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SUBMITTED TO THE MINNESOTA LEGISLATURE
June 18, 2010

By the

Minnesota Department of Employment and Economic Development Minnesota Office of Business Development

Pursuant to Laws of Minnesota 2010 Chapter 347

REPORT ON THE

Fast Action Economic Response Team and At-Risk Expansion and Relocation Plan:

Positioning Minnesota for Future Business Growth











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For more information or to request copies, contact 651-259-7432, TTY: 651-296-3900

Upon request, the information in this report is available in an alternative format such as Braille, large print, audiotape, or computer disk.

Dan McElroy, Commissioner Department of Employment and Economic Development Mark Lofthus, Director Business and Community Development





Executive Summary

The 2010 Minnesota Legislature required the Department of Employment and Economic Development (DEED) to create a "Fast-Action Economic Response Team" to identify and work on business projects atrisk for locating or expanding elsewhere, and to identify businesses in other places whose expansions or operations could be attracted to Minnesota with incentives. Action to contact these businesses was also required within 24 hours. The legislation also required DEED to provide a proactive plan and methods that could be used to attract businesses to Minnesota to engage and support private sector efforts.

This report details, first, the creation of the Response Team – DEED's Office of Business Development – its current roles, its past successes in assisting expanding and relocating companies, and the tools it uses to promote the state for new jobs and investment. The report also makes it clear that Minnesota's successes in economic development are not solely the domain of the Response Team. There are many public and private partners with critical roles - but the Response Team has a pivotal role in managing and balancing statewide work in realizing success.

Successful economic development activity to retain and attract economic development expansions requires tools and programmatic investments. The report details the competitive economic development environment in which Minnesota functions. While Minnesota gets high marks for its legacy of successful, home-grown companies, a history of public investments, and a resulting standard of living, income levels, and employment, the state has not kept pace with investments, innovation, and leading trends in economic development. The report contains brief case studies of business development projects – some Minnesota has won, but also some we have lost – to help tell the story of how we can succeed with the right strategies, tools and actions.

Some successful programs have limited or declining funding, some are diminishing in value due to their duration, and some potential initiatives have not been put in place. Minnesota's efforts to retain and grow businesses have been eclipsed by other states' programs. In many ways these conclusions mirror the findings of the Minnesota Science and Technology Economic Development Project, which issued its report January 15, 2010. Let us be clear: Successful economic development does not rely exclusively on incentive programs and tax exemptions. There are many other reasons, in addition to incentives, that guide business decisions to locate in a place. These factors include proximity to customers and supply chain, availability of workforce, access to infrastructure and transportation, history of the business, cost of doing business, regulatory environment, and a community's amenities and quality of life for owners and executive management, to name a few. However, without the right business assistance programs and incentives, Minnesota's Fast Action Economic Response Team cannot succeed in a competitive economic development marketplace, at the level that the Minnesota Legislature and its citizens have a right to expect. This report describes initiatives that can be implemented to competitively equip the Response Team. Economic development – and the strategic deployment of incentives and related investments – needs to be a top priority in the 2011 legislative session.





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Introduction

This report serves several purposes:

- to fulfill the specific charge in the 2010 Economic Development Omnibus Policy bill (Laws of Minnesota 2010 Chapter 347) to create a Fast-Action Economic Response Team
- to explain how this Response Team does and will work in the future
- to describe the environment of business attraction and retention in which the Response Team is a critical and pivotal element but does not act in isolation
- to identify the plan by which prospective businesses are being and will be identified in the future
- to explain the challenges and gaps that need to be filled so that the Response Team can do its job effectively for Minnesota's job creation and investment.

Legislative Requirement:

S.F. 2510, the economic development policy bill enacted by the 2010 Minnesota Legislature, included a provision for the Department of Employment and Economic Development (DEED) to create a Fast-Action Economic Response Team (to be codified as M.S. 116J.872), and to provide a report within 30 days of enactment describing current and potential methods of identifying businesses at-risk for relocation or expansion outside of Minnesota (Laws of Minnesota 2010, Chapter 347, sec. 28). The report also calls for a plan to identify businesses outside Minnesota seeking to relocate or expand, or that could be encouraged to expand in Minnesota through use of incentives. Collaboration with various economic development stakeholders is required in the development of this plan. The Fast-Action Economic Response Team is required to contact identified businesses within 24 hours, whether they are at-risk for expanding or relocating outside the state, or are a prospect for expansion or relocation in Minnesota.

Creation of the Fast-Action Economic Response Team:

DEED welcomes the legislative assignment to create a Fast-Action Economic Response Team. With this report, DEED Commissioner Dan McElroy is announcing the creation of DEED's Office of Business Development, within the Business and Community Development Division, as the Fast-Action Economic Response Team. The following narrative describes how this Response Team functions currently. Later sections describe the tools and resources that will be required to fully realize this important mission.



Existing State Structure: DEED - Office of Business Development

The Department of Employment and Economic Development's Office of Business Development (OBD) is the primary contact for statewide business inquiries. Along with a director, there are nine project managers who are regionally assigned or are assigned to an industry. The office handles more than 1,200 business inquiries annually, leads and implements economic development projects, pursues new business prospects, initiates and coordinates marketing activities, and responds to general public requests.

Generally, the OBD evaluates the requests and qualifies the projects by the strength of the business and makes every attempt to arrange for applicable programs or services to be utilized, whether provided by DEED, another state or federal government agency or by one of our business assistance partners. After qualification of prospects, about 15 percent of the 1,200 inquiries, or approximately 200, are determined annually to be qualified projects and prioritized for response. Of these inquiries 60 percent are existing Minnesota businesses, 30 percent are businesses from outside of Minnesota and about 10 percent are Minnesota start-ups. These inquiries may range from Fortune 500 companies to mid-sized companies considering additional facilities. They may be small companies seeking financing or job training. The regional distribution of these projects is approximately 45 percent in the metropolitan region and 55 percent in Greater Minnesota.

Qualified projects are those that, from a timing and business perspective, are close to being realized and have realistic expectations of how the public sector could support the business. The unqualified prospects are those that may be more general in nature and in some cases, have unrealistic expectations of public assistance. For example, a woman-owned business may call to ask for assistance with business planning. A quick referral to Women Venture or one of our Small Business Development Centers (SBDC) to assist the company can be a resolution. Other inquiries may be more complicated and have large financing requirements, require federal law changes or require a state purchasing contract. Furthermore, many appear to have great promise and often strong local public support, but further evaluation determines that there are no public or private resources to complete the deal. These contacts take time but it is incumbent upon state agency staff to respond to these inquiries regardless of the potential outcome.

The Office of Business Development is a part of the Business and Community Development Division (BCD). The division includes other offices that administer resources in combination with OBD, such as the Minnesota Investment Fund (MIF), JOBZ, Greater Minnesota and Innovative Business Development infrastructure grants, Angel Tax Credits, small business services, and the newly-created Science and Technology Authority, which has a strong

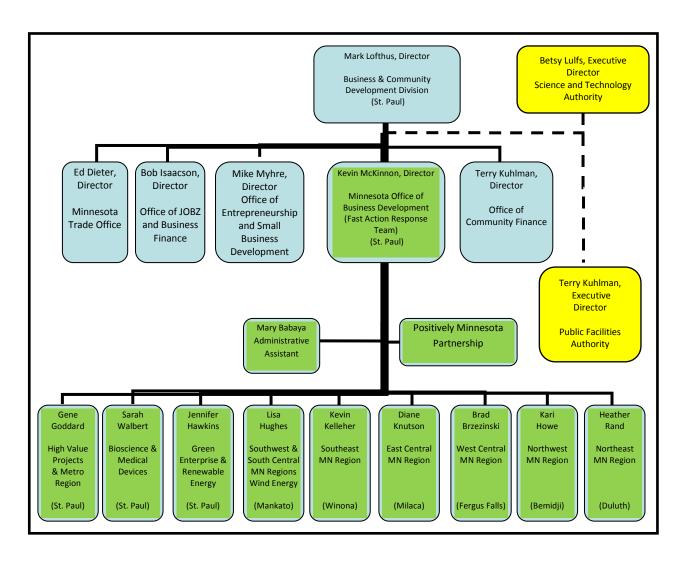


interrelationship with the state's business development programs. The Minnesota Trade Office also plays a critical role as they are often a source of general business inquiries and may also open doors to relationships with foreign firms. The BCD division also has a "dotted line" relationship with the Public Facilities Authority. The authority's work in funding sewer and water infrastructure is critical and long standing, but it is growing in importance with opportunities such as interchange funding to support potential business expansion projects in partnership with MnDOT. Many of these programs and services support the efforts of OBD.

The OBD staff work closely with communities that, for the most part, are required to be involved with projects as they apply for state funding. Staff also work with many partners to facilitate projects. Companies seeking state assistance typically contact the OBD staff either directly, indirectly through site selection consultants (attorneys, accounting firms, real estate developers/brokers) or through referral from one of our many partners. In fact, according to Area Development magazine's survey of 3,500 location decision makers, 54 percent of all business expansion projects involved an outside consultant. These partner groups can include local or county economic development staff, workforce development partners, utilities, local or state chambers of commerce, and University of Minnesota or MnSCU staff to name a few.

