sq. ft.
Direct employment	205 jobs
Total annual employee compensation	$15 million
Average annual salary (per worker)	$73,000
Estimated land requirement	n/a
IMPLAN sector	128 reconstituted wood product manufacturing

Table 11. Reconstituted Wood Product Manufacturing Economic Impacts in St. Louis County (Millions of 2026 Dollars)

Impact Type	*Employment*	*Labor Income*	*Value Added*	*Output*
Direct effect	205	$19.4	$48.5	$239.5
Indirect effect	144	$11.0	$20.7	$47.4
Induced effect	104	$6.0	$11.7	$19.0
Total effect	454	$36.4	$80.9	$305.9
Multiplier	2.21	1.88	1.67	1.28

- The direct effect: initial economic activity such as wages & direct spending.
- Indirect effects : spending by industries within the study area to supply goods/services to support operations.
- Induced effects: economic activity generated by increased household spending from employees.
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- A multiplier: how much additional spending is generated throughout the study area for each dollar of direct spending.

Study Scenarios

Combined Impacts

The aggregate economic effects if these developments were to be fully realized, focusing on the total impact of ongoing operations, including the secondary ripple effects generated through industry supply chain purchases (indirect effects) and household spending (induced effects) throughout St. Louis County.

Table 12. Scenarios 1-5 Combined Economic Impacts in St. Louis County (Millions of 2026 Dollars)

Total Effects	*Employment*	*Labor Income*	*Value Added*	*Output*
Scenario 1: Regional fulfillment & logistics	274	$15.1	$18.8	$28.9
Scenario 2: Advanced specialty material mfg	277	$17.7	$26.8	$78.2
Scenario 3: Heavy machinery and equipment mfg	178	$14.0	$27.8	$82.8
Scenario 4: Specialized mfg and distribution	328	$24.2	$40.5	$105.8
Scenario 5: Reconstituted wood product mfg	454	$36.4	$80.9	$305.9
Total (all scenarios)	1,510	$107.3	$194.8	$601.6

Combined impact of all five scenarios:

Over 1,500 total jobs

$107.3 million in labor income

Nearly $200 million in value added

Over $600 million in total output.

- The direct effect: initial economic activity such as wages & direct spending.
- Indirect effects : spending by industries within the study area to supply goods/services to support operations.
- Induced effects: economic activity generated by increased household spending from employees.
- Total effects: the sum of direct, indirect, and induced impacts.
- A multiplier: how much additional spending is generated throughout the study area for each dollar of direct spending.

Southwest Hermantown already has much of the infrastructure necessary for creating a warehousing, manufacturing, and light-industrial district. If the district were served by water and sewer, the activation would ultimately lead to significant economic benefit.

Five potential real-world scenarios were evaluated, but what the study truly showcases is the meaningful economic opportunity benefiting the entire region that is created by having a BLM district served by municipal utility services.

Combined impact:

Over 1,500 total jobs

$107.3 million in labor income

Nearly $200 million in value added

Over $600 million in total output

University Digital Conservancy

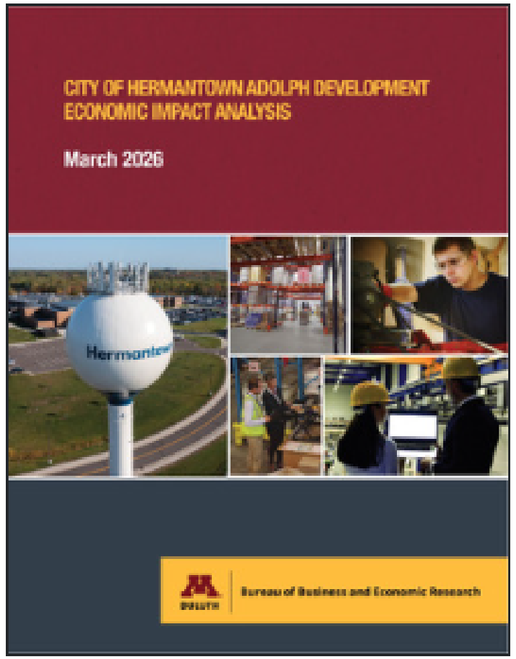
University of Minnesota Duluth

City of Hermantown Adolph Development Economic Impact Analysis

Haynes, Monica; Chiodi Grensing , Gina; Shaw, Sam; Klennert, Ava (2026-03)

Persistent link to Study

https://hdl.handle.net/11299/279729



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