

# Minnesota's Job Opportunity Building Zone Initiative



JOBZ MINNESOTA 2007 ANNUAL REPORT



# A Continuing Success Story: Four Years of JOBZ

From Ada to Zumbrota, the program has been a catalyst for building the economic health and confidence of Greater Minnesota.

JOBZ, now entering its fifth year, was designed to create jobs and help businesses grow by offering tax-free incentives to stimulate economic vitality in distressed rural areas and in greater Minnesota.

Success stories can be found all across the state: a fish-processing firm that was launched in International Falls, a maker of storm doors that moved from Brookings, S.D., to Albert Lea, and a machine shop that expanded in Cohasset.

But the raw numbers are perhaps the most telling evidence of the program's success. Since Gov. Tim Pawlenty unveiled his marquee economic development initiative in January 2003 – winning approval from the Legislature later that year – JOBZ has exceeded expectations.

## Consider the following:

- Businesses participating in JOBZ committed to creating 4,568 full-time jobs. But many of those firms have exceeded their goals, creating 5,459 full-time positions in the first four years of the program.
- The jobs pay better than anyone expected, with 36 percent offering salaries of at least \$15 an hour. Early projections estimated that only 23 percent of the jobs would reach that salary level.
- Nearly 60 percent of the jobs pay at least \$12 an hour.
- The total payroll for the new positions is estimated to exceed \$160 million.
- About 90 percent of the program businesses said they would not have made the same investment in the same location, if the JOBZ incentives had not been available.

Of course, JOBZ wasn't the only factor in helping businesses decide where to locate. They also cited quality of life, availability of skilled workers, labor costs and transportation infrastructure for their decisions.

But in all, more than 300 communities in 10 different zones of the state have reaped benefits from the program. The program helps relatively healthy regions that are poised for business growth and have adequate infrastructure, needing only a stimulus for further growth.

Gov. Pawlenty wants to take JOBZ a step further in the coming year. The governor will ask the Legislature for revisions that will enable new companies entering JOBZ to receive a full 10 years of tax-free benefits. Under the current system, companies have less incentive to participate in JOBZ as time goes on, because the program is scheduled to end on Dec. 31, 2015. Areas of greatest economic distress will be targeted to receive 12 years of JOBZ benefits.

The evidence is already clear: JOBZ works. The program doesn't just create jobs; it creates good-paying jobs that keep people living and working in their hometowns while contributing to community well-being and more opportunities in rural Minnesota.

DEED continues to improve program operations and has recently changed the management structure for business and community financing. DEED will work with local partners and the legislature to implement many of the operational and compliance recommendations offered by the Minnesota Office of the Legislative Auditor.

## Opening doors

### *JOBZ helps Bemidji business expand to new facility*

The product line at the North Central Door Co. in Bemidji includes a ribbed-steel garage door called the “Paul Bunyan.”

Naming a garage door after a mythical lumberjack might strike some people as unusual, but not in Minnesota’s wooded north country, where the lumber industry has strong ties to the region’s history and economy.

North Central Door, which began as a manufacturer of wood panels in 1966, has evolved over the years into a supplier of overhead garage doors and electric openers for both residential and commercial customers.

The company does business mostly in the Midwest, with customers stretching as far west as Montana.

Owner Steve Holley and his partners bought the business in 2001 with plans for expansion. After learning about JOBZ, they began investigating how the program might help them.

With their existing facility inadequate for growth, they bought a site in Bemidji and built a 110,000-square-foot building that was completed last July. They hope to finish moving into the building by the end of February.

“I would have to tell you that this would not have happened without JOBZ,” Holley says.

The program enabled North Central Door to gain tax breaks on the building and new equipment. Without



JOBZ, Holley said the firm might have expanded to other states that were offering incentives.

North Central currently has 63 employees, but Holley hopes his workforce will grow in the near future, with plans for doubling sales in the next four to five years.



## Staying close to home

### *Stern Industries taps JOBZ for expansion in Baxter area*

Big cities, with their abundance of options for labor, transportation and real estate, can look mighty tempting to an up-and-coming business in a small town. Just ask Shawn Hunstad, who helped launch Baxter-based Stern Industries in 1995.

The company, which specializes in the distribution, manufacture and assembly of rubber and plastic parts, has grown into a \$52 million business with 155 employees in just over a decade. The central Minnesota firm counts Polaris, 3M and Honeywell among its high-

profile customers. It has even made parts for the space shuttle.

“Could we have gone and set up in the Twin Cities? Sure, we have a lot of customers down there,” he says.

But Hunstad, who co-owns the company with Terrel Stern, says some things – hometown roots, quality of life and a loyal workforce – can’t

always be duplicated elsewhere. Stern Industries has been able to remain and thrive in the Baxter area, thanks in part to help from the JOBZ program.

Hunstad credits Sheila Wasnie Haverkamp, executive director of the Brainerd Lakes Area Development Corp., for introducing him to the program four years ago and for making the process “relatively painless.” With the help of JOBZ tax breaks, Stern was able to double the size of its office/warehouse facility in Baxter and to expand to facilities in Staples, Riverton and Brainerd.

