

JOBZ

MINNESOTA
Job Opportunity Building Zones



***Providing incentives for growth and development of
Minnesota's economy.***

Making a Good Program Better

In a year that saw major changes to the JOBZ program, DEED Commissioner Dan McElroy said it best: “We have made a good program even better.”

The agency, responding to an evaluation by the Office of Legislative Auditor, implemented plans in October to improve administrative oversight of JOBZ, including more timely reviews of whether businesses were meeting commitments for job creation and wages in exchange for tax incentives.

The Legislature also made changes to the program, requiring increased reporting and accountability by participating businesses.

DEED’s review of the initiative produced encouraging results. Agency officials found that the vast majority of businesses that participated in JOBZ since its inception – 315 businesses as of January 2009 – were in full compliance with program standards and have created thousands of new jobs in the state.

In 57 cases, however, the agency had to terminate benefits because the businesses could not fulfill their commitments to job creation. The agency also found that the economic crisis is affecting some businesses that previously were in compliance with the program. DEED officials may ask the Legislature for extensions that will give those businesses extra time to achieve their job goals.

Still, the Legislative Auditor concluded that the program has value as an economic development tool, saying the initiative has succeeded in attracting some out-of-state businesses to Greater Minnesota and in keeping existing businesses from leaving the state.

Success stories from the past year include Finland-based Moventas, which announced plans in September to build a factory in Faribault that will produce gear boxes for wind turbines. The factory will bring 100 jobs to the city in the beginning and perhaps more later. In Red Wing, Italy-based Hydrocontrol announced last summer that it would open a factory on a JOBZ site that will create 10 jobs in the city.

These kinds of stories illustrate how JOBZ is fueling economic growth in communities around the state. Among the program’s highlights:

- Businesses participating in JOBZ committed to creating 4,264 full-time jobs. But many of those firms have exceeded their goals, creating 6,108 full-time positions in the first five years of the program.
- The jobs pay better than anyone expected, with 40 percent offering salaries of at least \$15 an hour.
- The total annual payroll for the new positions is estimated to exceed \$210 million.

Legislature and DEED Strengthen JOBZ

Legislative changes

- The state auditor and legislative auditor have access to tax and jobs data to assist in compliance reviews.
- JOBZ businesses must certify compliance and provide documentation of state and local tax benefits to the Department of Revenue annually.
- Business Subsidy Agreements can only be amended with DEED’s approval under specified circumstances.
- Clarification was made on when benefits can be “clawed back” from a business that is out-of-compliance, and businesses substantially operating but falling short of goals can remain in the program with reduced duration of benefits.

DEED administrative changes

- DEED implemented statewide criteria to review and score all JOBZ applications:
 - ▶ Does the business need JOBZ for its project to go forward?
 - ▶ Do the benefits to the state exceed the cost of providing JOBZ, and at what ratio?
 - ▶ Would other assistance be more appropriate?
 - ▶ Are there local or regional competitors that would be injured by offering JOBZ to another business?
 - ▶ How does the project score when weighing the number and wages of jobs, the state’s return on the investment in JOBZ, and the level of community distress (population loss, unemployment rate, household income)?
- DEED now requires and executes a standardized Business Subsidy Agreement.
- DEED has increased the timeliness of its JOBZ compliance monitoring.

Looking at JOBZ from a broader perspective, the program has directly or indirectly created more than 15,400 new jobs in Minnesota at an average salary of \$29,000. That’s because for every job directly created by JOBZ, another 1.5 jobs were created elsewhere by suppliers and by workers spending more money in the local economy.

JOBZ businesses have received \$76.8 million in tax benefits since the inception of the program, but 38 percent of that amount was sales tax on construction materials, which is a one-time benefit received during the building phase.

In challenging times like these, programs like JOBZ are vitally important. Thanks to improvements that have made a good program better, JOBZ is

bringing a renewed sense of hope and enthusiasm to rural Minnesota.

