

# North Dakota Rural Community Profile Project Report: Valley City, North Dakota

by  
K. Paulson and N. P. Ubbi  
with  
Robert Tangsrud, Jr., Ph.D.

University of North Dakota  
Grand Forks, North Dakota



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## **Prologue**

A walk down the main street in any of the smaller rural communities in North Dakota, provides both a view of empty buildings, and a history lesson of the businesses that once occupied this premises. North Dakota has had a declining population for several years due to a variety of factors. Both the exodus of young people and the reluctance of individuals to either expand present farming practices, and the high initial capital required for farming, are some of the many reasons cited in an effort to show the decline in rural populations.

In order to revitalize the state's smaller communities new businesses must be established. To encourage the development of new businesses is the starting point or at least one starting point to population stabilization. It is at this starting point that entrepreneur becomes the important key. The incentives for starting a new business or expanding an existing business are discussed in this study.

The nature of this study is to help guide an entrepreneur in the establishment of a small business in rural North Dakota, in areas where the population falls within 1,000-10,000.

## **History**

When North Dakota entered the Federal Union in 1889, its leaders prophesied a glorious future for the Northern Prairie State. The ensuing century has proven the "boomers" both right and wrong. North Dakota has enjoyed prosperity, but it has also seen devastatingly hard times. In 1989, the essential problem remains the same as a century earlier--finding the capital necessary to provide services and benefits of a modern society to a far-flung population. As it was in 1889, North Dakota remains a social, cultural, and economic colony, a producer of raw materials, a consumer of manufacturers and capital, and an

exporter of educated young people. Although many politicians and legislators are employing such approaches as 'the youth initiative', the problems faced by North Dakota, are still in the foreground.

The context for this report will be a 'snap shot' look at L&H Shoe Shop in Valley City. Owned originally by Mr. Jim Larson, the business is now owned and operated by his daughter. According to The Valley City Times Record, Mr. Larson was the personification of a small businessman in a small town.<sup>1</sup>

## **Introduction**

L&H Shoe Shop was established in Valley City in 1949, primarily as a shoe repair shop. The business has evolved over time to include the sale of fishing tackle and supplies, guns and ammunition, and as the former owner explains has become a "jack of all trades and a master of none". The business has prospered as a result of two essential core competencies: adaptability and acceptability. The business has accepted the changing needs of the community residents and adapted itself accordingly. L&H Shoe Shop is able to offer competitive prices, hard work, personalized customer service, and diversification of the product lines presently offered.

Mr. Larson estimates that approximately 25-50% of business revenues are secured from outside the Valley City Community. In general residents of small communities buy necessities and groceries in their own town, but travel to the closest large town for clothing and other supplies. The ease of getting in the car and traveling 30 or 60 minutes to a larger and more diverse selection of products and services makes this an attractive option. This spending style is also observed in Valley City, and the surrounding communities give Valley City a potential market of about 3000 square miles.

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<sup>1</sup> The Valley City Times Record, December 11, 2002

## **Methodology**

Two main methods were used to gather information for our study. First, a questionnaire, approved by the Institutional Review Board at the University of North Dakota, used in conjunction with face-to-face interviews, was selected as our primary research tool. This questionnaire was modified slightly according to the interviewee's position (i.e., business person vs. community official). The Internet<sup>2</sup> and local media were the second method used to gather information.

### **INTERVIEWS**

Two interviews were conducted. The questionnaires were delivered to all parties in advance of the interviews. This allowed the prospective interviewees an opportunity to think about the questions being asked and to prepare for the interview.

The first interview was conducted with the owner of the business and members of his family, including his spouse, and his daughter, the present owner of the business. The questionnaire, delivered to L&H Shoe Shop contained 15 questions and was tailored to draw out answers about the business and what attributes of Valley City made it feasible for this business to prosper. The taped interview took approximately two hours. A copy of the questionnaire is attached in the Appendix.

A second interview was conducted with the secretary to the Valley City Development Corporation and Executive Director of the Chamber of Commerce. The second questionnaire was geared toward gaining and understanding of the city, as a whole and the intrinsic dynamics that were associated with a community in rural North Dakota. It was administered to the Executive Director of the local Chamber of Commerce. The questions assisted in analyzing the business makeup of Valley City as well as the business climate. This second interview was not taped, and took approximately one hour. Detailed answers to each question were recorded.

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<sup>2</sup> [www.hellovalley.com](http://www.hellovalley.com)

The personal interviews were helpful and insightful for the purposes of this study. They were conducted at the interviewees' place of occupation, to gain a greater understanding of area residents and respective attitudes, and to encourage the naturalness of the responses. The questions were open-ended with time considerations being given to allow for the free flow of ideas. Permission was also obtained for follow up interviews, to gain greater understanding and clarity of the uniqueness of rural North Dakota.

