

# Employment and Economic Development

# Projects Summary

(\$ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2016	2018	2020	2016	2018	2020
Asset Preservation: South Minneapolis Workforce Center	1	GO	1,342	0	0	1,342	0	0
Transportation Economic Development Program (TED)	2	GO	40,000	0	0	10,000	10,000	10,000
Business Development Public Infrastructure (BDPI)	3	GO	15,000	0	0	21,000	5,000	5,000
Innovative Business Development Public Infrastructure Grant Program (IBDPI)	4	GO	15,000	0	0	5,000	5,000	5,000
Broadband-Ready Infrastructure Grant Program	5	GO	3,000	0	0	0	0	0
Redevelopment Grant Program	6	GF	5,000	0	0	0	0	0
<b>Total Project Requests</b>			79,342	0	0	37,342	20,000	20,000
<b>General Obligation Bonds (GO) Total</b>			74,342	0	0	37,342	20,000	20,000
<b>General Fund Cash (GF) Total</b>			5,000	0	0	0	0	0

[www.mn.gov/deed](http://www.mn.gov/deed)

## AT A GLANCE

- DEED is the state's principal economic development and workforce development agency.
- We work to attract, retain, and expand businesses and create jobs.
- We work to connect workers to jobs, prepare individuals for jobs in high-demand industries, and help people to live independently.
- We stabilize and stimulate the economy through benefit payments.
- We work to help communities thrive.
- Our organization has 1,500 dedicated staff statewide.

- **Strong and stable families and communities**
- **Efficient and accountable government services**

## PURPOSE

Minnesota Department of Employment and Economic Development (DEED) programs provide employment and training for individuals; provide services that help individuals with disabilities achieve personal and vocational independence; promote business recruitment, expansion, and retention; promote international trade; promote broadband adoption; and support community development.

We support the following statewide outcomes:

- **A thriving economy that encourages business growth and employment opportunities**
- **A workforce with the education and skills they need to achieve their goals**

## STRATEGIES

DEED manages many federal and state programs that support Minnesota's people, businesses, and communities.

Our *Workforce Development* division works to ensure that businesses have the talent they need to be globally competitive and that workers have the skills that businesses need.

- *Workforce Development*: Our employment and training programs for unemployed and underemployed Minnesotans provide services such as career counseling, assessment, job placement services, education and training, and job development activities.
- *Vocational Rehabilitation*: We assist Minnesotans with disabilities to secure and retain employment, live independently, and reduce their dependence on government supports.
- *State Services for the Blind*: We also facilitate the achievement of personal and vocational independence by Minnesotans who are blind, visually impaired, or DeafBlind.
- *Unemployment Insurance*: We pay unemployment benefits to workers unemployed due to no fault of their own to ensure that they are able to support themselves and their families while they look for their next job.
- *Disability Determination*: We determine if Minnesota applicants meet federal criteria for disability benefits through the Social Security's Administration.
- DEED delivers services to Minnesotans through nearly 50 workforce centers, through partnerships and with grants to certified service providers, non-profits, MNSCU schools, and Adult Basic Education programs.

Our *Economic Development* division contributes to Minnesota's economic success by providing services that support the growth of businesses and communities.

- *Business and Community Development*: New and expanding business benefit from our various business finance incentives while communities can receive grants, loans, and technical assistance for redevelopment and public infrastructure.
- *Minnesota Trade Office*: We provide export education and training for businesses and help foreign companies invest in Minnesota through new business startups or expansions.
- *Office of Broadband Development*: We also coordinate public, private, and philanthropic efforts to increase availability, speed, and use of broadband.

Our *Research and Analysis* offices provide data, data tools, research, and analysis that give a comprehensive, nuts-and-bolts look at Minnesota's economy and workforce. DEED is the home to Minnesota's State Labor Market Information Office, funded by the federal Bureau of Labor Statistics, which, among other things, crunches the numbers for the state unemployment rates each month.

DEED is focused on the three pillars of growth for Minnesota's economic competitiveness.

- *Talent*: We are working to ensure that everyone is well prepared for the jobs of the future and that businesses have the workforce they need.
- *Innovation*: From assisting large company expansions to encouraging new startups in Minnesota, DEED works to encourage innovation to help Minnesota grow even stronger.
- *Trade*: We must continue to connect Minnesota business with markets around the globe and work to attract new investment from foreign companies here in the state.

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"State Fiscal Year" or "SFY" is used throughout DEED's program narratives to clarify the time period being referenced, since Minnesota's state government and the Federal Government use different fiscal calendars. The "Federal Fiscal Year" is noted as "FFY."

