Regional Economic Development Entity
Agenda

• Itasca Job Growth Overview

• REDE Discussion
Itasca Introduction

What is Itasca?
An employer-led alliance to drive regional efforts to keep the Twin Cities’ economy and quality of life competitive with other regions

Who is Itasca?
50-plus cross-sector community leaders
• Primarily private sector CEOs
• Handful of public sector leaders: the Governor, the Mayors of Minneapolis and St. Paul, Chair of the Met Council, the leaders of the University of Minnesota and MNSCU
• Leaders of major foundations and United Way
Advancing a comprehensive and aligned transportation system

Generating quality job growth

Itasca Project Goals for Twin Cities region
- Raise economic competitiveness and quality of life
- Reduce and eliminate disparities

Improving our region’s education system

Itasca Project Priorities
Job Growth Task Force

**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  General Mills
Marilyn Carlson Nelson  Carlson

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

## From the Higher Education Community

<table>
<thead>
<tr>
<th>Name</th>
<th>Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karen Himle</td>
<td>University of Minnesota</td>
</tr>
<tr>
<td>Jim McCormick</td>
<td>MNSCU</td>
</tr>
</tbody>
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## From the Non-Profit/Business Organization Community

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Yvonne Cheung Ho</td>
<td>MEDA</td>
</tr>
<tr>
<td>Carleen Rhodes</td>
<td>St. Paul Foundation</td>
</tr>
<tr>
<td>Hussein Samatar</td>
<td>African American Development Assoc</td>
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## From the Regional Council of Mayors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position/Location</th>
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<tr>
<td>Elizabeth Kautz</td>
<td>Mayor, City of Burnsville</td>
</tr>
<tr>
<td>Stan Harpstead</td>
<td>Mayor, City of Arden Hills</td>
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## Job Growth Project Team

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Allison Barman, Leslie Holman</td>
<td>McKinsey &amp; Company</td>
</tr>
<tr>
<td>Kathy Schmidlkofer</td>
<td>General Mills</td>
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A self-assessment of key factors driving job growth identified a clear area of opportunity – improving process levers

<table>
<thead>
<tr>
<th>Job growth factors</th>
<th>Assessment</th>
<th>Supporting Facts</th>
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</table>
| Cost of doing business           | Red        | - 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% relative to 12.5% nationally |
| Quality of life                  | Green      | - 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 |
| Human capital                    | Green      | - 36.8% of Twin Cities residents have a bachelor’s degree relative to 27.5% nationally                                                             |
| Infrastructure                   | Yellow     | - 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 |
| Innovation and start-up activity | Yellow     | - Ranks 22nd in number of entrepreneurs per thousand residents  
- At 26 deals venture deals in 2007, MSP lags top innovation hubs |

<table>
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<tr>
<th>Process Levers</th>
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</table>
| Strategic vision                  | Red        | - Currently, various economic development entities operate with varying visions  
- ED pursued at a sub-regional level  
- Historically limited coordination of sector focus |
| Retention and expansion efforts   | Yellow     | - Grow MN coordinates visits with local chambers  
- Partnership between DEED and Grow MN |
| Attraction efforts                | Red        | - Sub-regions within MSP often compete for business rather than coordinating efforts                                                             |
| Marketing efforts                 | Red        | - Limited outreach efforts on regional basis, with most outreach coming from city entities such as the Capital City Partnership |
Where those findings led us: Job Growth Initiatives

**Objective: Fuel Quality Job Growth**

<table>
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<tr>
<th>Create new companies and start-ups</th>
<th>Retain, expand, and attract existing companies</th>
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### Key Itasca Initiatives

- **Support and enhance the productivity of the region’s entrepreneurship ecosystem**
  - Establish a **Business Bridge**
  - Institutionalize working relationships between the **University of Minnesota** and the **Private Sector**

- **Launch a Regional Economic Development Entity (REDE)**
  - Public and private partnership
  - Scope of Activities:
    - Region’s ED vision and strategy
    - Branding and marketing
    - Retention and expansion
    - Attraction

### Rationale

- Region’s entrepreneurial activity slowing in recent years
- Prominent and critical gaps in funding availability, entrepreneurship culture, and regulations
- Opportunity to bundle and promote core assets
- Other regions are aggressively competing for jobs, while Twin Cities frequently not in consideration set
Regional Economic Development Discussion
External interviews confirm that an opportunity for coordinated economic development efforts exists in the Twin Cities

Site Selection Consultants say . . .

You probably have lost a significant amount of corporate prospects due to a lack of a regional agency.

The Twin Cities stands out in this country like a sore thumb for not having a regional program.

I can’t even remember the last time the Twin Cities was on the radar.

Local Business Leaders say . . .

When Iowa wants to steal somebody, it’s easy. They get their governor on the phone and have the coordinated resources to do whatever it takes. We don’t have that.

Minnesota gets dominated by almost every other state because we have no one hit team, one organization, in economic development. Nothing’s coordinated, it’s a mess . . .

There isn’t one common voice (public or private) that speaks to job creation or owns it.
Action can not be delayed as many of our competitors are actively and successfully pursuing regional economic development efforts.