Several of the OBD professional staff are assigned as industry specialists. In addition to providing business consultation services, industry specialists market Minnesota as a prime location for business start-ups, expansions and relocations. They provide in-depth knowledge and information to companies on markets, technologies, buildings and sites, workforce, transportation, cost of business, and state and local taxes along with many other Minnesota advantages. OBD also has one staff person dedicated to working with major expansion or relocation projects.

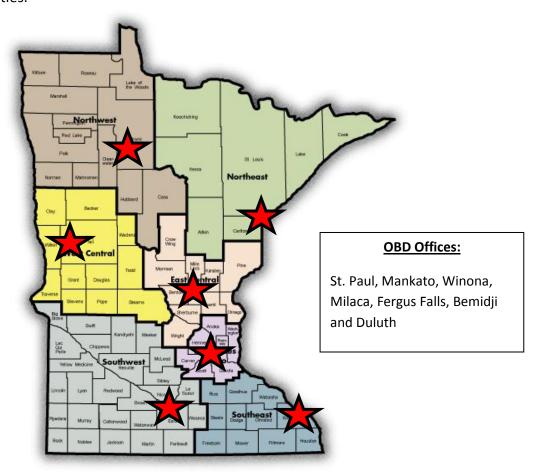




- Bioscience/Medical Devices: Since the early 1990's, OBD has had an active bioscience and medical effort and dedicated staff to work on projects and building the industry. Even with major non-profit support, OBD staff members still coordinate existing projects, new prospects, marketing and trade show events. The industry is rapidly changing and Minnesota maintains a strong position in certain sectors of the industry. But its competitive advantage is being eroded annually by other states and countries that have targeted this industry for development.
- Wind Industry: Since 2005, OBD has maintained a renewable energy specialist to work on projects and build the industry. Many communities are also very interested in renewable energy and capitalizing on our existing strengths. Even with legislative, community and interest group support, there are numerous projects, prospects, marketing and trade show events to coordinate in addition to building the supply chain. The OBD wind industry specialist also has a regional responsibility in southwest and south central Minnesota.



 Clean Technology and Renewable Energy: The OBD also coordinates the Green Enterprise Assistance Team, a group comprised of several state agencies that are focused on building and facilitating "clean and green" economic development projects. There is a large opportunity for Minnesota in this area. As such, OBD has a renewable energy and clean tech specialist who was added in 2009. In addition to working on projects, the specialist will be developing and implementing marketing activities.

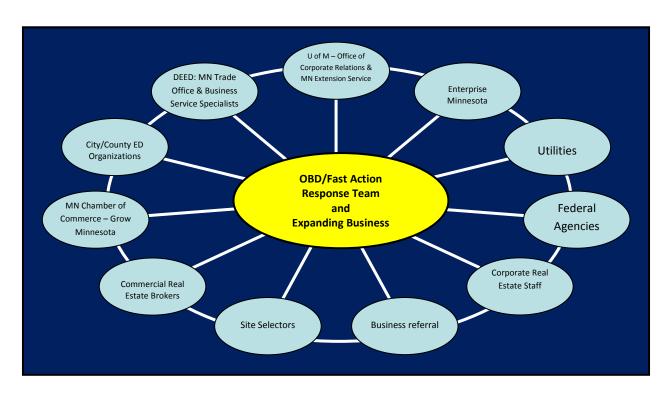


In addition its industry specialists, OBD has regional staff located in Mankato, Winona, Milaca, Fergus Falls, Bemidji and Duluth. These staff members live and work within their assigned regions so that they can more closely work with local and regional economic development staff to assist communities and companies with various growth projects. The Workforce Development Division, a separate unit within DEED, also has Business Services specialists (BSS) stationed in the Twin Cities metro area and regionally throughout the state. They work closely with companies of all types to help them with their labor force needs and often refer OBD staff when they identify a company with growth needs or that may be at-risk of relocating or expanding.



Partners and Stakeholders: Retention Efforts

Approximately 80 percent of all new job creation in a given region comes from existing businesses. Therefore, about 80 percent of OBD staff time and resources are devoted to identifying and servicing existing businesses. Business retention activities are accomplished by many organizations - city, county or regional economic development entities, Initiative Foundations, real estate brokers and developers, utilities, Universities, attorneys, accounting firms, chambers of commerce and DEED's own Business Services specialists. It is these very organizations who partner with us to address the concerns of existing companies and are already part of the team who address business retention and expansion concerns.



OBD shares a customer relationship management (CRM) tool called Salesforce.com with the DEED Business Services and Trade Office staff and the Minnesota Chamber of Commerce - Grow Minnesota partners to manage and share information about business expansion activity within the state.

DEED was one of the early state economic development organizations in the country to acquire Salesforce.com as a customer relationship and project management tool in 2007. It currently contains data on over 45,000 businesses that have been garnered through thousands of visits to companies by participating organizations. These contacts range from simple courtesy visits to thank businesses for being in Minnesota and basic responses to questions a business may have, to complex business expansion and site selection projects over many months with multiple partners.

Business Attraction

The OBD business attraction marketing program has maintained its focus on heightening awareness of Minnesota's economic strengths, capabilities and opportunities. The strategy is directed at reaching decision-makers through personal contact and cost-effective proven methods that enhance Minnesota's



visibility. In any marketing program, results are rarely immediate and competition is ongoing and intense. Routinely, economic development staffs from other states and countries are in Minnesota trying to attract our business to relocate or expand in their locations.

Approximately 10 percent of OBD office staff time is devoted to external marketing and promotions. The reason is simple: Marketing is expensive and requires a long-term plan along with committed resources and, finally, the patience to endure. Economic development marketing takes time and is all about building trust and relationships.



Existing business attraction efforts are done primarily in concert with OBD's many partners. In fact, without partners, OBD could not possibly participate in many of the events that representatives attend each year. The Office of Business Development coordinates the Positively Minnesota Marketing Partnership. This group was created by OBD and has continued for eight years for a simple reason: it makes more economic sense to pool funds to effectively market the state than for OBD or individual communities to get in front of prospects by

themselves. It is also not possible to continue the activities without the financial support of our partners. By working as a team and attending events around the country, the Partnership is creating a positive image of Minnesota and building relationships that enhance our opportunities for growth.



Photo: Minnesota Pavilion at BIO2010

The Positively Minnesota Marketing Partnership funds have allowed for participation in select national events, important in marketing Minnesota because these also offer the opportunity to meet with many decision-makers in a cost-effective way. It also allows us to keep our pulse on the market, and to encourage and support our Minnesota communities and partners. Positively Minnesota took its message on the road again this year by participating in major tradeshow expositions such as WindPower and BIO.

WindPower 2010 was held in Dallas and OBD coordinated a delegation of 37 Minnesota companies and groups involved in the wind industry. We reached a record 23,000 visitors at the conference through the information presented at our Minnesota pavilion. Our effort to identify qualified prospects and meet with decision-makers is focused strategically on providing an unmatched level of customer service. More than 15 prospects were developed and several important relationships were formed.

We also attended BIO 2010 in Atlanta, sponsoring a reception with Manitoba and Wisconsin, to build partnerships and maximize our budget. The tighter economic conditions limited the ability of our partners to help fund our presence at BIO this year. As a result of a reduced budget, we significantly downsized the size of our Minnesota pavilion space, but were still able



to include 75 delegates (15 newcomers) who represented partners from 34 companies and communities.

In addition, our Positively Minnesota partnership also attended business development and corporate real estate events in cities such as Chicago, Dallas, Las Vegas, Asheville, and Louisville in 2009. The Partnership also hosted national events. The Industrial Asset Management Council (IAMC) held the Fall Forum in Minnesota in 2009, attracting more than 300 corporate real estate and site selection consultants to the meeting. This event showcased the Twin Cities metro region to many corporate real estate executives who had limited knowledge of Minnesota or had never been here.





Although economic development marketing activities rarely have immediate results, we know our efforts are paying off when companies such as Moventas and Coloplast choose the state for expansion. Moventas is investing \$40 million and creating more than 75 jobs while Coloplast recently completed its corporate headquarters project valued at more than \$40 million and created 100 new jobs. Both projects were originally sourced from trade show events and are examples of the global nature of investment (Finland and Denmark, respectively).

However, there is another side to Minnesota's economic development marketing efforts. Neither DEED nor our large cities or regions have significant economic development marketing budgets. Most states have well-funded economic development groups that focus solely on economic development marketing and business attraction. In fact, Minneapolis/St. Paul is one of the only top 15 metro regions in the U.S. without a regional economic development entity and neither of the core cites has a budget for major outreach efforts. This is a separate, substantial issue that is being tackled by the Itasca Project, but it is not un-related to the legislative mandate driving this "at-risk" business report.

At the same time, large Minnesota regional trade centers such as Rochester, Duluth, Moorhead, St. Cloud and Mankato do participate in many of the state marketing events, but because of tight local budgets most do not aggressively promote their own communities, which in turn causes the state to lose out on brand extension opportunities.

The Office of Business Development is also not set up to deal exclusively with external business development prospects as they serve a variety of constituencies with numerous roles. The OBD regional staff are responsible for business development projects in their assigned region, maintaining relationships with businesses and communities and assisting them with development issues. The industry staff, some of whom also maintain regional responsibility, also have many internal demands and organize the existing key industry sectors. It also is worth noting that as a tax-supported state entity, the Office of Business Development is required to seriously address every

2009 Minnesota Out-of-State Economic Development Marketing Budget		
DEED – OBD General Fund and Special Appropriation monies	\$125,000	
Partners and businesses	\$275,000	
Total Marketing Funds	\$400,000	

business inquiry, however small or un-strategic it may seem to an outside casual observer. Private organizations do not have this responsibility.