Minn. Stat. § 116L (<https://www.revisor.mn.gov/statutes/?id=116L>), Minn. Stat. § 116J (<https://www.revisor.mn.gov/statutes/?id=116J>), and Minn. Stat. § 268 (<https://www.revisor.mn.gov/statutes/?id=268A.11>) provide the legal authority for DEED.

Additional applicable 'general agency' statutes and laws: Government Data Practices, Minn. Stat. § 13 (<https://www.revisor.mn.gov/statutes/?id=13>), Official Records Act, Minn. Stat. § 15.17 (<https://www.revisor.mn.gov/statutes/?id=15.17>), Open Meeting Law, Minn. Stat. § 13D (<https://www.revisor.mn.gov/statutes/?id=13d>), Records Management, Minn. Stat. § 138.17 (<https://www.revisor.mn.gov/statutes/?id=138.17>).

Federal: Workforce Investment Act, the Workforce Investment Act of 1998 (Public Law 105-220) (<http://www.gpo.gov/fdsys/pkg/PLAW-105publ220/content-detail.html>), U.S. Code, Title 29, Chap. 30. (<http://www.law.cornell.edu/uscode/text/29/chapter-30>). These are non-state websites.

### At A Glance

Minnesota Department of Employment and Economic Development (DEED) programs provide worker training and job search assistance; help individuals with disabilities achieve personal and vocational independence; facilitate business recruitment, expansion, and retention; promote international trade; support broadband adoption; and finance community development.

DEED is focused on three pillars of growth for Minnesota's economic competitiveness:

- **Talent:** We are working to ensure that workers are well prepared for the jobs of the future and that businesses have the workforce they need.
- **Innovation:** From assisting large company with expansions to encouraging new startups in Minnesota, our work to encourage innovation will help all Minnesotans prosper.
- **Trade:** We are helping to connect business with markets around the globe and to encourage new investment from foreign companies, strengthening Minnesota's place in the global economy.

### Factors Impacting Facilities or Capital Programs

- **Facility Asset Preservation**

DEED has determined through a facility condition assessment that one of its agency-owned buildings (and related infrastructure) is in need of significant repairs, preservation, and renovation. There were many items at the South Minneapolis Workforce Center were determined poor or unacceptable by a structural engineer, including the building's roof. In addition, the building is in need of mechanical and electrical repairs. Although DEED is generally moving away from property ownership, maintaining ownership of this facility has been deemed strategically significant. Due to its strong community reputation, significant foot traffic, and proximity to a major transit hub and several public transit routes, DEED has determined preserving the South Minneapolis Workforce Center as a priority.

- **Community Development Programs**

Through DEED's community development programs, DEED offers grants, loans, and other assistance to help increase the vitality of communities across Minnesota so they are better positioned for economic growth.

The *Transportation Economic Development* (TED) Program is a competitive grant program (offered collaboratively by DEED and MnDOT) that provides funds for public highway improvement and transportation infrastructure projects related to business development, expansions, or relocations. Grants are provided to local governments to fund up to 70% of costs for the construction, reconstruction, and improvement of state and local transportation infrastructure. A Site Selection magazine survey of corporate real estate executives identified transportation infrastructure as the factor most important in business location decision-making, well above taxes or other concerns. The TED program helps communities mitigate high transportation infrastructure costs so they can position themselves as an attractive option for economic development.

*Greater Minnesota Public Infrastructure.* The Greater Minnesota Business Development Public Infrastructure Program (BDPI) provides competitive grants to cities in Greater Minnesota to pay for up to 50% of the costs of public infrastructure associated with business development, expansion, or relocation projects. Common needs include wastewater collection and treatment infrastructure, drinking water system improvements, storm sewers, utility extensions, and street improvements. This

program helps rural communities mitigate public infrastructure costs that would have otherwise taken them out of the running for economic development projects.

The *Innovative Business Development Public Infrastructure* (IBDPI) program provides competitive grants to local governments statewide that can be used to pay for up to 50 percent of infrastructure costs related to the development, expansion, or relocation of a business engaged in “innovative” technology and research (particularly in the med-tech and bio-tech fields). Common projects include the development of roads, sewers, waterlines, telecommunication infrastructure, bridges, parking ramps, business incubators, and laboratories. Like the BDPI program, IBDPI helps rural communities mitigate public infrastructure costs that would have otherwise taken them out of the running for economic development projects.