### **INTERNET DATA SOURCES**

The website, [www.epodunk.com](http://www.epodunk.com), was utilized to obtain demographic and statistical information with regards to the age, race, income levels, economic activity, and crime rates in Valley City. The second website, [www.hellovalley.com](http://www.hellovalley.com) features Valley City and surrounding communities. The website is designed to showcase landmarks, feature current history, and provide information about upcoming community events.

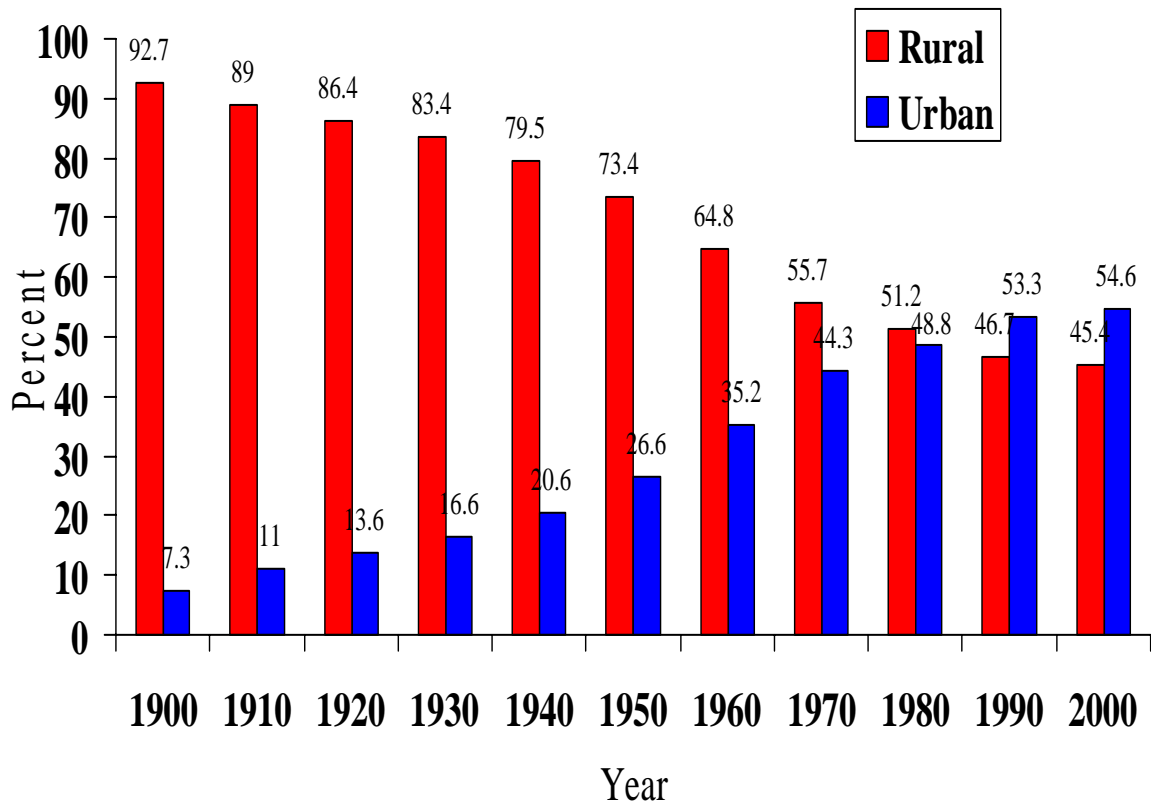
### **RESULTS OF STUDY**

#### **Demographics**

Valley City is unique in the sense that there are very few cities in North Dakota that are situated in a valley. Valley City was founded in 1872, with the name of Second Crossing of the Sheyenne. The town is built around beautiful, winding rivers that necessitate the use and need of bridges. Presently there are eight bridges, which are as diverse as the characteristics that make them unique. In showing its pride for the historical and beautiful bridges, a tour has been developed to showcase them.

Over the past 100 years the number of people that have lived in rural areas compared to those living in the urban areas has evened out. In 1900 92.7% of the population lived in rural areas and 7.3% of the population lived in urban areas. In 2000 though, the more people lived in urban areas (54.6% urban to 45.4% rural).