What’s next for Stern? Hunstad says \$100 million in annual sales isn’t out of the question.

“It’s been a heck of a ride,” he says.

## Full-time Job Creation reported by JOBZ Businesses that signed JOBZ agreements in 2004, 2005 and 2006

Hourly Wages (excluding benefits)	Job Creation Goals	Percentage of Jobs	Actual Job Creation	Percentage of Jobs
\$15.00 and higher	1,056	23.1%	1,981	36.3%
\$14.00 - \$14.99	136	3.0%	409	7.5%
\$13.00 - \$13.99	121	2.6%	301	5.5%
\$12.00 - \$12.99	457	10.0%	559	10.2%
\$11.00 - \$11.99	1,097	24.0%	740	13.6%
\$10.00 - \$10.99	1,255	27.5%	772	14.1%
\$9.00 - \$9.99	387	8.5%	578	10.6%
\$8.00 - \$8.99	50	1.1%	99	1.8%
\$7.00 - \$7.99	9	0.2%	20	0.4%
Total	4,568	100.0%	5,459	100.0%

## JOBZ Wage Impacts and Tax Benefits, 2004 - 2006 JOBZ Businesses, Tax Year 2006

JOBZ Region	Actual Jobs	Average Wage	Estimated Annual Wages (millions) Includes spin-off jobs	Estimated Non-Property Tax Benefits (millions)	Estimated Property Tax Benefits <sup>1</sup> (millions)
Northeast Minnesota JOBZ (Arrowhead)	297	\$13.10	\$12.3	\$0.8	\$0.0
Positively Southern MN JOBZ Growth Corridor	1,176	\$13.45	\$70.3	\$6.3	\$0.3
Region 5 JobZone	847	\$14.99	\$41.8	\$1.9	\$0.3
Southern Minnesota JOBZ	970	\$15.66	\$53.8	\$3.6	\$0.6
West Central MN JOBZ	479	\$14.22	\$26.1	\$2.0	\$0.4
Northwest Land of the Dancing Sky JOBZ	198	\$13.40	\$8.1	\$0.6	\$0.1
Region 7E JOBZ	310	\$23.91	\$17.3	\$1.0	\$0.3
Southwest Regional JOBZ	1,105	\$13.76	\$62.3	\$5.0	\$1.0
Combined Regions <sup>2</sup>	77	\$13.05	\$4.4	\$1.8	\$0.0
Statewide (includes inter-regional and Twin Cities impacts)	5,459	\$14.78	\$420.4	\$23.0	\$3.1

Note: The tax benefits information is based on data reported to the Minnesota Department of Revenue by 292 businesses on Schedule JOBZ and Form M500. Benefits were estimated for those businesses not submitting a Form M500. The tax benefits include exemptions from the individual income tax, corporate franchise tax, general sales and use tax, and the motor vehicle sales tax, and the job creation credit. Tax benefits received by JOBZ businesses total \$45.7 million since 2004.

<sup>1</sup> State and local property tax exemptions are not actual revenue decreases, rather levy amounts are shifted onto all other property. \$0.0 indicates value is less than \$50,000.

<sup>2</sup> Tax benefit information has been combined for two zones - Headwaters and Upper Minnesota Valley - where there are fewer than four tax returns or where a single taxpayer accounts for a majority of tax benefits.

Note: Job and wage data are collected through the Minnesota Business Assistance form.

## Small town success story

### HitchDoc finds home in Jackson with assistance from JOBZ

The story of HitchDoc begins with Brad Mohns' decision to buy a Harley-Davidson motorcycle in 1989. When Mohns – a corn and soybean farmer near Round Lake in southwestern Minnesota – couldn't find the right kind of hitch to add to his cycle, he decided to build one himself.

What followed was something that he never anticipated. The next year, he took his motorcycle on a trip to the famed Sturgis, S.D., Motorcycle Rally, where his

custom-built hitch attracted plenty of attention. In fact, his fellow motorcycle enthusiasts requested so many hitches from him that he decided to launch a business making them.

"Seventeen years later, we have 65 employees," Mohns says.

He says HitchDoc wouldn't have grown as quickly without the JOBZ program. The tax-free incentives from the program enabled him to expand the business from his farm in July 2005 to a new 53,000-square-foot facility along Interstate 90 in nearby Jackson. Last year, he added another 43,000 square feet to the building and is talking about expanding again this year.

"We're bulging at the walls," he says.

HitchDoc has grown beyond its motorcycle-hitch roots. The company, with a roster of talented welders and master machinists, today can produce almost anything made from metal, including accessories for SUVs and pickups and parts for farm equipment.