The *Redevelopment* grant program provides grants to local governments statewide that can be used to pay for up to 50% of costs associated with “recycling” qualifying land for specific use by a business development project. These funds meet a critical need since communities across Minnesota have old industrial, residential, or commercial properties that are unused due to the high costs of removing existing structures or inadequate adjacent infrastructure. Often, urban areas are landlocked and do not have ample vacant land for development. Similarly, in rural areas, dilapidated buildings steer development to the edges of cities and stretch existing city facilities and systems (such as schools, fire and police protection, streets and highways, and water and wastewater systems). This program helps communities shoulder these redevelopment costs and keep economic development projects from moving forward.

- **Broadband-Ready Infrastructure**

The Broadband-Ready Infrastructure Program will allow political subdivisions to incent new broadband development in underserved communities by paying up to 50% of eligible costs of broadband infrastructure projects. Eligible expenses include costs associated with acquiring land for the creation of a new public right of ways well as costs related to installing broadband-ready infrastructure (such as conduit or towers) on publicly owned land. Private broadband service providers would lease the publicly owned broadband-ready infrastructure in order to lay fiber and/or expand wireless cell service in order to connect private residences, businesses, and community anchor institutions to high speed internet service. Once established, this program will increase broadband availability, enhance educational and workforce training opportunities, and drive innovation and economic development in under-served communities statewide.

## **Self-Assessment of Agency Facilities and Assets**

DEED is primarily requesting funds for its financing and broadband programs, but is also requesting funds for asset preservation of one of its DEED-owned facilities.

## **Agency Process for Determining Capital Requests**

DEED staff have had discussions internally and with customers to determine what funding is most important to help businesses create jobs and grow. In evaluating the buildings owned by DEED, agency staff also made the determination that the South Minneapolis Workforce Center is in need of significant capital improvements and asset preservation. These repairs are aligned with the Governor’s priority items for addressing life and safety issues, preserving the existing infrastructure, repairing existing facilities, reducing building energy use, and capturing the additional economic and environmental benefits of energy conservation work.

## Major Capital Projects Authorized in 2014 & 2015

2014: The Legislature passed two capital investment bills during the 2014 legislative session worth a total of just over \$1 billion. The projects were strategic investments in our state to create jobs, make communities move livable, and position Minnesota for future growth.

- *Business Development Public Infrastructure* (BDPI): \$4 million in general obligation bonds. These funds are being used (along with the \$2.2 million in General Fund appropriations in the budget bill) to provide Greater Minnesota communities assistance with infrastructure costs necessary for business expansions and new businesses.
- *Innovative Business Development Public Infrastructure* (IBDPI): \$500,000 in general obligation bonds. These funds are providing local governments with up to 50 percent of eligible public infrastructure costs related to innovative, high tech, bioscience-based, and medical technology business development projects statewide.
- *Capital Budget Special Appropriations Administered by DEED*: the Legislature directed that DEED administer 29 projects worth over \$175 million in 2014 alone. These statewide projects focused on infrastructure improvements; business development; redevelopment; facility expansions, renovation, and rehabilitation; and project planning, predesign, design, construction, and reconstruction. It is important to note that DEED did not receive funds to administer these grants. Future capital budget special appropriations of this nature will need funds that can be used for grant administration.

2015: During the 2015 Legislative session, the following capital projects were appropriated:

- *Greater Minnesota Business Development Public Infrastructure Program* (IBDPI): \$1 million in general obligation bonds and \$3.2 in general fund dollars. These grants will allow DEED to assist communities with infrastructure costs necessary for businesses expansions. Of the general fund dollars, a significant portion are carved out for specific projects in Cambridge and Taylors Falls.
- *Transportation Economic Development Program* (TED): \$2 million in general obligation bonds. These funds will allow DEED to assist communities with highway improvements and other transportation infrastructure projects that create jobs and support economic development.

(\$ in thousands)

**Asset Preservation: South Minneapolis Workforce Center**

**AT A GLANCE**

**2016 Request Amount:** \$1,342

**Priority Ranking:** 1

**Project Summary:** The Department of Employment and Economic Development (DEED) requests \$1.342 million to make significant repairs, preservation, and renovation to the Minneapolis South Workforce Center complex. There were many items at the South Minneapolis Work Force Center that were determined poor or unacceptable by a structural engineer, including the building’s roof. In addition, the building is in need of mechanical and electrical repairs. Workforce Centers house DEED’s critical services to help connect job seekers with employment, help businesses find workers, and help Minnesotans at any stage explore and plan their careers.