In 2009, the total marketing budget for Positively Minnesota and OBD activities was about \$400,000. Of that, approximately \$125,000 was from OBD general funds or from prior special legislative appropriations. The remaining \$275,000 came from business and community partners. Raising money is not easy and takes a lot of time. Therefore a good portion of OBD



staff time for out-of-state marketing efforts is devoted to raising the necessary funds and generating support from our partners to promote the state. Approximately \$175,000 was spent on trade shows, \$125,000 on events and \$100,000 on general marketing efforts.

While OBD does some select print advertising, its focus remains on establishing relationships with key corporate site location decision-makers. These face-to-face meetings are beginning to pay off. Business expansion inquiries have increased steadily over the past four years, with the number of out-of-state proposed business expansion projects now nearly 31 percent of all new qualified projects. Another interesting trend: More than 70 percent of all new site searches begin on the Internet. Economic development entities are not brought in as quickly on the front end of these searches due to the amount of information available on the Internet. Therefore, in order to be considered, an economic development organization must offer up-to-date information in a relevant format for the business user. As a result, e-communication and website importance have risen dramatically and OBD has already followed suit.

MNPRO.com:

The free online database of commercial buildings and land for sale and lease was redesigned and updated in 2009 with assistance from our members. And more improvements are ahead. OBD has entered into a contract with GIS Planning, the industry leader in site selection database tools, for a system that will replace MNPRO. Through the partnership with GIS Planning, all Minnesota properties in our state database also will be available on the national site selection tool Zoomprospector.com. While there is no specific funding for MNPRO, the \$85,000 per year in operating costs is significant and is paid out of the general fund operating budget of OBD.

With the new system, communities will no longer need to provide information for community profiles. Instead, GIS Planning will provide that data to insure consistency and accuracy. OBD is also working on a partnership with the Minnesota Commercial Association of Realtors (MNCAR) to have its database of properties serve as a basis for the state system, with individual communities and entities able to add their own properties, as well. Details are still being worked out on this partnership, but the new Minnesota site selection database tool will launch in 2010.

MNbizconnect.com

To create a one-stop location for small businesses seeking assistance, DEED and the Minnesota Chamber of Commerce collaborated to create Business Connection, located at www.MNbizconnect.com. The site answers specific questions a business may have, based on an expanding repository of questions that are frequently asked. During the 2010 legislative session, provisions were passed to enhance the site. Under the framework of MERVN (Minnesota Economic Resource Virtual Network), OBD and the Minnesota Chamber of

Commerce will work together to add elements of referral for a business to specific sources of assistance, depending on their business need and geographic location. This new tool provides another way for businesses to seek assistance from collaborating partners, and allows the OBD Fast-Action Economic Response Team to focus on its prioritized economic development expansions, retention, and attraction activities.

PositivelyMinnesota.com:

DEED unveiled a new website in December. The site is organized based on user needs. The home page features three main tabs – one for job seekers, one for businesses and one for local governments – so that customers can easily navigate to pages of greatest interest to them.

The new business-focused site at

www.positivelyminnesota.com/Business
replaces an old one that many users found
difficult to navigate. The new site is better
organized and more visually appealing.
One new feature is a section off the home
page devoted to companies and
consultants seeking a business location. It
allows companies to access detailed
information on comparative data,
workforce statistics, maps, sites, buildings,
industry resources and tax incentive information.



MetroMSP.org

DEED's Office of Business Development was the first contributor to the Minneapolis Regional Chamber of Commerce's request for support to establish a new website that would serve as a front door to the Twin Cities metro area for companies, corporate real estate executives and site selectors seeking information on the region. The resulting 11-county partnership together with OBD created the MetroMSP.org website to help companies search for available commercial or industrial properties. The site also has an interactive mapping program that enables users to quickly locate buildings or land, access site-specific demographic information, and generate instant reports. It is a great tool and OBD is referenced as the main point of contact for business prospect inquiries in dissemination of information and personal handling of



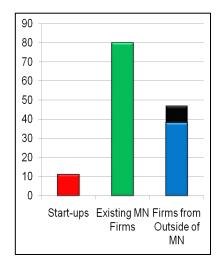
prospects. This platform also will be used for the new MNPRO.com website and allow for cost effective advantages for administration and data collection.

Salesforce.com:

OBD began using Salesforce.com in 2008 as a CRM database tool to help track business expansion activity from year-to-year. This tool has allowed us to better manage project activity and to generate reports that help us understand activity and trends.

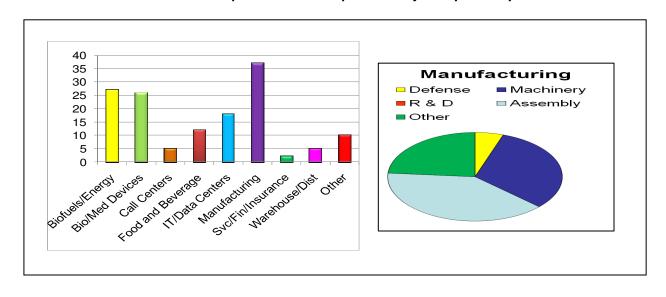
In 2009 OBD staff worked on 143 new qualified business expansion projects. This was down by nearly 50 percent from 2008 activity. The following charts break down some of that activity by industry and region.

These new projects are largely centered on OBD's primary industries of biofuels and renewable energy, bioscience and medical devices and manufacturing.





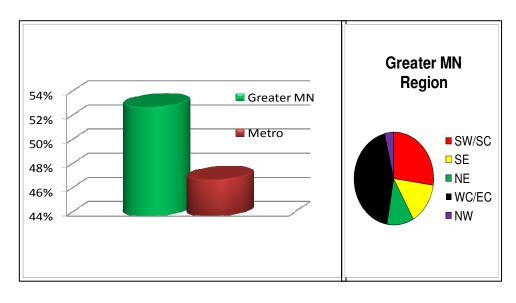
2009 New Proposed Business Expansion Projects by Industry



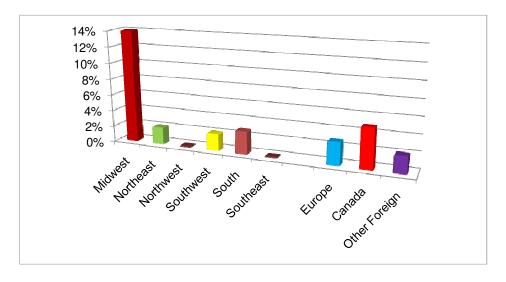


The breakdown of leads by Greater Minnesota and the Twin Cities metro area continue to follow historical trends with just over 50 percent of all the proposed new business expansion projects targeting a Greater Minnesota location.

2009 New Proposed Business Expansion Projects by MN Region



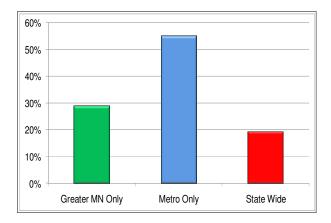
2009 New Proposed Business Expansion Project
Out-of-State Firms Only
by US Region/Country of Origin



When marketing Minnesota we have had the largest success from companies that are currently in the Midwest. They already understand distribution channels, labor and business costs. Foreign companies that look at Minnesota are more likely to be from Canada or Europe.



2009 Proposed Business Expansion Projects: Out-of-State Business, Primary Site Search Area



However, when looking at the 2009 numbers for new proposed business expansion projects from out-of-state companies, approximately 55 percent of the projects are looking at a metro only site location. This makes sense based on the simple fact that people outside of Minnesota may not be as familiar with Greater Minnesota locations and opportunities. In addition, many

out-of-state businesses want to be within 45 minutes of the international airport so that their leadership teams can travel in and out of their facility without issue. OBD listens to the customer and, when appropriate, will suggest desirable locations, but for the most part, acts much like businesses or their consultants – more exclusive than inclusive of potential locations. The business' site location criteria lead the selection process. The site location process, which is exhaustive in detail and analysis, begins by looking at all potential locations within the state and then matching individual characteristics and amenities with the company's search criteria. A project may begin with 50 potential locations and OBD will typically submit only three to five locations. The usual response time for Request for Information that comes from a consultant or business is five to ten days, but increasingly it is three days or less.

2009

New Proposed Business
Expansion Projects
Canceled, Inactive or Located in a
Different State

- 60 Canceled, Inactive or Located in a Different State
 - 17 Projects by MN
 Companies
 - 43 Projects by firms from outside of MN
 - 15 Projects located in a different state
- Representing an estimated \$702 million in investment and 4 million square feet
- 5,619 new jobs

OBD also tracks projects that were canceled, became inactive or located in a different state. Clearly, 2009 was a tough year on businesses, workers and the economy. While overall project activity dropped by nearly 50 percent, a number of projects were cancelled or shelved until the economy stabilizes. A majority of the projects that OBD staff saw in 2009 from out-of-state firms were focused on the consolidation of facilities. For these projects OBD staff members provide companies with in-depth comparative information on cost advantages of a Minnesota



location over other facilities in their supply chain. In most cases the office was able to show a Minnesota advantage, but because of significant business assistance programs being offered by other states, 15 projects were lost. A few are detailed at the end of this report.