Program Performance

JOBZ Region	FT (New) Goals	Cumulative		Average Wage	2007 Estimated Non-Property Tax Benefits (millions) ¹	2007 Estimated Property Tax Benefits (millions) ²
		Average Wage	FT (New) Actuals			
Land of the Dancing Sky	109	\$10.80	130	\$14.62	\$0.3	\$0.1
Northeast	188	\$10.73	242	\$16.14	\$1.1	\$0.1
West Central	657	\$10.82	892	\$15.83	\$5.5	\$0.7
Region 5	416	\$12.27	628	\$16.82	\$1.1	\$0.7
Region 7E	420	\$20.24	378	\$29.34	\$1.0	\$0.3
Southwest	977	\$10.18	1,730	\$14.14	\$6.0	\$1.7
South MN JOBZ Alliance	601	\$11.77	659	\$15.85	\$3.2	\$1.1
Positively Southern MN	750	\$11.76	1,288	\$13.68	\$6.3	\$0.8
Combined Regions ³	146	\$10.59	161	\$13.89	\$0.9	\$0.3
Statewide	4,264	\$12.03	6,108	\$15.79	\$25.4	\$5.8

Note: The tax benefit information is based on data reported to the Minnesota Department of Revenue by 331 businesses on Schedule JOBZ and Form M500.

Note: There were 4,270 full-time retained jobs reported with an average hourly wage of \$17.43.

FT (New) = A new full-time job is defined as a permanent, non-seasonal position that is scheduled to work an average of at least 35 hours per week and was created subsequent to the agreement date.

¹ Includes local sales tax and estimated tax benefits for JOBZ businesses.

² Includes state and local property tax exemptions. State and local property tax exemptions are not actual revenue decreases, rather levy amounts shifted onto all other property.

³ Tax benefit information has been combined for two zones: Headwaters and Upper Minnesota Valley (Region 6W)

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

Note: Estimated non-property and property tax benefits are preliminary estimates as of February 2009.

Generating Jobs in Red Wing

Red Wing, a city of 16,000 people about an hour south of the Twin Cities, has plenty going for it – the Mississippi River, scenic tree-covered bluffs and a bustling downtown business district.

But like many small towns, the community has little in the way of economic development incentives to attract new employers or to keep existing companies from leaving. That's where JOBZ comes in.

"It's been everything for Red Wing. JOBZ is one of our biggest tools," said Shari Chorney, business development director for the Red Wing Port Authority.

Chorney said JOBZ has been involved with seven projects in Red Wing in recent years, saving hundreds of jobs that might not otherwise exist today.

The most prominent example is Capital Safety, which makes fall-protection equipment for the construction industry. Back in 2005, the company was thinking about leaving town to expand its manufacturing operations in Canada. But thanks to tax benefits offered under JOBZ, the company was able to purchase the former Jostens Inc. building in the city and refit the structure for its manufacturing needs. Some 400 people work at the facility today.

Chorney cites Hydrocontrol Inc. as the city's latest JOBZ success story. Hydrocontrol, an Italy-based company that makes hydraulic components for heavy-equipment manufacturers

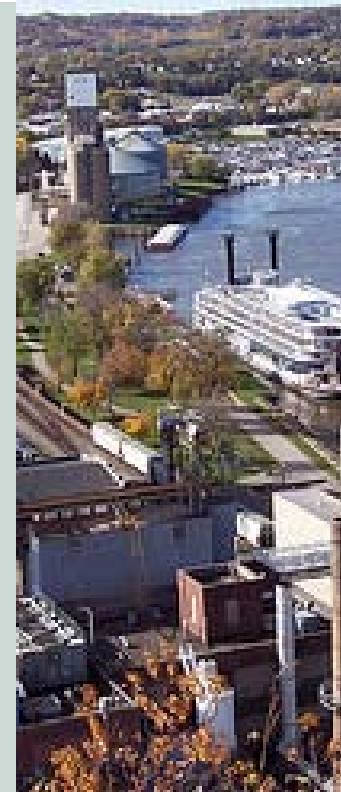
such as John Deere and Caterpillar, announced plans last summer to build its first North American plant in Red Wing.

Many factors played into the selection of Red Wing, including its proximity to the Twin Cities and the fact that company executives fell in love with the little river town when they came for a visit, according to Chorney.

But it was JOBZ that helped seal the deal, providing Hydrocontrol with tax incentives for building its 18,000-square-foot facility on a 3.42-acre site in the River Bluffs Development Park. Construction on the building is under way and is expected to be completed in April 2009.