**Project Description**

The South Minneapolis Workforce Center has served at least 7,000 individuals each year over the past five years. Workforce Center staff assists job seekers with online job searches, career exploration, resume and interview advice/tools, job networking, and job bank use. Individuals can use computers, attend workshops or job fairs, and access other tools to aid in their employment search. Additionally, the Workforce Center serves as a resource for at least an additional 1,500 individuals who are enrolled in eligibility-based programs, such as clients of State Services for the Blind, Dislocated Worker, and other adult and youth career programs. More than 950 customers receive important vocational rehabilitation services each year. During the peak of the recession, over 10,400 individuals used the Workforce Center for computers, resources, and/or workshops.

Although DEED is generally moving away from property ownership, maintaining ownership of the South Minneapolis Workforce Center facility has been deemed strategically significant. The South Minneapolis Workforce Center has been in this same location since 1993 and is well known to Twin Cities metropolitan residents. Due to its strong community reputation, significant foot traffic, and proximity to a major transit hub (Sears Midtown Building) and several public transit routes, DEED has determined preserving the South Minneapolis Work Force Center as a priority.

- The state constructed this 19,099 square foot building in 1993 on the site of an old theater that had been demolished
- Thirty-seven department staff and no partner staff reside in the building
- The programs that are served out of the building are Wagner Peyser-funded programs, Vocational Rehabilitation, State Services for the Blind, Dislocated Worker, Unemployment Insurance (UI) Reemployment and Eligibility Assessment (REA), Trade Adjustment Assistance (TAA), Workforce Investment Act (WIA) / Workforce Innovation and Opportunity Act (WIOA) Adult, WIA/WIOA Youth, Summer Youth, and the City of Minneapolis Step Up Program
- A DEED site manager is employed at this location.

## Project Rationale

The Minneapolis South Workforce Center's Facility Condition Assessment (FCA) was conducted in March 2013 and identified 52 items that must be addressed to meet state standards and code compliance, and address life safety issues. The FCA total recommended repair or replacement costs at the time of the report was estimated to be \$717,570. In a recent Archibus Real Property and Facility Management System facility condition assessment conducted by the Department of Administration, Real Estate and Construction Services (RECS), and DEED Facility Management in October 2015, this number increased to an estimated \$1,341,571. This estimated cost is based on the continued aging of the roof and mechanical and electrical equipment, as well as to cover rising material and construction costs. Some of the items that are currently noncompliant with state code, and are considered poor or unacceptable life safety issues are:

- Roof, flashing, membrane and insulation replacement - The roof is 23 years old, there has been leakage and water damage; and energy inefficiency and code compliance issues
- Asphalt parking lot replacement - The asphalt paving is well worn and is cracking and failing in many areas causing safety concerns for employees and consumers visiting the facility
- Curb and gutter replacement - The existing concrete is broken and missing in some areas causing a safety hazard
- Sidewalk replacement - The existing sidewalk has several cracked sidewalk panels causing a trip hazard and safety concern
- Joint sealants replacement - The existing exterior joint sealant is shrinking, cracking and missing in some areas causing energy inefficiency, water penetration, and structural issues
- Hydraulic elevators repair – Door restrictors need to be installed per 2010 elevator code
- Heating, Ventilation and Air Conditioning System (HVAC) instrumentation and controls need to be replaced; air terminal units need to be replaced; and terminal heating and cooling units need to be replaced
- Fire protection piping and valve are in need of replacement
- Domestic water piping needs to be replaced
- Weather seals and weather stripping are in poor condition resulting in inefficient energy consumption
- Exterior lights need to be replaced and some removed entirely
- Masonry restoration is necessary for asset preservation
- Wood, plastic, and metal doors and frames are in poor condition and in need of replacement
- Electrical identification needs to be completed
- Boiler motors and generators need repair
- Handrails and railings need to be replaced
- Fans and controls need to be replaced

Since the FCA report was completed:

- Roof-mounted unit and air conditioning unit and compressor is no longer operational and needs to

be replaced

- There has been further degradation of the roof through winter and rainfall damage resulting in further need for roof repairs / replacement. The roof now is in a critical state and is well beyond its useful life. In an August 2015 facility condition assessment, the building engineer reports 4” – 6” inches sagging and differential settlement from large rainfall pooling at all times around the drains and air conditioning unit. In June 2015, some roof repairs were completed, yet it is reported that there are still frequent and chronic leaks across the building and there is significant staining across 30% of the ceiling tiles.

If the building is not fixed soon, damage will escalate, construction costs will increase, and employee health issues may develop if mold develops due to water damage. DEED may need to abandon the building if it becomes unusable which is not consistent with our plans for the building.

This request is consistent with Governor Dayton’s priority focus areas related to life safety issues, preservation of existing infrastructure and repair of existing facilities, and cost effective energy conservation adhering to the State of Minnesota Executive Department, Executive Order 11-12.