Business Expansion Report:

As part of its efforts to track business expansion activity within the state, the OBD annually publishes the Minnesota Business Expansion Report. This report contains information about companies choosing to locate within the state whose projects meets certain criteria developed by Site Selection magazine for its annual Governor's Cup competition. The Governor's Cup ranks state economic development activity by the number of business expansion projects that have at least one of the following:

- At least \$1 million in private sector investment
- At least 20,000 square feet of new or renovated space
- At least 20 new employees.

Minnesota 2009 Announced Business Expansions (Statewide)

89 - Announced Business Expansion Projects

- \$425 million private investment (est.)
- 4 million square feet (est.)
- 4,000 new jobs (est.)
- 77 projects met Site Selection magazine's Governor's Cup contest criteria (\$1 million investment or 20,000 sq. ft. or 20 new employees)

Company location

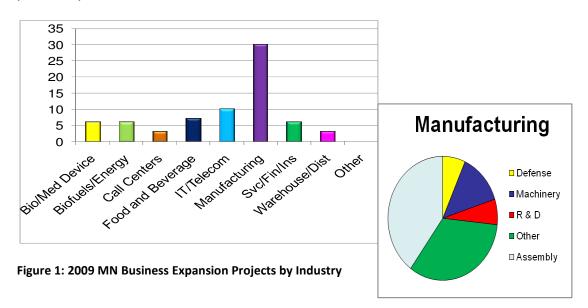
- 78 projects from existing Minnesota firms
- 11 projects from firms located from outside of Minnesota

Examples of expanding companies in 2009





In 2009 OBD identified 77 business expansion projects that met the criteria for inclusion in the report. OBD staff were involved at some level in nearly 80 percent of all projects and provided extensive work on about 35 percent of the projects. Programs or services can often dictate the involvement of the state. In addition, of the projects identified in the report, the top industry sectors were manufacturing, IT/telecommunications, and food and beverage processing. The 77 projects are expected to generate an estimated \$425 million in new private sector investment and 4,000 new jobs within the state. This number was small compared with previous years as a result of the economic conditions.



When looking at Minnesota's economic development activity in comparison to other leading states, Ohio won the Site Selection magazine's Governor's Cup Award for the fourth straight year with 381 projects. Texas came in second this year with 374 projects, followed by Michigan (371), Pennsylvania (333) and Tennessee (234). Each of these states has a robust reputation for offering business incentives. Minnesota's 77 projects made it first in the North Central Region for 2009, and Minnesota has topped the region with 314 projects over a three-year period. About 10 percent of all projects in the U.S. are located in the North Central Region, which comprises Minnesota, Missouri, Iowa, Kansas, Nebraska, North Dakota and South Dakota.

For major metropolitan areas with populations over 1 million, the top 10 metros for new and expanded corporate facilities for 2009 were: New York-Newark; Chicago; Dallas-Fort Worth; Detroit; Houston; Cincinnati; Pittsburgh; Philadelphia; Memphis; and Washington, D.C./Va. and Virginia Beach-Norfolk (tied for 10th). Minneapolis-St. Paul was not ranked but Alexandria (four projects) and Albert Lea (two projects) were listed as top micropolitans (less than 50,000) and Hennepin County ranked 2nd among all U.S. counties with 48 projects.

These successful projects and rankings provide value in marketing Minnesota, on a national and international scale.



Shovel Ready:

The competition between communities nationwide to attract business startups, expansions and relocations (and the jobs and tax base they bring with them) has never been more fierce. As an incentive to businesses that need to get up and running quickly,



Minnesota established this program to reduce the risk associated with development and show prospects that communities are ready for development. Communities everywhere are looking for something that makes them stand out. Certified Shovel Ready sites can give communities a competitive edge by offering a site that can save companies money and time in getting their products to market. One study showed that firms can save up to \$1 million by choosing a shovel ready site over one that is not.

Shovel Ready sites are in growing demand among companies and site selection consultants, and they are an increasingly popular tool for communities to attract new business and industry. In fact, more than 12 states have active programs.

While definitions vary from state to state, the term "shovel ready" generally refers to commercial and industrial sites that:

- Have had all of the planning, zoning, surveys, title work, environmental studies, soils
 analysis and public infrastructure engineering completed prior to putting the site up for
 sale.
- Are under the legal control of a community or other third party.



The Minnesota Shovel Ready
Certified Site Program takes into
consideration the factors that are
most important to site selectors.
The program takes the risk and
unknown out of the site selection
process by certifying industrial/office
development sites as ready for
construction within 60 days of a site
decision.

Currently three Minnesota communities have completed their certification process, four are having their applications reviewed and another four are working on their applications.



Positively Minnesota Business Developments newsletter:

OBD and DEED have initiated electronic communication with stakeholders from around the state by publishing regular newsletters on current project announcements, recent program awards and other relevant topics for economic development professionals and those who may have an interest in current issues or events. As the website continues to be developed, the communication will be integrated with website features that will allow for information to be more regularly provided to users. OBD also compiles lists of target companies, consultants and previous contacts that will be continuously sent information on business expansions, relocations and downsizings, programmatic or service changes to existing business programs and future event information.



growth, profitability and success.

is available on DEED's Web site.

FASTER! EASIER! CHEAPER!

OFFICE (SBAO)

More comprehensive information on

SMALL BUSINESS ASSISTANCE

The Small Business Assistance Office

services, eligibility and center locations

OFFICE OF SCIENCE AND

DEED'S OFFICE OF SCIENCE AND

TECHNOLOGY offers confidential,

one-on-one assistance to help small

to bring your idea from concept to

development. High-tech companies

businesses access federal R&D grants

TECHNOLOGY (OST)

Development (DEED) played a lead role in

coordinating state and local partners that

were involved in providing an extremely

competitive incentive package. Incentives

included Job Opportunity Building Zone

million low interest Minnesota Investment Fund loan, a \$350,000 job training grant

from the Minnesota Jobs Skills Partnership

tax-free development program, a \$1

Minnesota's Competitive Situation Analysis

Minnesota is in a global battle for new jobs and the business activity that generates them. The current recession has underscored the fact that there is an excess of available skilled labor and facilities in every major market in the U.S. and around the world. Corporate pressure to lower production costs, increase product quality and reduce the time to market has made higher cost locations less desirable.

As a result, nearly every state has a sense of urgency about creating jobs, and building tax base and developing emerging or growth sectors in their economies. Thus, the competition has become more intense for qualified business expansion projects. When combined with a significant reduction in qualified business projects, location searches have become far more competitive. Additionally, business assistance packages are more common and can be a differentiating factor in site location decision.

Opportunity cost advantages in low-cost locations such as Puerto Rico, China, India and Mexico encourage multi-nationals to expand in countries that provide them with such benefits as lower labor costs, better tax environments, less government regulation and greater access to emerging markets.

Minnesota has historically ranked high in areas pertaining to "quality of life." The state performs well in surveys around life satisfaction, work quality, healthy behavior, physical health, emotional health and basic access to food and shelter:

- Forbes 2008 Best US Cities to Earn a Living 2nd: Minneapolis/St. Paul
- Sperling's Best Places 2009 Happiest City for Families – 1st: Minneapolis/St. Paul
- 2009 Hotspots for Young, Talented Workers –
 2nd & 5th: Minneapolis/St. Paul
- Minnesota ranked 16th lowest state/local taxes on business as a percent of GSP

Top 10 States by Number of Projects			
Rank	State	Count	
1	Ohio	381	
2	Texas	374	
3	Michigan	371	
4	Pennsylvania	333	
5	Tennessee	234	
6	New York	219	
7	North Carolina	208	
8	Illinois	196	
9	Virginia	193	
10	Indiana	183	
Source: Conway Data, Inc.'s New Plant Database			

However, financial security and the ability to earn a livable wage certainly impact long-term quality of life. Minnesota has dropped in ranking in the factors contributing to recruitment and retention of successful companies and jobs. The state has also dropped in predictors of future success in the "New Economy" – an economy that is knowledge dependent, global, technology-based, entrepreneurially rooted in information technologies and driven by innovation:



- According to the Market Watch study of the "Best Metro Areas for Business" Minneapolis/St. Paul dropped from No. 1 in 2007 and 2008 to 4th in 2009.
- Drop in CEO Magazine ranking of the "Best States for Business" from 12th in 2005 to 31st in 2010.
- Drop in Forbes' rankings for "Best States for Businesses" from 11th in 2006, to 17th in 2009, with low rankings for business costs (32nd) and economic climate (35th) leading the drive downward.
- Drop in Forbes' rankings for "Best Places for Business and Careers" from 20th in 2003, to 71st in 2008.
- Minnesota ranked 14th overall in the State New Economy Index which is down three positions from 2002.

Minnesota businesses may not need to strategically expand in the state as they potentially seek alternative manufacturing sites or other back-up locations to support the corporate office. Businesses may also be seeking locations for more specialized research and development that other regions have developed to be competitive. In doing so, the Midwest may not be on the list or, it may be included simply for logistical purposes. In these cases, it is important to be ready for these opportunities.