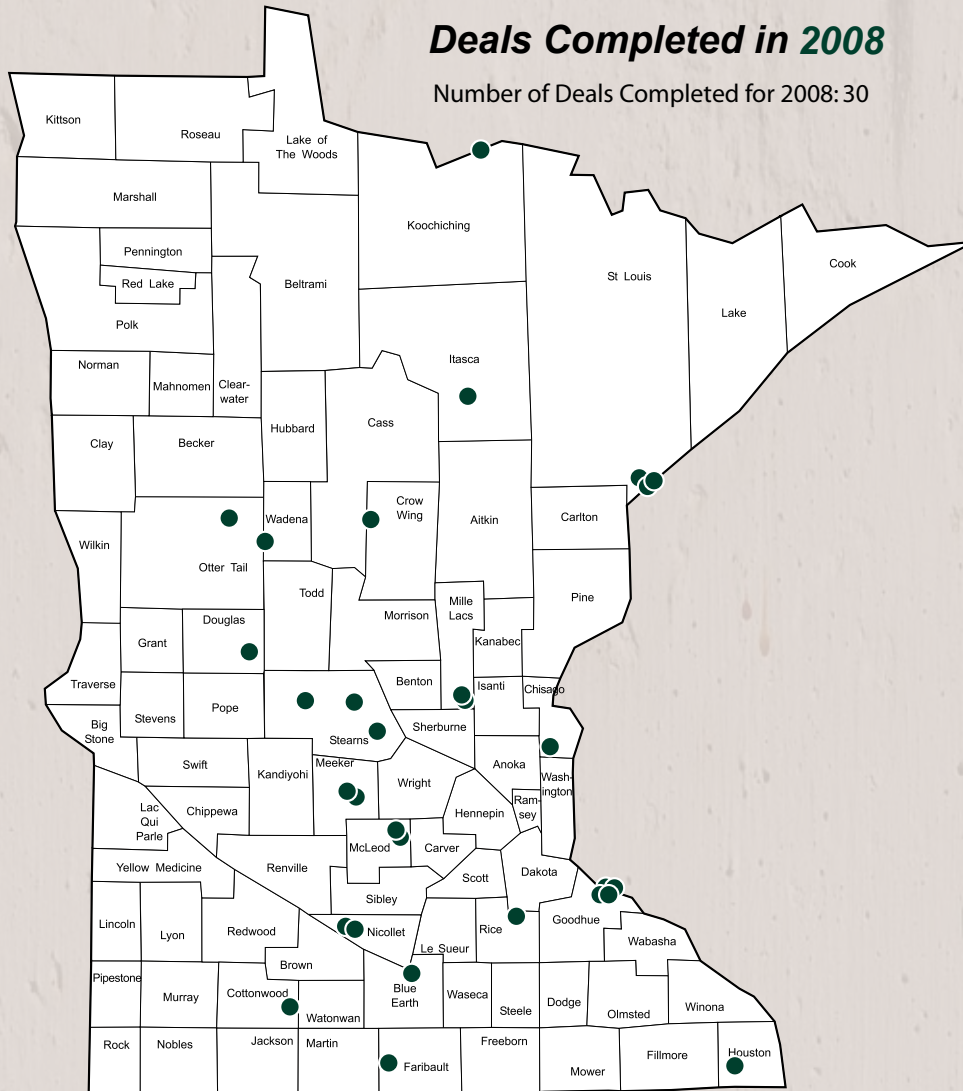
The company has committed to hiring 10 people to start, paying at least \$13.50 an hour plus benefits. If all goes according to plan, officials hope to hire more people later and increase production. The plant is being built with room for expansion.

Chorney said local officials won't hesitate to use JOBZ in the future because it has been such an effective business and jobs development tool in the city. As the local paper opined last year, "JOBZ has been good to Red Wing."



Deals Completed in 2008

Number of Deals Completed for 2008: 30



The JOBZ Formula

Six years after Gov. Tim Pawlenty unveiled JOBZ, the program is proving to be more important than ever in Minnesota. During these challenging economic times, JOBZ gives Minnesota an important edge by attracting new companies and helping existing firms to expand.

There is nothing complicated about JOBZ. Indeed, the beauty of the program is its simplicity. By offering tax incentives to companies that meet certain criteria, the state makes it easier for firms to bring more jobs to Minnesota and to create new ones.

Program exemptions that influence companies to locate or expand in Minnesota include:

- 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.

The legacy of JOBZ can be seen all across Greater Minnesota, from Suzlon Rotor Corp. in Pipestone to North Central Door Co. in Bemidji. JOBZ gets results. The program is bringing new business investment to the state and restoring confidence in rural Minnesota.