### **Other Considerations**

By not repairing this location and continuing to use it, DEED could be putting the safety of job seekers and counselors at risk. This is a heavily-trafficked location and should remain open, safe, and code-compliant.

### **Impact on Agency Operating Budgets**

DEED does not have a capital budget to repair this location and no other government entities will contribute to these improvements.

### **Description of Previous Appropriations**

Employer penalty and interest dollars previously had been used for asset preservation in workforce center facilities until these dollars were diverted to the state general fund by the legislature.

### **Project Contact Person**

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### **Governor's Recommendation**

The Governor recommends \$1.342 million in general obligation bonds for this request.

# Employment and Economic Development

# Project Detail

(\$ in thousands)

## Asset Preservation: South Minneapolis Workforce Center

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 0	\$ 1,342	\$ 0	\$ 0
<b>Funds Already Committed</b>				
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 1,342</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 0	\$ 1,342	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 1,342</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 1,342	100 %
User Financing	\$ 0	0 %

## STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	No
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	Yes
<b>M.S. 16A.695(2): Use Agreement Required</b>	N/A
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

(\$ in thousands)

**Transportation Economic Development Program (TED)**

**AT A GLANCE**

**2016 Request Amount:** \$40,000

**Priority Ranking:** 2

**Project Summary:** The Department of Employment and Economic Development (DEED) requests \$40.0 million in General Obligation Bonds for the Transportation Economic Development Program (TED). TED is an important tool to build strong communities where businesses can grow and thrive. The TED program is a collaboration between DEED and MnDOT and incents the development, expansion, or relocation of businesses by providing funding for highway improvement and transportation public infrastructure projects related to a business' growth.

**Project Description**

In order to remain economically competitive and retrain workers, communities need a host of resources, including sound housing and infrastructure, to attract both businesses and workers. Many of these investments are prohibitively expensive for communities statewide, which is why the state provides financial assistance for projects that increase community vitality and position them for new economic growth. A recent survey of factors in site selection for corporate real estate executives identified transportation infrastructure as the most important factor in location decision making, well above low taxes or other concerns.

To encourage business development, expansion, or relocation in high-growth industries the TED program provides funding for the transportation public infrastructure needed for a business development project. Minnesota will continue to require these types of investments to compete successfully with other locations world-wide, and failing to meet businesses' transportation needs will severely jeopardize Minnesota's global economic attractiveness. The cost of transportation infrastructure near a business facility is significant, and this program helps communities mitigate those costs so they can provide an attractive location for the business. Grants are provided to local governments to fund up to 70% of costs for the construction, reconstruction, and improvement of state and local transportation infrastructure. These funds often supplement other financial packages provided directly to companies, which are impractical to use on infrastructure development.

TED distributed \$33.2 million in funds matched by \$18.6 million from private and other sources in 2010-2011. TED distributed an additional \$27 million in funds matched by \$83 million from private and other sources in 2012, and DEED awarded \$15.7 million in funds in 2013.

**Project Rationale**

Infrastructure investments are critical to the growth and success of Minnesota's economy across the state. In particular, transportation is a necessary component to bring in new business or expand existing operations. TED is an important component of DEED's economic development toolkit, and complements other economic development incentives that cannot be used specifically for

infrastructure. In addition, TED is a statewide program and provides necessary funds in communities that might not otherwise be able to access them.

### **Other Considerations**

Since the program's inception, TED has used a combination of Trunk Highway funds (through the Minnesota Department of Transportation (MnDOT)) and General Obligation bonds (through DEED). Although Trunk Highway Funds have been a valuable source of funding, more than half of the TED requests cannot be funded with Trunk Highway Funds. General Obligation bond proceeds through DEED are necessary to supplement the MnDOT funding in order to have a robust program.

### **Impact on Agency Operating Budgets**

A grant program of this size would require additional administrative resources.

### **Description of Previous Appropriations**

DEED GO Bond: 2015 \$2 million; 2012 \$3 million (laws 2012 c 293); 2010 GO Bond \$4 million via BDPI/ IDBPI programs

MnDOT St. Trunk Highway Bonds: 2010 \$30 million

General Trunk Highway Bonds: 2010 \$5 million; 2012 \$3 million

GOB: 2013 \$3 million; 2015 \$10 million Trunk Hwy Bonds

### **Project Contact Person**

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### **Governor's Recommendation**

The Governor recommends \$10 million in general obligation bonds for this request. Also included are budget estimates of \$10 million for each planning period for 2018 and 2020.