Statewide there are 40 industrial buildings over 150,000 square feet each, totaling over 10 million square feet of vacant space and 10 offices/corporate head-quarters buildings over 150,000 square feet each, and totaling over 2 million square feet of vacant space. According to Cassidy Turley, Minnesota does not have the organic economic strength to fill those facilities with companies currently located within the state.

According to the Minnesota Science and Technology Initiative report submitted to the Legislature in January 2010, "Minnesota faces a crisis of economic competitiveness, vis-à-vis other states and regions, and in the increasingly important global marketplace." Minnesota has not evolved as quickly and still maintains business assistance programs that were established in a different era for a completely different type of economy than the one we have today. For example, in 1980 manufacturing accounted for more than 30 percent of GSP, while today, that number has dropped to about 17 percent. Other states have developed or enhanced existing tools to support the expansion of businesses to meet the needs of the current environment and encourage the desired result of the incentive.

It is our belief that Minnesota has lost its competitive advantage in business location decisions. If the state is to compete effectively for new job growth through either business development or the retention of our existing corporations, or even to replace jobs that are regularly being lost, we must take aggressive action to create a more business-friendly environment. It should be noted, however, that an aggressive approach does not mean excessive incentive packages. Business assistance packages are not meant to fully finance projects or somehow make



unqualified projects better. Incentives are best used when thoroughly evaluated projects are identified and the incentive makes a good project better.

Existing programs are underfunded, have limited timeframes for application or have eligibility criteria that no longer match current business cost structures. In fact, the main incentive programs have geographic limitations, such as JOBZ which can only offer tax benefits to businesses expanding in Greater Minnesota locations. This makes it difficult for the state to compete effectively, especially in the metropolitan area.

OBD is limited in its ability to properly address and/or pursue large business expansion projects. This is because in most cases existing economic development tools within Minnesota either lack available funds, take too long to get approvals, or the value of the incentive that is offered has limited present value. Thus, a Minnesota location is not able to remain on the company's short list of potential site locations.

Additionally, when OBD responds to major business expansion projects, unlike its competitors, it must seek legislative involvement to create a viable assistance package. Because of market timing most businesses are unable to adhere to legislative timelines or those by other public bodies overseeing business incentive programs. Business does not expect to have to lobby state legislators or testify before a committee hearing to become eligible for assistance. This is especially true for public companies that must adhere to strict Securities and Exchange Commission regulations on public disclosure of business activities. Businesses making these decisions tend to do so in a confidential manner through non-disclosure agreements, or under the guise of consultants, who give the project a code name, identify and prioritize locations based upon predetermined criteria established by the business. In most other states, the very same program that requires Legislative approval in Minnesota is available through the state economic development agency or administered at the local level.

The challenges of Minnesota's state budget also negatively impact funding for economic development. As state revenues have been impacted by the recession, funding for economic development programs has been cut at the same percentage as all other state programs without conducting a cost/benefit analysis. It's important to remember that economic development programs are a worthwhile investment, attracting and retaining business that increase tax base and generate new sources of revenue for the state.

Minnesota's economic development incentives need to be reviewed on a dynamic modeling basis that looks at the net creation of new tax revenue or through an economic impact analysis. While economic development incentives may be considered by some to be a zero-sum gain on a national level, many states and counties that Minnesota competes with take a traditional business model approach to evaluating opportunity cost when providing assistance to expanding companies. Other states and countries are not dis-arming because of the criticism of economic development incentives.



Ensuring the future growth of jobs, companies and tax base in the state of Minnesota based on the pressures of the global economy will require state and local leaders to respond in new ways. Minnesota officials need to look at public investment beyond traditional expenditures in education and public infrastructure, including investments that will help grow the economy.

Conclusion:

The ability for government to be flexible and creative while making a positive impact on a company's costs, access to a local supply chain and its risk to doing business is the new challenge in economic development. The purpose of this report is to identify what could be done to better position the state for growth and to strongly encourage the Minnesota Legislature to develop state and local economic development policies and programs that support and encourage private sector investment in the state.



Recommendations for new or revised business assistance programs

Ensuring future success for corporate activity and business growth calls for vision, investment and structure — and the patience to stay the course for the long-term. With ambitious and immediate funding, the results would indeed be measurable and sizable, as evidenced by other states that have done so during the past decade. To a lesser degree, the existing efforts have increased visibility and developed relationships that have driven more prospect activity. In the long run, however, a good retention program is a good attraction program and vice versa.

The purpose of this report is to suggest legislation and other public and private actions and investment for an ambitious and energetic plan to bring Minnesota back to the top, nationally and globally.

Economic development programs do not need to be established to assist every type or size of business development project, nor should the state attempt to have a program for every business concern.

This report therefore recommends three sets of actions to address our competitiveness in business attraction and retention:

- Aggressive business attraction and marketing campaign
- Renewed attention on business retention programs
- Potential legislative action for incentives and business support programs

Significant resources are required to accomplish these suggestions.



Aggressive business attraction and marketing campaign:

Currently, OBD invests about \$125,000 plus staff time and cobbles together an additional \$275,000 from business and community partners. That is not enough funding to keep Minnesota competitive with other areas of the country. A significant new state investment in economic development marketing - to attract and retain jobs and build tax base—is required. We welcome a robust discussion in the 2011 Legislative session on the size of this investment.

In order to identify and target businesses outside of the state, a comprehensive approach to understanding the market, and the competition and a razor sharp focus on key strategic areas is needed. Many strategies and tactics are known intrinsically or have already been used by other partner organizations. In order to do so, a deeper understanding of our position or value proposition is needed which will then allow for more accurate identification of prospects. Once that is completed, robust marketing techniques such as targeted advertising, private meetings, "advertorials" and enhanced branding and communications could be developed. Some of key action items and ideas needed to facilitate a more proactive approach would entail:

- 1. Enhance "Positively Minnesota" through brand extension.
 - Develop a strategic marketing plan that significantly extends the Positively Minnesota branding to address some of the main business misconceptions about the state such as cost of business, climate and Midwest location and clearly articulate the benefits businesses receive for investing in Minnesota.
- 2. Develop marketing campaign.
 - Identify and hire professional public relations firms to help create the appropriate communication vehicles for "Positively Minnesota" brand extension.
 - Seek out and pursue stories/"advertorials" promoting business success stories, new programs or other relevant topics to businesses and decision-makers in a variety of publications.
- 3. Arrange meetings with company leaders.
 - The department has periodically arranged for private meetings at events and other venues with business decision makers. Not all meetings will be productive but they are qualified projects in that they are seeking locations and will be making an investment.
- 4. Enhance the presence and continue to attend events that executives, consultants or others who represent decision makers may attend.



- OBD regularly attends events that bring together decision-makers such as corporate real estate executives and site selection consultants. The goal is to establish relationships and to share exciting opportunities in the state.
- 5. Host events that bring together industry and/or consultants.
 - Seek out events that could be held in Minnesota in certain industries that are growing and in which our state has an opportunity to build.
 - Host familiarization tours for consultants and other businesses considering Minnesota. The expenses for these types of events are familiar in the private sector but do not necessarily work well in the public sector.
- 6. Expanded involvement in national organizations such as:
 - Industrial Asset Management Council (IAMC)
 - National Association of Industrial and Office Properties (NAIOP)
 - CoreNet Global
- 7. Develop a more proactive international approach to Foreign Direct Investment (FDI)
 - Every governor makes several trips each term to foreign countries to promote Minnesota exported products. A new plan would incorporate a more proactive approach to identify and meet with companies that either have large investments in the state or those that are capable of making investments here.
 - Expand Minnesota's presence in Europe by hiring a firm to identify and develop qualified leads. Europe is still the leader in FDI outflow to the U.S. Countries such as Germany, Spain, France, Denmark and the U.K. are leaders in this area. China and India could eventually become a player but do not offer as many short-term possibilities.
- 8. Develop a more proactive approach with the University of Minnesota around major research relationships and further leverage the Science and Technology Authority relationship to promote high-tech development.
- 9. Examine regulatory environments in other states. DEED and other regulatory agencies should build on the relationships to foster economic development and search for ways to improve the process while maintaining the quality of environmental protection.
- 10. Leverage private sector involvement and where appropriate either in identification of expanding firms or assisting with business recruitment efforts.



- 11. Continue to improve the web presence and other online communications
 - The DEED website was recently improved and will continue to be populated with relevant information.
 - A revised version of our site and buildings database, continued promotion of Shovel Ready.
 - Newsletters and regular communications with prospects via e-communication.

Renewed attention to business retention programs:

The Minnesota economic development community and other service or non-profit organizations can do a better job of collaborating on business retention efforts. Virtually every other state of our size would likely say the same thing.

- 1. Develop an outreach program by visiting major employers that aren't headquartered within Minnesota to ensure their business needs are being met.
- 2. Breakfast with the governor. Each quarter, we would propose that the Governor meet with 15 to 20 CEO's of our largest companies to talk about opportunities and make sure that we are touching base with these companies.
- 3. The Office of Business Development currently holds bi-yearly meetings with corporate real estate executives based in the state and the Commissioner. This effort could be enhanced.
- 4. The Minnesota Chamber of Commerce already conducts the Grow Minnesota program and works well with OBD. However, a more focused approach for visiting target companies could be undertaken. Many communities already do this, but a more formal integration of OBD and DEED staff could pay dividends to leverage more private sector support.
- 5. Offer services to businesses that recently relocated to the state, were merged or acquired, or received new venture capital investments or angel funding.



