Job Growth Task Force Update
Agenda

- Job Growth Taskforce Overview
  - Regional Economic Development
  - Innovation and Entrepreneurship
  - Q&A Session
Taskforce Objective

To develop strategies and policies to promote the retention, creation, and attraction of quality jobs in the Twin Cities Region.
Job Growth Task Force

Co-Chairs:
- Ken Powell
- Marilyn Carlson Nelson

From the Business Community:
- Doug Baker
- Andy Bessette
- Jon Campbell
- Jennie Carlson
- Mark Eustis
- Kathee Tesija
- Michael Gorman
- Steve Hemsley
- Randy Hogan
- Dave Mortenson
- Glenn Nelson
- Russ Nelson
- Chris O’Connell
- Cathy Schmidt
- Gary Stern
- Jean Taylor
- Kathy Tunheim
- General Mills
- Ecolab
- The Travelers Companies
- Wells Fargo
- US Bancorp
- Fairview Health Services
- Target
- Split Rock Partners
- United Health
- Pentair
- Mortenson Construction
- GDN Holdings
- Neslon, Tietz & Hoye
- Medtronic
- Stahl Construction
- Federal Reserve (retired)
- Taylor Corporation
- Tunheim Partners
Job Growth Task Force

From the Higher Education Community
Bob Bruininks         University of Minnesota
Jim McCormick         MNSCU

From the Non-Profit/Business Organization Community
Yvonne Cheung Ho      MEDA
Carleen Rhodes        St. Paul Foundation
Hussein Samatar       African American Development Assoc

From the Regional Council of Mayors
Elizabeth Kautz       Mayor, City of Burnsville
Stan Harpstead        Mayor, Arden Hills

Job Growth Project Team
McKinsey & Company
Kathy Schmidtkofer    General Mills
The Good News

- History of Economic Prosperity
- Large and Diverse Private Sector
- Highly Educated Workforce
- Top Tier Research Institutions
- Outstanding Quality of Life
Call to Action

Difference between Twin Cities employment growth and U.S. employment growth

Job growth has significantly declined relative to the U.S.

13-year moving average difference between Twin Cities and the U.S. using the given year and the previous two years
Our business rankings have worsened

### Forbes Best Places for Business and Careers

<table>
<thead>
<tr>
<th>City</th>
<th>2003 Rank</th>
<th>2008 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austin</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Raleigh-Durham</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>MSP</td>
<td><strong>20</strong></td>
<td><strong>71</strong></td>
</tr>
<tr>
<td>Columbus</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Denver</td>
<td>34</td>
<td>14</td>
</tr>
<tr>
<td>Sacramento</td>
<td>36</td>
<td>119</td>
</tr>
<tr>
<td>Seattle</td>
<td>89</td>
<td>17</td>
</tr>
<tr>
<td>Chicago</td>
<td>100</td>
<td>71</td>
</tr>
</tbody>
</table>

### Milken Best-Performing Cities

<table>
<thead>
<tr>
<th>City</th>
<th>2003 Rank</th>
<th>2008 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raleigh-Durham</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Sacramento</td>
<td>15</td>
<td>58</td>
</tr>
<tr>
<td>Austin</td>
<td>59</td>
<td>4</td>
</tr>
<tr>
<td>Denver</td>
<td>89</td>
<td>44</td>
</tr>
<tr>
<td>MSP</td>
<td><strong>99</strong></td>
<td><strong>137</strong></td>
</tr>
<tr>
<td>Columbus</td>
<td>10</td>
<td>135</td>
</tr>
<tr>
<td>Seattle</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Chicago</td>
<td>14</td>
<td>160</td>
</tr>
</tbody>
</table>

(MSP stands for Minneapolis-St. Paul)
Developed a set of strategies and policies to attract, retain, and create jobs in the Twin Cities region.

1. Identified Best Practices
   - Conducted 40+ external expert interviews including economic development professionals, site selectors and economists
   - Incorporated best practice literature

2. Assessed Regional Capabilities
   - Interviewed 50+ local stakeholder groups including local companies, universities, local non-profit and public sector organizations
   - Mapped organizational priorities

3. Conducted Benchmarking Analysis
   - Benchmarked Twin Cities against peer metro regions on numerous job growth metrics
   - Performed gap analysis to identify key focus areas
Minnesota’s corporate tax is third highest in the nation at 9.8%
MN ranks 41st in overall tax climate
Minnesota’s unionization rate is at 15.9 percent relative to 12.5 nationally

Ranked #1 on Sperling’s best places, #2 on Forbes Best U.S. Cities to earn a living, and #2 in Next Cities: Hotspots for young, talented workers

36.8% of Twin Cities residents have a bachelor’s degree relative to 27.5% nationally

MSP average commute time of 24 minutes is at the US average and average commute time via public transportation is better than US average
Broadband penetration of 56% is middle of the road relative to peers

Ranks 22nd in number of entrepreneurs per thousand residents
At 26 deals venture deals in 2007, MSP lags top innovation hubs
## Twin Cities Assessment