# Employment and Economic Development

# Project Detail

(\$ in thousands)

## Transportation Economic Development Program (TED)

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 5,000	\$ 40,000	\$ 0	\$ 0
<b>Funds Already Committed</b>				
Other Local Government Funds	\$ 2,143	\$ 0	\$ 0	\$ 0
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 7,143</b>	<b>\$ 40,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 7,143	\$ 40,000	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 7,143</b>	<b>\$ 40,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 40,000	100 %
User Financing	\$ 0	0 %

## STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	No
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	Yes
<b>M.S. 16A.695(2): Use Agreement Required</b>	N/A
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

(\$ in thousands)

**Business Development Public Infrastructure (BDPI)**

**AT A GLANCE**

**2016 Request Amount:** \$15,000

**Priority Ranking:** 3

**Project Summary:** The Department of Employment and Economic Development (DEED) requests \$15 million in General Obligation Bonds for the Greater Minnesota Business Development Public Infrastructure Program (BDPI). BDPI is an important tool to build strong communities where businesses can grow and thrive. BDPI incents the development, expansion, or relocation of businesses by providing funding for public infrastructure costs related to a business’ growth, and is only available to communities in Greater Minnesota.

**Project Description**

Greater Minnesota communities are often at a disadvantage when competing for new business and retaining skilled workers, due to a lack of suitable infrastructure that is necessary to attract and keep businesses, jobs and people. Typically, smaller communities lack the funds necessary to make infrastructure investments, on everything from sound housing to wastewater treatment. To make this type of development more affordable, Minnesota provides financial assistance to communities statewide for projects that help them stay vital and better position them for new economic growth.

BDPI specifically provides funding for public infrastructure needed for business development projects in Greater Minnesota communities. BDPI encourages business activity in high-growth industries, such as manufacturing, technology, warehousing and distribution, research and development, or agricultural processing. The cost of public infrastructure near a business facility is significant, and this program helps communities mitigate those costs so they can provide an attractive location for the business. Grants are provided to cities in Greater Minnesota to pay for costly public infrastructure such as wastewater collection and treatment, drinking water, storm sewers, utility extensions, and streets.

All BDPI grants are tied to a specific business development, expansion, or relocation. Grants are available on an open competitive application basis, of up to 50 percent of the capital costs of the infrastructure, and state funds are matched 1:1 from private and local resources.

Since 2010, BDPI has awarded over \$23 million to complete 80 projects with nearly \$53 million in leveraged private investments and 7,695 new or retained jobs. In SFY15, BDPI has provided \$2.3 million in funds to 11 projects, created or retained 859 jobs, and leveraged an additional \$4.1 million in private investment.

**Project Rationale**

The BDPI program is one of the best economic development tools available for business expansions and relocations outside of the Twin Cities metro. The program spurs innovation and lowers the cost of business growth by supporting projects that would not be able to move forward without public

money. These projects lead to new or retained jobs for rural communities, help grow the city's tax base, and encourage additional private investment that would not otherwise take place in that region. BDPI is a critical tool in keeping rural communities economically healthy and vital.

### **Other Considerations**

DEED accepts competitive BDPI applications all year long, but only grants funding for projects when they are ready to begin construction. In the past, BDPI allocations have been exhausted within 8-10 months; as such, many good economic development projects in Greater Minnesota have not been able to receive state support. DEED anticipates high demand for program funds once they are made available again.

### **Impact on Agency Operating Budgets**

A grant program of this size would require additional administrative resources.

### **Description of Previous Appropriations**

GO Bonding: \$56.25 million subtotal (2014 \$4 million; 2012 \$6 million; 2011 \$4 million; 2010 \$10 million; 2008 \$7 million; 2006 \$7.75 million; 2005 \$10 million; 2003 \$7.5 million)

General Fund: 2015 \$2.2 million (laws 2014, c 321, a 2, sec 2, subd 2l)

Total funding: \$58.45 million

### **Project Contact Person**

Meredith Udoibok  
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### **Governor's Recommendation**

The Governor recommends \$21 million in general obligation bonds for this request. Also included are budget estimates of \$5 million for each planning period for 2018 and 2020.