Business assistance programs targeted to increasing Minnesota's competitiveness:

Based on an examination of other states and our own evaluation of projects, we have a good feel for the types of programs that could help attract business development in the state. However, new financial assistance programs such as tax exemptions and training are needed:

Statewide Business Assistance Programs:

- 1. Permanent JOBZ extension: Job Opportunity Building Zones (JOBZ) has been one of the state's most successful economic development tools. DEED has also addressed the findings of the Legislative Auditor's Office bringing significant improvement to the program. The program provides tax incentives to companies locating only in Greater Minnesota. This program is currently scheduled to sunset at the end of 2015. With little time left in the program, its use is significantly diminished because the amount of benefit that is generated is less than what can be derived from either Tax Increment Financing (TIF) or tax abatement. In order for this to become a useful tool, OBD proposes that companies expanding in JOBZ eligible areas become eligible for 10 years of tax benefits following the execution of a new business subsidy agreement.
- 2. Minnesota Investment Fund (MIF) changes: The Minnesota Investment Fund is DEED's primary business loan program and serves a dual role as a gap financing tool in the retention of existing Minnesota companies and attraction tool for out of state business. The program utilizes two sources of funding: Federal Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds, and State revolving loan funds. MIF money from federal sources can be used only in non-entitlement counties, thus making most business expansion projects in the metro area ineligible. In addition, federal rules have additional limits that complicate its effective use. An investment of at least \$25 million in the next biennium is required to allow Minnesota to compete effectively. Although that is a large number by Minnesota standards, many other states, regions and counties spend more on such programs. (For example: Lee County which surrounds Fort Meyers, FL has a \$25 million economic development loan program fund.)

During the 1990's this program received \$8 million to \$10 million in biennial appropriations. In 2003 the state general fund appropriation was ended and the program now survives on revolving income that it generates from previous loans. Unfortunately the annual income is not enough to create a war chest of funds. The program currently has \$100,000 available to make loans until July of 2011.



<u>Programs to Support Business Development in the Twin Cities Metro Region:</u>

- 1. Metro construction sales tax exemption: OBD has sought special legislation to assist companies with lowering their overall cost of building new facilities within the state through a sales tax exemption on construction materials and supplies. During the 2010 legislative session this type of assistance was provided for Goodrich Sensors and Integrated Systems. Timing worked out perfectly to get a bill introduced and passed before the Legislature had adjourned, but if this project started later in the year, OBD would not have been able to assist the company and the proposed incentives would have been delayed by a year. This timing could have killed the project in Minnesota and the investment would have taken place in another location. OBD proposes the creation of a sales tax exemption tool that does not require legislative approval. This would be an exemption based on job creation and capital investment performance.
- State property tax exemption: cities, counties and school districts may use either Tax
 Increment Financing or tax abatement to assist business development project.
 However, at this time there is no mechanism to include the state's property tax as part
 of those activities. OBD proposes the state property tax to be used as an additional tax
 exemption tool.

Job Training Assistance Programs:

- DEED's primary job training program is the Minnesota Job Skills Partnership (MJSP) program. This program has been successful over the years providing funding to companies and educational institutions to improve worker training and productivity. MJSP is still a valuable program that could assist businesses that are seeking customized training for existing employees rather than being used just for business attraction efforts. Increased funding to \$10 million per biennium would bolster the success of this program.
- 2. Payroll tax rebate: Despite the success of the Minnesota Job Skills Partnership (MJSP) program, it does not work well with companies that require a proprietary training program or an off-the-shelf product when adding new employees. In addition, the timing to find an accredited educational partner, apply for funds and wait for MJSP board approval can take six to twelve months before receiving assistance. As a result, many companies choose other locations where they can get the training assistance for new employees in 30 to 60 days.

OBD proposes creating a new job training business incentive program that funds proprietary training programs and encourages companies to hire employees at a faster

rate than current programs allow. This program would allow companies to use their payroll taxes to fund new employee training and recruitment. This new program would only be used for new jobs created within Minnesota.



Business Development Case Studies: Projects Minnesota has won

Through these case studies, it is possible to illustrate how Minnesota has competed successfully, as well as how it has failed to compete. Every state no matter how successful has wins and losses, but these case studies offer a unique story about Minnesota and ways to improve our economic development activities, policies and programs.

SAGE Electrochromics: Faribault

Corporate HQ: Faribault, MN

Industry: Windows

Product: Energy efficient window coatings Corporate and Minnesota Employees: 70



Company Description:

SageGlass® electronically tintable glass, for use in building windows and skylights, can be switched from clear to darkly tinted at the click of a button, or programmed to respond to changing sunlight and heat conditions. Energy consumption and costs are reduced significantly.

Project Description:

SAGE's founder developed, over a decade ago, a proprietary product to tint glass through activation of sunlight. A first plant to build product and serve as a research and development center was built in Faribault, but the ultimate goal was to set up a plant for full production. That project was destined to become a \$110 million facility with 160 new jobs. Minnesota – though seen by the founder as the "Silicon Valley of glass" – was nevertheless in stiff competition with a site in upstate New York and several other locations being identified by a national consulting firm that SAGE had hired.

Conclusions:

SAGE is illustrative of capturing major growth of a company that started here, but which could have done its expansion anywhere in the world. If SAGE had not selected Minnesota, the headquarters and research and development probably would have stayed in Faribault, but substantial job creation, investment, and tax base would have gone elsewhere. This was also a highly-sought expansion due to the energy efficiency and renewable energy aspects of the project.

Beyond those factors, the project highlights the value of strong relationships working with all eyes on the prize, and the great value of legislative leadership finding ways to complement the project with incentives to make Minnesota competitive. SAGE's expansion also illustrates that



Minnesota can compete with other locations in the face of strong competitive disadvantage, in this instance extremely low utility rates due to hydroelectric power in the competing location. DEED's Office of Business Development partnered with every possible economic development entity with a stake in Faribault and Rice County to offer any resources that could convince SAGE to invest in Minnesota. Over \$14 million in benefits were offered, including the state's Minnesota Investment Fund, Minnesota Job Skills Partnership program, and JOBZ (with an important addition of a five-year legislative extension at the program's end in 2015.) DEED staff, both in the southeast region and the St. Paul office (as well as the Governor and the Commissioner) devoted hundreds of hours which was matched by city, county, utility, and construction officials.

Hydrocontrols: Red Wing

Corporate HQ: Italy

Minnesota Division: Red Wing

Industry: Manufacturing

Product: hydraulic components

Division Employees: 10



Company Description:

Hydrocontrol has been involved in manufacturing hydraulic components since 1969. It is located in an area of Italy which is renowned, all over the world, for its passion for precision engineering. The Company has grown its market by offering customer specific solutions to mobile machine manufacturers.

Project Description:

Hydrocontrol's American representative, a native of southwestern Minnesota, was asked by the parent company to find a location for a new manufacturing location in the Midwest. His goal was to find a site with available industrial land with reasonable proximity to Minneapolis-St. Paul International Airport, in a rural location, and with strong available workforce. He found Red Wing through a search of MNPRO.com, DEED's property and community website, and contacted the Red Wing Port Authority for more information, which they professionally provided. DEED was called in when the Italian representative came to visit the site and formally meet local officials. The project used JOBZ.

Conclusions:

The site selection process worked seamlessly, with minimal state involvement other than providing the MNPRO tool and JOBZ. Outstanding local development officials are a critical link in representing their communities and linking to companies, in ways that allow the state to participate as needed, but to work on other projects where there is greater need. In these

times of limited funding, HydroControl serves as an excellent example of state and local collaboration in the site selection process, in this case more than many others led primarily by the community.

Xccent:

Corporate HQ: Wyoming, MN (formerly Osceola, WI)

Industry: Manufacturing
Product: Playground systems
Corporate Employees: 250



Company Description:

Xccent is an industry leader in creating and supplying innovative new products and components that are enhancing the best-selling play structures and components nationwide. Xccent's leading playground components include platforms, bridges, stairs, chains, ladders and various other products. In addition to coating products, Xccent provides product customization, metal fabrication, and assembly facilities for full turn-key orders.

Project Description:

The owner, a Minnesotan, desired to move his Wisconsin company back to Minnesota. The company had roots in Minnesota under an earlier incarnation of the business. The potential project was a 100,000 square foot facility, with 100 new jobs. The company was strongly motivated by the stronger workforce pool on the Minnesota side of the river.

Conclusions:

The Xccent expansion represents a number of points about the successful site selection process. To make the project happen, the owner needed financial support in the form of JOBZ, infrastructure grants to complete a county road to the new site in the industrial park in Wyoming, and Minnesota Investment Fund loan assistance for his equipment. The project also illustrates the long life a development project can have; the first discussions at the plant in Osceola, WI occurred in the summer of 2006, with the new Minnesota facility completed in the summer of 2010. Sustained attention to the company's needs, along with the valued local participation of the Chisago County Economic Development Authority, were key elements in that systematic connection to the owner's needs, combined with the willingness of the Governor to make phone calls and participate in company events.