<table>
<thead>
<tr>
<th>Process Levers</th>
<th>Assessment</th>
<th>Supporting Facts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unified Regional Vision</td>
<td></td>
<td>• Currently various economic development entities operate with varying visions&lt;br&gt;• ED pursued at a sub-regional level</td>
</tr>
<tr>
<td>Central ED Governance</td>
<td></td>
<td>• Currently, ED entities operate largely autonomously&lt;br&gt;• Sub-regions within MSP often compete for business rather than coordinating efforts</td>
</tr>
<tr>
<td>Marketing Campaign</td>
<td><img src="image" alt="Yellow Circle" /></td>
<td>• Limited outreach efforts on regional basis, with most outreach coming from city entities such as Capital City Partnership&lt;br&gt;• <em>More to Life</em> and <em>Positively Minnesota</em> efforts</td>
</tr>
<tr>
<td>Sector focus</td>
<td><img src="image" alt="Yellow Circle" /></td>
<td>• Historically limited coordinated cluster efforts but some current activities underway (e.g., RCM, Humphrey Institute)</td>
</tr>
</tbody>
</table>
“Cost of Doing Business” Is Not Competitive

Initial findings

- Minnesota’s corporate tax rate of 9.8% is third highest in the country; sales tax and personal income tax are also significantly higher than US average
- Minnesota ranks poorly on variety of business climate indices, e.g.,
  - Tax Foundation Business Climate: 41 of 50
  - Milken Institute Cost of Doing Business Index: 43 out of 50
  - Council of State Taxation Ratio of tax benefit to tax burden: 46 of 50
- Minnesota ranks 30th (of 50) on Regularly Environment by Forbes’ “Best states for doing business“ rankings
- Minnesota has the most stringent health insurance mandates in the country
- Twin Cities has the 8th highest labor cost (out of 381 cities)
- 15.9% of workers are in unions, above 12.5% national avg.
- Wages for low skilled workers in the Twin Cities are 6% higher than peer regions
Identified Two Impactful Strategies

Regional Economic Development Strategy:
- Develop regional economic development capabilities

Innovation and Entrepreneurship:
- Support strategies that stimulate entrepreneurship and small business growth
Agenda

- Job Growth Taskforce Overview

- **Regional Economic Development**

- Innovation and Entrepreneurship

- Q&A Session
Why Focus on Developing Regional Economic Development Capabilities?
## The Twin Cities Lack a Coordinated Business Development Effort

### Regarding Business Outreach

- “The region has not developed a clear brand image for itself. I get piles of marketing materials every week and I get nothing on the Twin Cities”
- “Nobody is reaching out to us because the organizations are understaffed”
- “The region needs to communicate to dispel the image that the Twin Cities is hostile to business”

### Regarding Execution

- “The Twin Cities is the only major urban area with no regional economic development effort”
- “I am unable to remember a time when the Twin Cities was picked for a project”
- “There is no clear inventory of the assets the region has regarding economic development”

Source: Site Selector Interviews
Best Practice Regions Focus on Regional Economic Development

Regional ED entity
Best practice

NOT EXHAUSTIVE
# Best Practice ED Organizations Perform Numerous Functions

<table>
<thead>
<tr>
<th>Economic development organization activities</th>
<th></th>
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</thead>
</table>
| **Strategic Vision** | - Set *regional strategic vision* for economic development  
- Include *long-term prioritization* of resources |
| **Attraction Services** | - Main contact for *site consultants* / relocating businesses  
- Provide *one-stop-shop* for regional data, permit processes, real estate |
| **Retention Services** | - Conduct *local business check-ups* and solve company specific problems  
- Serve as *project manager* for local business expansions |
| **Regional Marketing** | - Market region to *external* site consultants, companies, etc  
- Market *regional vision internally* to align regional stakeholders |
| **Entrepreneur Facilitation** | - Advise on *new business issues* and guide startups to resources  
- Facilitate programs to *commercialize innovative ideas* |
| **Civic Development** | - Focus on improving environmental levers (e.g., education, infrastructure) |
| **Advocacy** | - Lobby *government* to improve environmental levers |
| **Business Incentives** | - Offer *economic incentives* / funding to attract, retain and create local businesses |
Options for Regional Economic Development

1. Repurpose and / or Merge Existing Organizations
   - Leverages existing economic development organizations (via merger, repurposing)
   - Requires expanding geographic and/or functional scope

2. Create Affiliation/ JV Between Existing Organizations
   - Leverages existing economic development organizations, but does not require as drastic alteration of existing organizations

3. Initiate New Organization
   - Create a new organization with regional economic development mandate
   - Would work with existing organizations, but be a separate entity
Next Steps

- Job Task Force to stay involved in order to catalyze regional capabilities
- Engage key community stakeholders in regionalism discussions
- Set implementation timeline
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Why Focus on Strategies that Stimulate Entrepreneurship and Small Business Growth?
Minnesota’s Small Employers Account for Majority of Job Growth