# Employment and Economic Development

# Project Detail

(\$ in thousands)

## Business Development Public Infrastructure (BDPI)

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 24,000	\$ 15,000	\$ 0	\$ 0
General Fund Cash	\$ 2,200	\$ 0	\$ 0	\$ 0
<b>Funds Already Committed</b>				
Other Funding	\$ 26,200	\$ 0	\$ 0	\$ 0
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 52,400</b>	<b>\$ 15,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 52,400	\$ 15,000	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 52,400</b>	<b>\$ 15,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 15,000	100 %
User Financing	\$ 0	0 %

## STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	No
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	Yes
<b>M.S. 16A.695(2): Use Agreement Required</b>	N/A
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

(\$ in thousands)

**Innovative Business Development Public Infrastructure Grant Program (IBDPI)**

**AT A GLANCE**

**2016 Request Amount:** \$15,000

**Priority Ranking:** 4

**Project Summary:** The Department of Employment and Economic Development (DEED) requests \$15 million in General Obligation Bonds for the Innovative Business Development Public Infrastructure Grant Program (IBDPI). IBDPI is a critical tool to attract “innovative” business to communities in Minnesota. IBDPI helps fund the development, expansion, or relocation of bio-tech, med-tech, and other advanced industries by providing funding for public infrastructure costs related to a business’ growth.

**Project Description**

The IBDPI program was conceived in 2008 as a grant program to encourage business development, expansion, or relocation in the bioscience industry. In 2010, the Legislature expanded the purpose of the program to encourage business activity among “innovative” businesses – those that are involved in the use, research, development, or production of a proprietary technology in a high-technology field. IBDPI helps position Minnesota as an attractive location for high-tech industry growth by specifically targeting “innovative” businesses, particularly in the med-tech and bio-tech fields.

To incent this business activity, the program provides funding for the public infrastructure needed for a business development project. The cost of public infrastructure near a new business facility is significant, and this program helps communities mitigate those costs so they can provide an attractive location for the business. Grants are provided to local units of government to pay for publicly owned infrastructure, such as roads, sewers, and water lines. The IBDPI program can also pay for telecommunications infrastructure, bridges, parking ramps, business incubators, and laboratories that support the creation of innovative technology and research. All IBDPI grants are tied to a specific business development, expansion, or relocation. Grants are available on an open competitive application basis, of up to 50 percent of the capital costs of the infrastructure, and state funds are matched 1:1 from private and local resources.

Past appropriations have attracted a local match of more than \$2 for every \$1 of state investment. Since its inception in 2010, IBDPI has awarded nearly \$7.7 million dollars to 18 different projects, leveraged over \$20 million in private investment, created 951 jobs, and retained 3,250 jobs in the state.

**Project Rationale**

The IBDPI program incents business development in industries that spur in-demand job growth and help position Minnesota as a leader in innovative technology fields. The program lowers the cost of business growth by supporting projects that would not be able to move forward without public money. In addition, new business growth helps increase the city’s tax base, and encourages additional private investment that would not otherwise take place in that region. The nature of these

innovative businesses means that Minnesota's entire economy stands to benefit, particularly through the development or use of proprietary technology in high-tech fields. Eligible industries include tourism, forestry, mining, transportation or green manufacturing, and are located throughout the entire state.

### **Other Considerations**

DEED has been able to meet project demand with current funding levels, but believes there will be steady demand in 2016 and beyond for new projects. DEED would not be able to fund these new requests without additional funding.

### **Impact on Agency Operating Budgets**

A grant program of this size would require additional administrative resources.

### **Description of Previous Appropriations**

GO Bonds: \$9 million total (2011 \$5 million; 2010 \$4 million)

Capital budget, cash: \$0.5 million (2014 laws 2014, c 295)

Grand Total: \$9.5 million

### **Project Contact Person**

Meredith Udoibok  
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### **Governor's Recommendation**

The Governor recommends \$5 million in general obligation bonds for this request. Also included are budget estimates of \$5 million for each planning period for 2018 and 2020.

# Employment and Economic Development

# Project Detail

(\$ in thousands)

## Innovative Business Development Public Infrastructure Grant Program (IBDPI)

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 9,000	\$ 15,000	\$ 0	\$ 0
General Fund Cash	\$ 500	\$ 0	\$ 0	\$ 0
<b>Funds Already Committed</b>				
Other Funding	\$ 9,500	\$ 0	\$ 0	\$ 0
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 19,000</b>	<b>\$ 15,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 19,000	\$ 15,000	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 19,000</b>	<b>\$ 15,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 15,000	100 %
User Financing	\$ 0	0 %

## STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	No
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	Yes
<b>M.S. 16A.695(2): Use Agreement Required</b>	N/A
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

**Broadband-Ready Infrastructure Grant Program**

**AT A GLANCE**

**2016 Request Amount:** \$3,000

**Priority Ranking:** 5

**Project Summary:** DEED requests \$3.0 million in state funding to establish a new Broadband-Ready Infrastructure Grant Program. In order to expand broadband access in underserved areas of Minnesota, this competitive funding pool would provide resources to local governments for land acquisition and the predesign/design/installation of certain types of statutorily-defined broadband-ready infrastructure.