Business Development Case Studies: Projects Minnesota has lost

Deloitte's - Project Breeze (Ingeteam)

Project Name: Project Breeze (Ingeteam)

Corporate HQ: Spain Industry: Wind Energy Product: Electric Motors



Project description:

Deloitte's Global Site Location Team contacted DEED – OBD about a client that was evaluating potential locations for a proposed expansion into the U.S. wind energy market. Project Breeze included \$15 million in construction costs for a 114,000 square foot building with 50 initial employees growing to 275 by 2014. OBD submitted a formal response and provided the company with detailed information. Deloitte brought the company on site tours in states and 76 locations including a 3-hour stop in Minnesota and a tour of the DHY building in Lakeville, MN. The short list cities included Milwaukee, WI & Grand Rapids, MI being the finalist locations. Ingeteam decided on Milwaukee as the location for its first U.S. plant. The following is a list of the business assistance incentives offered by Milwaukee and the state of Wisconsin.

- Among the incentives offered to the company were:
 - \$4.5 million tax credit over 10 years (pays 10 percent of company's payroll)
 - \$500,000 forgivable state loan
 - City loan assistance
 - Land sold for \$2.75 per square feet

Cardio Vascular Soluctions, Inc.

Project Name: Cardiovascular Systems, Inc.

Corporate HQ: Minnesota Industry: Medical Device

Product: Devices to treat cardiac disease



Company Description:

Cardiovascular Systems Inc. (CSI) products address a large and growing economic and clinical need due to over 17 million people suffering from Peripheral Arterial Disease (PAD) and a rapid increase in diabetes, obesity, hypertension and renal insufficiency. CSI is a leader in providing



clinically proven, safe and effective vascular solutions, and their mission is to save limbs and keep patients walking.

Project Description:

A site selection consulting firm contacted DEED – OBD about a client who was evaluating potential locations for a proposed secondary medical device manufacturing facility. The project included \$23 million in costs for a 50,000 square foot facility initially with 100 employees and up to 250 employees making an average salary of \$45,000 per year. OBD submitted a formal response and provided the information requested. Several states were being considered for the facility. Pearland TX ultimately won the expansion and the company received the following is the list of the main business assistance incentives offer by the city and state of Texas. In addition the company signed a long-term lease with significant rate reductions.

- City of Pearland
 - \$3.5 million in cash upon signing the lease
 - \$3 million over 5 years as performance milestones are met
- State of Texas
 - \$600,000 from the Texas Enterprise Fund



<u>Appendix</u>





ANNUAL REPORT 2009



Marketing Minnesota

We've been busy, and it's paying off.

In what will be remembered as a challenging year for the U.S. economy, Minnesota continued to attract jobs and businesses in 2009. More than 70 companies announced expansion projects in the state last year, estimated to bring an estimated 5,000 jobs and \$425 million in private investment to the state. That economic activity led Forbes magazine to rank the Twin Cities one of the top five metro areas coming out of the recession.

While many factors contributed to that success, the Positively Minnesota Marketing Partnership certainly played an important role. The partnership spread the word, inside the state and beyond, that Minnesota is a great place to live and work.

Of course, nothing succeeds like showing visitors firsthand what we have to offer. The highlight of the year was the Industrial Asset Management Council Professional Forum in Minneapolis in mid-September. The event attracted 300 of the leading real estate executives in the country, including corporate relocation specialists and site selection consultants.

We're confident that we're changing perceptions about Minnesota. In addition to visiting local landmarks, participants learned that Minnesota has 21 Fortune 500 companies—more per capita than any state—and some of the country's largest private companies, including Cargill Inc. and is ranked by MarketWatch as the best place for businesses among the 50 largest metropolitan areas in the country.

Positively Minnesota took its message on the road, too, attending WindPower 2009 in Chicago with a delegation of 37 Minnesota companies and groups involved in the wind industry. We reached a record 23,000 visitors at the conference.

We attended BIO 2009 in Atlanta, sponsoring a reception with Manitoba and South Australia, and went to events in cities such as Dallas, Las Vegas, Asheville, N.C., and Louisville, Ky.

We know our efforts are paying off when McQuay International chose Minnesota for a \$52 million applied development center that is employing 70 people in the manufacture of heating, ventilating and air conditioning systems.

Our work led Xccent Inc., based in Osceola, Wis., to begin building a \$4.5 million project that will bring its headquarters to Minnesota. And NuCrane Manufacturing – a partnership between Westinghouse and Hutchinson Technology – announced plans for a manufacturing plant that will build specialty cranes for nuclear power plants, bringing 50 jobs to the community.

By working as a team and attending events around the country, the Positively Minnesota Marketing Partnership is creating a positive image of Minnesota and building relationships that enhance our opportunities for growth.

Thank you for making our efforts possible and contributing **to the ec**onomic vitality of our state.

Positively Minnesota Marketing Executive Committee

Kevin McKinnon – Department of Employment and Economic Development (DEED) Jo Iverson – DEED LaDonna Boyd – Dakota Electric Association

Henry Fischer – St. Cloud Area Economic Development
Partnership

Nancy Norr – Minnesota Power
Mike Humpal – City of Fairmont
Tom Lambrecht – Great River Energy
Julie Luers – HGA Architects and Engineers
Gary Smith – Rochester Area Economic Development Inc.

Mission

The Positively Minnesota Marketing Partnership is an alliance of professionals from around the state who share the goal of promoting Minnesota to real estate executives, site selection consultants and others who influence corporate expansion and relocation decisions.

OBJECTIVE

The primary focus of the group is to develop a marketing strategy that will build awareness about Minnesota and attract new corporate prospects. The group cultivates relationships that can be developed into business recruitment opportunities that will bring jobs and economic growth to the state.

Major Partnership Events in 2009

Corporate Real Estate/Economic Development Events:

- CoreNet Global Midwest Chapter monthly meetings Minneapolis and St. Paul
- CoreNet Global Summits Dallas and Las Vegas
- IAMC Professional Forums Asheville, N.C., and Minneapolis
- Area Development Consultants' Forums Louisville, Ky., and Fort Lauderdale, Fla.
- LiveXchange Fort Myers, Fla.
- 14th Annual Minnesota Development Conference Bloomington

Industry Specific Events:

- BIO 2009 Atlanta
- Medical Design and Manufacturing Minneapolis
- LifeScience Alley Conference and Expo Minneapolis
- Renewable Energy Events:
- WindPower 2009 Chicago



Bioscience Conference, Atlanta 2009



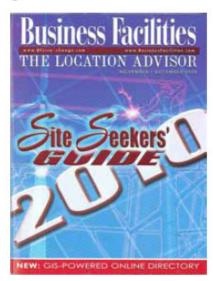
WindPower Conference, Chicago 2009



Governor Tim Pawlenty at IAMC Minneapolis 2009

Partnership Advertising





Initiatives

Shovel Ready:

In 2009, DEED and the Positively Minnesota Marketing Partnership rolled out the Minnesota Shovel Ready Site Certification Program. Shovel ready refers to commercial and industrial sites that have had planning, zoning,



surveying, title work, environmental studies, soils analysis and public infrastructure engineering completed prior to offering the site for sale. The sites are under the legal control of a community or held in partnership with a third party.

At the Minnesota Development Conference in October, the cities of Brainerd, Dayton and Rosemount became the first communities in Minnesota to achieve shovel ready status. Shovel ready sites are more attractive to companies and site selection consultants who are planning business expansions or relocations. The program reduces delivery time and increases the predictability of getting land developed, buildings constructed and operations running. Delivery time is critical to a company, and having certified sites gives a community a distinct competitive advantage.

Other Shovel Ready partners include our consultant Moran, Stahl & Boyer, as well as Briggs & Morgan PA; the cities of Chaska, Maple Grove and St. Cloud; Pope Associates—Architects; HDR Engineering—Environmental; First American Title Insurance Co.; Short Elliott Hendrickson Inc.—Civil; Progressive Railroad; Union Pacific Railroad; Xcel Energy; and Pinnacle Engineering. Our members, of course, assisted in developing the program.

Sales and Marketing:

The partnership organizes and leads personal visits for site selectors and corporate decision makers. Partnership highlights in 2009 included:

- Meeting with more than 30 out-of-state companies to speak about Minnesota's advantages for businesses,
- Adding a feature to Compare Minnesota on the DEED Web site that allows users to compare the Twin Cities to 17 other major metro areas,
- Hosting site selection consultants,
- Visiting headquarters of companies with Minnesota operations.

MNPRO:

The free online database of commercial buildings and land for sale and lease was redesigned and updated in 2009 with assistance from



our members. And more improvements are ahead. DEED has entered into a contract with GIS Planning, the industry leader in site selection database tools, for a system that will replace MNPRO. By partnering with GIS Planning, all Minnesota properties in our state database also will be available on the national site selection tool Zoomprospector.com. With the new system, communities will no longer need to provide information for community profiles. Instead, GIS Planning will provide that data. DEED is also working on a partnership with the Minnesota Commercial Association of Realtors (MNCAR) to have its database of properties serve as a basis for the state system, with individual communities and entities able to add their own properties, as well. Details are still being worked out on this partnership, but the new Minnesota Site Selection Database Tool will launch in 2010.

Communications

DEED unveiled a new Web site in December.

The site is organized based on user needs. The home page features three main tabs – one for job seekers, one for businesses and one for local governments – so that customers can



easily navigate to pages of greatest interest to them.