### Rural-Urban Population Distribution North Dakota, 1900-2000



Population	1960		2000	
	Number	Percent	Number	Percent
25,000+	4	1.1	4	1.1
10,000-24,999	3	0.9	5	1.3
5,000-9,999	5	1.4	4	1.1
2,500-4,999	3	0.9	4	1.1
2,000-2,499	7	2.0	6	1.6
1,500-1,999	15	4.3	10	2.7
1,000-1,499	26	7.4	22	5.9
500-999	45	12.8	50	13.4
200-499	114	32.5	75	20.2
Less than 200	129	36.8	192	51.6
<b>Total</b>	<b>351</b>	<b>100.0</b>	<b>372</b>	<b>100.0</b>

Population of  
Cities in  
North Dakota  
1960  
compared to  
2000

## **Recreation**

Valley City is also home to two golf courses, The Bjornson Park Public Golf Course, plays along the Sheyenne River, and is a par-35 course. The Town & Country Club was built in 1922, and is a semi-private course. Although private, membership is not needed to play, and residents and those within a 10-mile radius are allowed to play for free, a predetermined set of times a year. Both clubs host many tournaments each year. The Town and Country Club, also has a weight room, a racquetball court, a sauna, hot tub, showers, locker room, and lounge and dining facilities.

Valley City has two main parks, The City Park, home to a Band shell, where local concerts are held each Wednesday night, and Chautauqua Park, which contains swings and a field for sports such as baseball, football, and rugby. There is also a new swimming pool and sports facility that contains a hockey rink and a gymnastic gym that has been built within the last two years.

The Valley City Parks & Recreation District's mandate is to provide recreational opportunities for all ages, through programs and facilities. Valley City Parks & Recreation currently maintains and manages seven parks, a 9-hole municipal golf course, an outdoor swimming pool, two tennis court complexes, three softball/baseball complexes, a campground, and the Recreation Center with full fitness facilities and City Auditorium. During the summer there is an opportunity for children and youth to participate in sporting activities, such as basketball, baseball, and softball, and soccer. Within the last five years a Medicine Wheel Park has been developed, to celebrate the Native American Culture, while providing an educational lesson to native history.

The recreational facilities of Valley City provide a wholesome atmosphere where residents are provided numerous opportunities to interact with each other

thereby fostering a strong community spirit. These facilities also serve to attract visitors to the city.

## Population

**Table 1**

<b>TOTAL POPULATION</b>	<b>6,826</b>	<b>100.0</b>
<b>SEX AND AGE</b>		
Male	3,222	47.2
Female	3,604	52.8
<b>By AGE GROUP</b>		
Under 5 years	326	4.8
5 to 9 years	321	4.7
10 to 14 years	385	5.6
15 to 19 years	591	8.7
20 to 24 years	703	10.3
25 to 34 years	653	9.6
35 to 44 years	807	11.8
45 to 54 years	841	12.3
55 to 59 years	310	4.5
60 to 64 years	313	4.6
65 to 74 years	601	8.8
75 to 84 years	617	9.0
85 years and over	358	5.2

As indicated in the above table the percentage of male and female residents is quite evenly divided. The residents over the age of 19, which may be construed as the consumer population make up 67% of the population. Extremes in ages are also evident, most of the younger residents are in school and the older residents are retired.

There are two public elementary schools, a parochial grade school, and one combined junior-senior high school. There is also a State University, primarily a teacher's college.

The educational attainment of people over 25 can be further divided into groups. Of the 4,464 people that are older than 25, 32.2% graduated from high school, 51.8% had some college experience or graduated from a post secondary institute with an Associates or Bachelors degree, and 5.8% of the people received a graduate or professional degree.

## Ethnicity

**Table 2**

One race	6,781	99.3
White	6,648	97.4
Black or African American	50	0.7
American Indian and Alaska Native	51	0.7
Asian	19	0.3
Asian Indian	6	0.1
Chinese	4	0.1
Filipino	2	0.0
Japanese	1	0.0

As listed in the above table, 97.4% of the residents of Valley City are predominately Caucasian. The population has been slowly decreasing over the past several years. The reasons for this decline could not be obtained for this study.

## Occupation and Employment

**Table 3**

<b>Employed civilian population 16 years and over</b>	<b>3,250</b>	<b>100.0</b>
<b>OCCUPATION</b>		
Management, professional, and related occupations	915	28.2
Service occupations	756	23.3
Sales and office occupations	719	22.1
Farming, fishing, and forestry occupations	42	1.3
Construction, extraction, and maintenance occupations	330	10.2
Production, transportation, and material moving occupations	488	15.0

## Employment and Industry

**Table 4**

<b>INDUSTRY</b>		
Agriculture, forestry, fishing and hunting, and mining	104	3.2
Construction	281	8.6
Manufacturing	268	8.2
Wholesale trade	93	2.9
Retail trade	473	14.6
Transportation and warehousing, and utilities	93	2.9
Information	58	1.8
Finance, insurance, real estate, and rental and leasing	118	3.6
Professional, scientific, management, administrative, and waste management services	209	6.4
Educational, health and social services	1,008	31.0
Arts, entertainment, recreation, accommodation and food services	264	8.1
Other services (except public administration)	110	3.4
Public administration	171	5.3

From the above Table 4 it can be seen that the majority of the labor force is employed within education, health and social services agencies. The second

highest industry to employ people is retail. Out of the total 5,719 people that are 16 and older, the labor force contains 3,453 people.