Total employment in Minnesota, employment growth by enterprise size¹
Percent, 2003-2006

<table>
<thead>
<tr>
<th>Enterprise Size</th>
<th>Percent of Employment</th>
<th>Percent of Employment Growth²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>17%</td>
<td>76%</td>
</tr>
<tr>
<td>Medium</td>
<td>34%</td>
<td>21%</td>
</tr>
<tr>
<td>Large</td>
<td>49%</td>
<td>2%</td>
</tr>
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Percent of employment growth, U.S.
Percent, 2003-2006

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¹ U.S. Census size data only available at the state level from 2003-2006
² In an average year, businesses that end the year with less than 20 employees account for 76% of the growth in that year from 2003-2006

SOURCE: U.S. Census Statistics of U.S. Businesses; McKinsey analysis
## The Twin Cities Lag Peer Regions

### Key factors of success

<table>
<thead>
<tr>
<th>Key Drivers of Innovation</th>
<th>MSP Situation</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key Drivers of Innovation</strong></td>
<td><strong>Entrepreneurial Culture</strong></td>
<td><strong>Capital Availability</strong></td>
</tr>
<tr>
<td></td>
<td>2. Encourage small business starts</td>
<td>2. Encourage funding of innovative projects</td>
</tr>
<tr>
<td></td>
<td>3. Nurture networking</td>
<td></td>
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Three Priority Initiatives Have Emerged

Key components

Angel Tax Incentives
- Advocate for a competitive state-level Angel tax credit to incent investors and keep MN competitive with neighboring regions

MN Business Bridge
- Formalize a patronage system to spur growth of small and medium size businesses
  - Pilot a large and small business bridge in one industry (e.g. technology services)
  - Prepare launch of full-scale business bridge

University – Business Community Collaboration
- Improve entrepreneurial focus of technology transfer
- Provide early-stage support for entrepreneurs
- Increase business participation in student business plan competition
Closing Remarks

- Concluded analysis and assessment phase

- Entering into implementation – Task Force dividing into committees

- External communication begins

- Align and coordinate with other key initiatives: e.g. Brooking’s work, RCP
Agenda

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<td><strong>Austin</strong></td>
</tr>
<tr>
<td>• Sector Focus – medical technology, clean energy, semiconductors</td>
</tr>
<tr>
<td>• Created 124,200 jobs</td>
</tr>
<tr>
<td>• GDP Grew $5.7B</td>
</tr>
<tr>
<td>• Attracted 144 out-of-state corporations</td>
</tr>
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</table>
## Minnesota Lacks an Angel Tax Credit

<table>
<thead>
<tr>
<th></th>
<th>Minnesota</th>
<th>Wisconsin</th>
<th>Iowa</th>
<th>North Dakota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angel program¹</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Tax credit Percent</td>
<td>N/A</td>
<td>25</td>
<td>20</td>
<td>45</td>
</tr>
<tr>
<td>Maximum aggregate per year $ Millions</td>
<td>N/A</td>
<td>18.25</td>
<td>3-10</td>
<td>3.5</td>
</tr>
</tbody>
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- **Timeline for action is fast**
  - 2/4/10 House in session
  - 2/9/10 Angel investor bills on the agenda for discussion
- **Many groups are already advocating for the credit**
  - Bio Business alliance
  - DEED
  - Life Science Alley
  - MHTA
  - RAIN Source Capital
  - Twin Cities Angels
  - University of Minnesota
- **Itasca could provide private sector support to drive legislation**

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¹ 2009

**SOURCE:** DEED
A Business Bridge Would be a Link Between Large and Small Businesses in the Region

**Large businesses**
- Commit to grow spending in local small businesses by 1-2% of total spending
- Share needs with intermediary organization or search for information through a website portal

**Intermediary**
- Facilitate link between large and small businesses
- Centralize information for both large and small businesses
- Set and track key performance indicators (e.g., jobs created, growth of small business revenues, number of large businesses participating)

**Small businesses**
- Present services and products through website portal
- Seek out ways to meet large companies’ needs by adapting products and services
A Business Bridge Could Fuel Small Business Growth

**Patronage system benefits**

**Small Businesses Benefits**
- Increase revenue and credibility for small businesses
- Provide mentorship and scaling opportunities for small businesses

**Large Businesses Benefits**
- Provide public relations advantage to large businesses
- Offers transparency into new and economically competitive solutions for large businesses
University-Business Community Collaboration Could Stimulate Entrepreneurship

Key collaboration areas

Potential actions (some already in progress)

- **A** Technology Transfer
  - Explore structuring researcher incentives to encourage research with market potential
  - Build ongoing relationships with investors to help drive spin-offs

- **B** Early-Stage Entrepreneurial Support
  - Explore range of options (from a University entity to a private group) to support early-stage entrepreneurs

- **C** Student Business Plan Competition
  - Cultivate entrepreneurial spirit and networks by encouraging more local business involvement in the student business plan competition