3-year organization results
- Direct expansions and relocations: 42
- **Primary jobs created**: 4,200
- Secondary jobs: 8,000
- Economic impact: $1.4B

5-year organization results
- Corporate relocations: 197
- Corporate expansions: 360
- **Direct jobs created**: 39,390
- Direct capital investment: $6.2B

2009 Performance results
- Projects with companies of significance: 23
- Payroll increases: $130M
- **Primary jobs created in 2009**: 3,450

5-year regional results
- Corporate relocations: 144
- **New jobs**: 124,200
- Payroll increase: $5.7B

3-year regional results
- Direct expansions and relocations: 105
- **Direct jobs retained**: 16,170
- **Direct jobs created**: 10,290
- Direct capital investment: $2.2B

5-year regional results
- Corporate relocations: 197
- Corporate expansions: 360
- **Direct jobs created**: 39,390
- Direct capital investment: $6.2B

New jobs: 110,000
Launch a Regional Economic Development Entity (REDE) whose high-level mission is focused on driving job growth in the Twin Cities Region

**Description**

*REDE is a nonpartisan organization dedicated to sustainable, quality job creation in the 13-county Minneapolis-St. Paul MSA region which is the result of a public-private partnership*

## Primary REDE Activities

<table>
<thead>
<tr>
<th>Set strategic regional vision</th>
<th>Brand and market the region</th>
<th>Retain current businesses</th>
<th>Attract &amp; expand businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Develop the regional strategic vision for economic development</td>
<td>- Create regional brand to reflect strategic vision</td>
<td>- Conduct local business check-ups and solve company specific problems</td>
<td>- Serve as main contact for site consultants</td>
</tr>
<tr>
<td>- Define the tactical economic development agenda to guide resource prioritization</td>
<td>- Market the region's vision and brand internally to align regional stakeholders</td>
<td>- Connect businesses to, and raise awareness of, state and local resources</td>
<td>- Provide one-stop shop for regional data, permit processes, real estate information, etc.</td>
</tr>
<tr>
<td></td>
<td>- Market the region to external site consultants, companies, and potential employers</td>
<td></td>
<td>- Serve as project manager for local expansions and new attraction efforts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Connect businesses with local resources and incentive programs</td>
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</tbody>
</table>

**REDE Led**

**Partner with Grow MN**

12
REDE success will rely upon strong governance bodies, a robust investor base, and tight working relationships with other area EDOs

Roles of REDE stakeholders

- **Investors (Unlimited)**
- **Board of Directors (40-50)**
- **Executive Committee (12)**
- **CEO**
- **REDE Staff**

**Partner Advisory Council**
Economic development practitioners
(e.g. cities, counties, chambers, workforce boards, SBDC’s)

*Representation will 70/30 private/public in line with investment mix*
The REDE organization structure at full capacity

REDE staff: 20
Annual operating budget: $4.0M

- VP Development Services – Retain
- VP Development Services – Expand
- Project Manager – Expand
- Admin Assistant

- SVP Business Investment
  - VP Development Services – Attract
  - Project Manager – Attract
  - VP Research
  - Research Analyst
  - Admin Assistant

- SVP – Branding and Marketing
  - VP Communications and PR
  - Marketing Coordinator
  - Marketing Research Analyst

- SVP - Operations and Finance
  - Investor Relations Director
  - Accounting / Finance Director
  - IT Director and Web Manager

SOURCE: Best practice region budgets, annual reports, and IRS 990s – 2007-2009; expert interviews
REDE will deliver value to public sector investors

REDE to deliver value through:

▪ **Increasing the value of existing commercial properties** and/or support **development of new commercial properties as** more businesses expand and move to the Twin Cities Region

▪ **Increasing the value of existing residential properties** and/or drive **construction of new residential properties** to meet the needs of a growing workforce in the Twin Cities Region

▪ **Increasing population** leading to increased vehicle registrations and future construction needs

▪ Building a positive regional brand image, which will translate into **positive municipal brand images**
To be successful REDE requires support from stakeholders

- Engagement from community leaders to act as ambassadors of the region to existing and new business leaders
- Involvement to shape and execute a cohesive strategy for the region
- Funding to support the realization of the REDE mission

Successful REDE

Time

Talent

Resources
REDE funding and operations will be staged over three horizons

<table>
<thead>
<tr>
<th>Funding requirements</th>
<th>Seed Funding (6 mo)</th>
<th>Ramp-up funding (yr 1-2)</th>
<th>Run-rate funding (yr 3+)</th>
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</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>75</td>
<td>1,800</td>
<td>2,700</td>
</tr>
<tr>
<td>Programming/Marketing</td>
<td>0</td>
<td>500</td>
<td>775</td>
</tr>
<tr>
<td>Operations</td>
<td>125</td>
<td>275</td>
<td>275</td>
</tr>
<tr>
<td>Professional Services</td>
<td>200</td>
<td>200</td>
<td>250</td>
</tr>
<tr>
<td>Start-up</td>
<td>200</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>600</strong></td>
<td><strong>2,775</strong></td>
<td><strong>4,000</strong></td>
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*Note: Budget reflects reduced head count and operating expense synergies*
Public funding tiers are based on population bands

<table>
<thead>
<tr>
<th>Population tier</th>
<th>Investment amount</th>
<th>Cities</th>
<th>Investment amount</th>
<th>Counties</th>
</tr>
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<tbody>
<tr>
<td>300,000+</td>
<td>150,000</td>
<td></td>
<td>650,000+</td>
<td>150,000</td>
</tr>
<tr>
<td>250,000-300,000</td>
<td>125,000</td>
<td></td>
<td>500,000-650,000</td>
<td>125,000</td>
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<td>75,000-150,000</td>
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<tr>
<td>20,000-50,000</td>
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<td>Up to 75,000</td>
<td>10,000</td>
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<tr>
<td>Up to 20,000</td>
<td>5,000</td>
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Total number of counties 13, Total number of cities with population >20,000 41, Total number of cities with populations <20,000 241
Conclusion

- The Twin Cities has many assets, however we must define and pursue a deliberate course of action to maintain our region’s competitiveness and high quality of life.

- A Regional Economic Development Entity (REDE) will bring a coordinated approach to retention, expansion and attraction of businesses to the region resulting in accelerated job growth.

- To be successful, the REDE will require commitment and support from both public and private partners throughout the Twin Cities Region.

- How can you help? Champion the REDE!