## **Psychographics**

In the past, some people were very hesitant about allowing new businesses to be established. They either had an interest in another competing business or did not think that the new business would be right for the community. Today, however, there is a greater chance of acceptability for a new business setting up in Valley City.

The residents support the local high school and university by attending sporting events, plays, concerts, and other programs. During a time of emergency, such as a flood, the community strongly rallies together. The city provides a friendly atmosphere. Students at local Valley City schools, both participate in extracurricular activities as well as show their support for them by regular attendance.

## **Strengths**

In analyzing the data associated with the community, we found that Valley City has many strengths:

1. The university, is a major employer in the city, and has helped fuel the economy of Valley City.
2. Being located in a valley gives Valley City certain advantages.
  - a. The natural geography offers a nice change of scenery.
  - b. When tornados hit the region, the upward force of the wind usually keeps the severe weather away from the city.
3. Valley City is located on Interstate 94 which is one of the major roadways in North Dakota. People stop to eat, fill gas, shop, and even stay the night in one of the motels.

4. In many small towns across North Dakota, community involvement is key to sustaining a good community. Valley City is no exception. As mentioned before, people get involved in the community by attending sporting events, musical performances, plays held at the park, and helping each other during floods and other natural disasters.

## **Weakness**

Analysis of Valley City data identifies two major weaknesses:

1. As previously mentioned, from Table 1 it can be seen that the population is evenly distributed between male and female. Of the total population, 45% is made up of people under the age of 19 or over the age of 65. This means that the city has a young population that is in the school systems and older residents that are primarily retired. A business startup would ideally try to fit one of these target markets.
2. Some businesses just do not survive in Valley City because of the lack of people to support the business. For example in the past, stores selling exclusively sporting equipment, have not done well. Another reason that is more behind the scenes is that of politics.
3. In Valley City there was a time that if the city officials did not like you or your type of business, that they would pressure you to go somewhere else. Those times have lightened up in Valley City, but are important to look at in a small community, in which people are close.
4. The community lacks obvious cultural diversity.

## **Opportunities**

Opportunities exist in several forms:

1. Enhancing and building an existing business
2. Starting a new enterprise. The Small Business Development Loan – loans up to \$250,000 at the bank of North Dakota base rate for its portion and Bank of

North Dakota base rate plus up to 4% for the local lender portion of the loan. Again these monies can be used for working capital, equipment, realty, and refinancing.

3. Taking advantage of low interest rate loans, and low tax rates. For a business looking to establish roots in Barnes County, there is a decrease between 1.5-2% of the property's estimated market value. On a comparative basis a new business establishment in Valley City, would result in a 2-3.5% decrease in the estimated market value, of the property.
4. Taking advantage of the availability of state grants. The Business Development Loan – program is a participation loan between a local lender and the Bank of North Dakota. The Business Development will allow for up to \$500,000 is available per project and the loan interest rate is equal to the base rate. These funds can be used for the purchase of equipment, realty, and working capital.
5. STEP (Start-Up Entrepreneurial Program) – is an initiative by the Bank of North Dakota limited to \$100,000. The Interest rate on Bank of North Dakota portion is 1% below its base rate. Interest rate charged by local lender is limited to the Bank of North Dakota's base rate or prime rate plus 3%. Funds can be used for working capital, inventory, equipment and realty. Not for refinancing.
6. Data indicates that business in the education and or retail areas prosper in this city.
7. Development of technology is also a great opportunity.

### **Threats**

Like most of North Dakota, decreasing population in small communities is a major threat. This is also the case for Valley City with most of the young people leaving for larger cities where there exists greater chances of employment, and career advancement.

Closing businesses remain a threat and are occurring faster than new business adventures.

## **Summary and Conclusions**

The businesses that prosper in Valley City are business that are essential services to residents, and are able to add personalized customer service to daily routines. Valley City residents, who have moved away from the community, speak in fondness of the wholesome values associated with their community. L&H Shoe Shop, the focus of this study, has been able to expand, and incorporate changing consumer preferences, to serve their community more effectively.

The future for a business to be established in Valley City is promising. "The potential for future growth of economic wealth in our economy will likely come from technology businesses" (Newswire, 2000).

# **Appendix 1**

## **Surveys**

## **Appendix 2**

### **Secondary Sources – Tables**