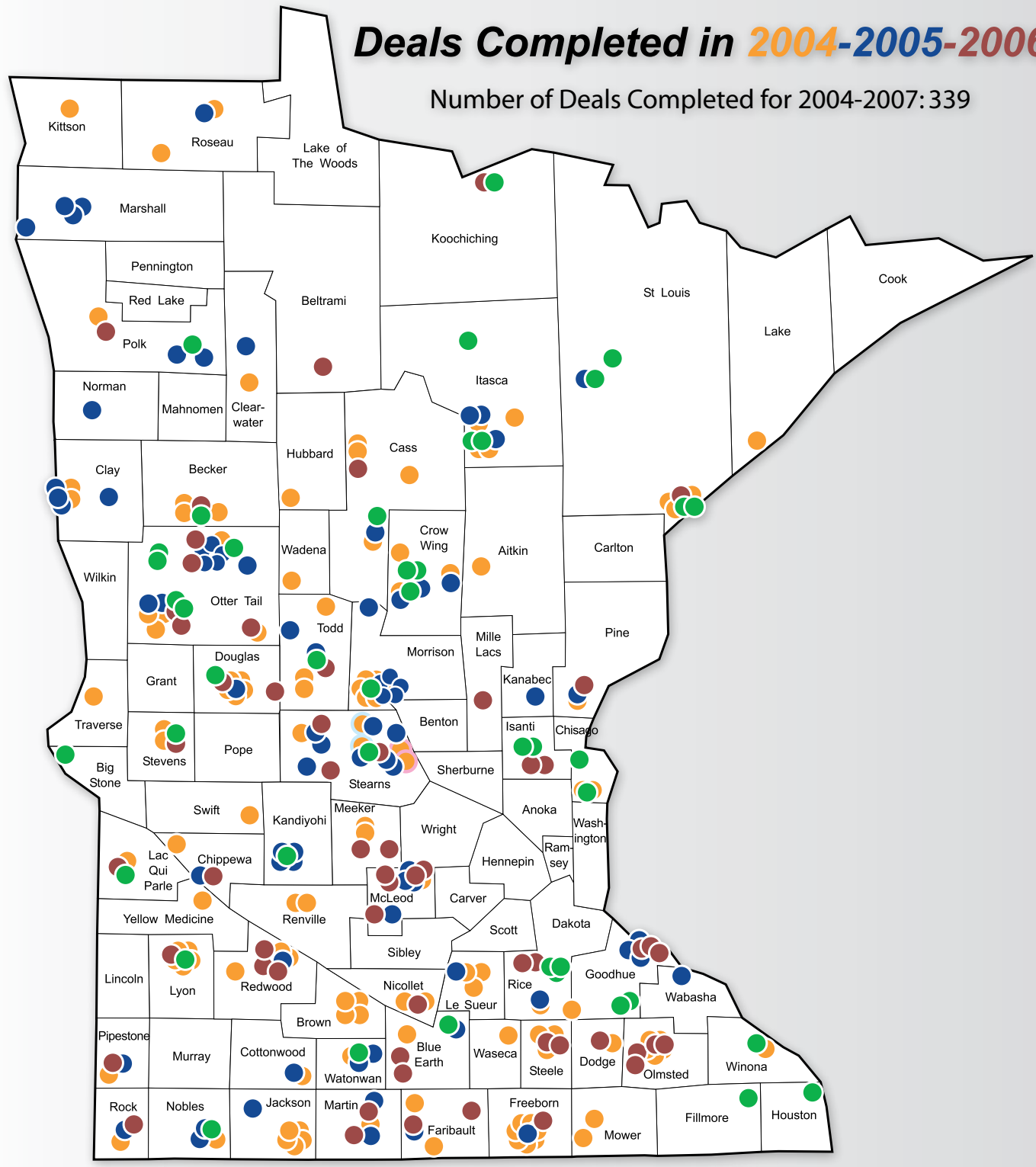
Mohns says the tax savings provided by JOBZ enables him to pay higher-than-average salaries and to attract and keep top talent. He is proud that he has never laid off a worker in 17 years of business.

"It's a success story, by all means," he says. "Without JOBZ, I think the company would've been still at 16 employees and maybe struggling a bit."

# Number of Deals Completed in 2004-2007

## Deals Completed in 2004-2005-2006-2007

Number of Deals Completed for 2004-2007: 339



## The JOBZ Formula

JOBZ has helped many businesses to grow, particularly in the manufacturing sector. Two-thirds of the companies that have participated in the program so far – 225 firms out of a total of 339 – define themselves as manufacturers. That’s an important statistic in an era when U.S. manufacturing jobs are being lost overseas.

Other strong participation in JOBZ comes from firms specializing in professional, scientific and technical services; wholesale products; construction services; and transportation and warehousing.

Many participants say they never would have expanded or would have moved their businesses elsewhere if JOBZ didn’t exist.

Program incentives that kept them home in Minnesota include exemptions on:

- Corporate franchise taxes;
- Income taxes for operators or investors, including capital gains taxes;
- Sales taxes on construction materials and goods used in the zones;
- Property taxes on commercial and industrial improvements; and
- Employment tax credits for high-paying jobs.

JOBZ is an important tool for expanding businesses and creating jobs. Let’s keep the momentum going and help create more success stories in Greater Minnesota.



1st National Bank Building ■ 332 Minnesota Street ■ Suite E200 ■ Saint Paul, MN 55101-1351 ■ 800-657-3858  
[www.positivelyminnesota.com](http://www.positivelyminnesota.com)