The new business focused site at www.positivelyminnesota.com/Business replaces an old one that many users found difficult to navigate. The new site is better organized and more visually appealing.

One new feature is a section off the home page devoted to companies and consultants seeking a business location. It allows companies to access detailed information on comparative data, workforce statistics, maps, sites, buildings, industry resources and tax incentive information.

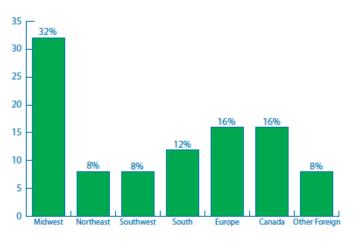
2009 Proposed Business Expansion Projects

Business Prospects

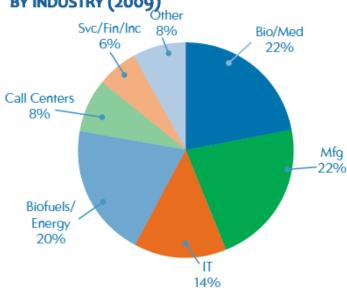
QUALIFIED PROSPECTS FROM OUT OF STATE SUMMARY (2009)

Qualified new prospects	- 50
Proposed private investment -	\$180 milllion
Proposed new jobs	5,457
Proposed space	2.1 million sq. ft.

PROSPECTS FROM OUT OF STATE BY LOCATION (2009)



QUALIFIED PROSPECTS FROM OUT OF STATE BY INDUSTRY (2009)

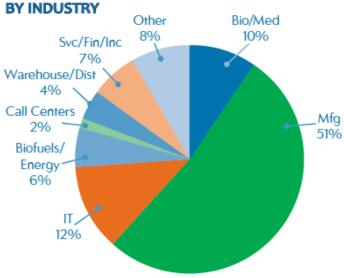


Business Expansions

2009 BUSINESS EXPANSIONS

New projects announced	 74
Proposed private investment —	\$423 milllion
Proposed new jobs	5,213
Proposed space————	4.2 million sq. ft.

2009 ANNOUNCED BUSINESS EXPANSIONS BY INDUSTRY



Major Partnership Activities in 2010

JANUARY		AUGUST	
 CoreNet Global Midwest Chapter Meeting, Minneapolis 	Jan. 12	 CoreNet Global Midwest Chapter Meeting, Minneapolis 	Aug. 10
EDAM Winter Conference,		SEPTEMBER	
Minneapolis	Jan. 21-22	AURP, Minneapolis	Sept. 15-17
FEBRUARY		CoreNet Global Summit, Phoenix	Sept. 19-21
 CoreNet Global Midwest Gala, Minneapolis (Positively Minnesota was the featured sponsor of the month at this event.) 	Feb. 25	15th Annual Minnesota Development Confe Crown Plaza, St. Paul	rence Sept. 29-30
■ Business Development Trip to Japan Feb.	20-March 3	OCTOBER	
MARCH		IAMC Professional Forum, Hot Springs, Va.	Oct. 2-6
 CoreNet Global Midwest Chapter Meeting, Minneapolis 	March 9	Minnesota Manufacturer's Summit, Minnesota	TBD
APRIL		Solar Power Conference,	
CoreNet Global Summit,		Los Angeles	Oct. 12-14
New Orleans IAMC Professional Forum,	April 18-20	 Medical Design & Manufacturing Show, Minneapolis 	Oct. 13-14
Colorado Springs, Colo.	April 24-28	 CoreNet Global Midwest Chapter Meeting, 	Oct. 12
MAY		Minneapolis	OCL. 12
■ BIO 2010 – Minnesota/Manitoba/Wisconsin Chicago	Reception, May 3	NAIOP, Orlando, Fla.	Oct. 26-29
■ BIO 2010 – Minnesota Pavilion,		NOVEMBER	
Chicago	May 3-6	LiveXchange,	
 CoreNet Global Midwest Chapter Meeting, Minneapolis 	May 11	New Orleans CoreNet Global Midwest Chapter Meeting,	Nov. 7-9
■ WindPower 2010, Dallas	May 23-26	Minneapolis	Nov. 9
		DECEMBER	
■ Area Development Consultants Forum, San Francisco	June 6-8	Area Development Consultants Forum, Savannah, Ga.	Dec. 5-7
 CoreNet Global Midwest Chapter Meeting, Minneapolis 	June 8	LifeScience Alley Conference & Expo, Minneapolis	Dec. 8
 Clean Tech Conference and Expo, Anaheim, Calif. 	June 21-25	 CoreNet Global Midwest Chapter Meeting, Minneapolis 	Dec. 14
■ Wind Power Asia, Beijing, China (tentative)	June 23-25		
JULY			
 CoreNet Global Midwest Summer Event, Minneapolis 	TBD		
■ Great Lakes WIND Network Supply Chain W Minneapolis	orkshop,		

Positively Minnesota Partners

Economic Development Entities

Albert Lea Economic Development Agency and Albert Lea Port Authority, www.growalbertlea.com

APEX, www.apexgetsbusiness.com

Development Corporation of Austin, www.austindca.org

BioBusiness Alliance of Minnesota, www.biobusinessalliance.org

City of Blaine, www.ci.blaine.mn.us

City of Brooklyn Park, www.brooklynpark.org

Brainerd Lakes Area Development Corporation, www.bladc.org

City of Burnsville, www.ci.burnsville.mn.us

Carver County Community Development Agency, www.carvercda.org

City of Chaska, www.chaskamn.com

Chisago County HRA-EDA, www.chisagocounty.org

Duluth Seaway Port Authority, www.duluthport.com

East Central Regional Development Commission, www.region7erdc.org

Economic Development Association of Minnesota, www.edam.org

City of Fairmont, www.fairmont.org

GoMinnesota-Fairbault Community Development, www.gominnesota.net

Greater Fargo Moorhead Economic Development Corporation, www.fedc.com

Greater Jobs Inc., www.greaterjobs.org

Iron Range Resources, www.irrrb.org

City of Lakeville, www.ci.lakeville.mn.us

Greater Mankato Growth Inc., www.greatermankato.com

Metropolitan Airports Commission, www.metroairports.org/mac

Minnesota Department of Employment and Economic Development, www.PositivelyMinnesota.com

New Ulm Economic Development Corporation, www.newulm.com

City of North Branch, www.advance2nb.com

The Northspan Group Inc. www.northlandconnection.com

City of Norwood Young America, www.cityofnya.com

Owatonna Partners for Economic Development, www.owatonnadevelopment.com

Pine County Technical College, www.pinetech.edu

Red Wing Port Authority, www.redwingportauthority.org

Rochester Area Economic Development Inc., www.raedi.org

City of Rosemount, www.ci.rosemount.mn.us

St. Cloud Area Economic Development Partnership, www.scapartnership.com

St. Cloud Housing and Redevelopment Authority, www.stcloudhra.com

St. Paul Port Authority, www.sppa.com

Businesses

Go Fish Commercial, www.gofishcommercial.com Grubb & Ellis, Northco Real Estate Services, www.northco.com

Hammel, Green and Abrahamson, www.hga.com

Leo A. Daly, www.leoadaly.com

Short Elliott Hendrickson, www.sehinc.com

Utilities

Alliant Energy, www.alliantenergy.com

Connexus Energy, www.connexusenergy.com

Dakota Electric, www.dakotaelectric.com

Green River Energy, www.greatriverenergy.com

Minnesota Power, www.mnpower.com

Xcel Energy, www.xcelenergy.com

To learn more about Positively Minnesota Marketing Partners, contact Kevin McKinnon, 651-259-7434



Looking Ahead to 2010

We are looking forward to another event-filled year with opportunities to participate in several major conferences around the country and a handful here in Minnesota.

The Great Lakes WIND Network Supply Chain Workshop in July in Minneapolis will help companies understand how to enter the growing wind industry market. For the first time, our representatives will attend the Clean Tech Conference and Expo in Anaheim, Calif.

As a center of wind energy, Minnesota will be well-represented at the American Wind Energy Association's WindPower 2010 in Dallas. And we will be attending BIO 2010 in Chicago.

As in the past, we will continue to be involved in corporate associations such as the CoreNet Global Midwest Chapter. We will attend the organization's global summits this year in New Orleans and Phoenix.

We'll be at the IAMC Professional Forum in Colorado Springs, LiveXchange in New Orleans and the Area Development Consultants Forum in San Francisco and Savannah, Ga.

Closer to home, our members will be attending the Medical Design and Manufacturing Show and LifeScience Alley Conference and Expo. We're also excited that Minneapolis will host the international conference of the Association of University Research Parks (AURP).

In all our events, and in all our materials, we have a primary goal: to move businesses and jobs to Minnesota by creating a unified approach with the help of our nearly 50 partners. The Positively Minnesota Marketing Partnership is helping to unlock economic opportunities for the citizens of our state.

We'd like to offer special thanks to the members of Positively Minnesota who attend our meetings and participate in events around the country. Your hard work is making a difference and enabling our participation in these events.





SUBMITTED TO THE MINNESOTA LEGISLATURI

By the

Minnesota Department of Employment and Economic Development
Minnesota Office of Business Development

Pursuant to Laws of Minnesota 2010 Chapter 342

REPORT ON THE

Fast Action Economic Response Team and At-Risk Expansion and Relocation Plan:

Positioning Minnesota for Future Business Growth