**Project Description**

The Broadband-Ready Infrastructure Grant Program would be established in statute to expand broadband access in underserved communities and to govern how political subdivisions manage publicly owned broadband-ready infrastructure. Broadband-ready infrastructure would be defined as 1) underground or above-ground conduit or other housing in which broadband providers could install fiber optic cable and/or 2) service towers that broadband providers could utilize in order to deliver broadband service or advanced cell phone coverage.

The proposed program would allow political subdivisions to incent new broadband development projects by paying up to 50% of the eligible costs of:

- Acquiring land for the creation of a public right of way and/or the installation of broadband-ready infrastructure
- Installing broadband-ready infrastructure in an existing publicly-owned right of way or on other publicly-owned lands

Private broadband service providers would lease the publicly owned broadband-ready infrastructure in order to lay fiber and/or expand wireless cell service in order to connect private residences, businesses, and community anchor institutions to high speed internet service. DEED would develop lease agreements for use by political subdivisions in order to conform to Minnesota Management and Budget bonding policies.

**Project Rationale**

Minnesota policymakers set a number of visionary goals related to broadband internet access in 2010. Chief among them, the State committed to 1) achieving border-to-border access to moderate levels of broadband service to every home in Minnesota and 2) achieving a top ranking among states in the adoption and use of broadband technologies. Even more significant, Governor Dayton and the Minnesota Legislature have made major investments in reaching these goals by investing \$30,588,000 in the Border to Border Broadband Infrastructure Grant Program to date. While statewide needs are still significant and ensuring connectivity in the most difficult-to-serve areas is challenging, stakeholders across Minnesota have recognized the critical role that broadband plays in

promoting economic competitiveness and in increasing equity in employment, healthcare, and education.

To expand on these critical efforts, DEED proposes additional public investments to install the physical infrastructure that houses fiber optic cables and wireless broadband technology. By covering prohibitive start-up costs and leasing the publicly-owned infrastructure to providers who agree to expand into unserved areas, many projects that did not receive funding from the highly competitive General Fund grant pool could become economically viable.

Existing resources for broadband development projects have exclusively come from the General Fund. While these dollars are essential for the hardest projects due to the most flexibility to communities and providers, a new program making use of General Obligation (GO) bond proceeds would be an effective supplement and would help the State of Minnesota achieve its broadband goals.

### **Other Considerations**

DEED has received \$30,588,000 in General Fund resources over the past two fiscal years for the Border to Border Broadband Development Grant Program. The flexibility of General Fund resources will continue to be critical for the most difficult projects, which require creative financing from both public and private partners. Given the scale of the connectivity problems in rural Minnesota, however, the State of Minnesota should also explore alternative funding sources.

While General Obligation bonds have never previously been used to support broadband development projects, DEED believes the installation of broadband conduit is consistent with the laws and policy of the State of Minnesota. Much like the State of Minnesota uses bonds for one-time investments in roads and bridges for cars to travel on, public investments in broadband conduit will give communities needed infrastructure for the exchange of information – which will allow rural communities and citizens to fully engage in the 21st century economy.

### **Impact on Agency Operating Budgets**

A grant program of this size would require additional administrative resources.

### **Description of Previous Appropriations**

N/A

### **Project Contact Person**

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### **Governor's Recommendation**

The Governor does not recommend capital funding for this request.

# Employment and Economic Development

# Project Detail

(\$ in thousands)

## Broadband-Ready Infrastructure Grant Program

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 0	\$ 3,000	\$ 0	\$ 0
<b>Funds Already Committed</b>				
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 3,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 0	\$ 3,000	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 0</b>	<b>\$ 3,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 3,000	100 %
User Financing	\$ 0	0 %

## STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	No
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	Yes
<b>M.S. 16A.695(2): Use Agreement Required</b>	Yes
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

**Redevelopment Grant Program****AT A GLANCE****2016 Request Amount:** \$5,000**Priority Ranking:** 6

**Project Summary:** The Department of Employment and Economic Development (DEED) requests \$5.0 million in general funds for the Redevelopment Grant Program. The Redevelopment Program is an important tool to build strong communities where businesses can grow and thrive. The program incents the development, expansion, or relocation of businesses by providing funding for communities to recycle land by removing old, dilapidated buildings and providing a clean site for new business development.

**Project Description**

Communities across Minnesota have old industrial, residential, or commercial properties that are unused and would be valuable sites for economic development, but for the cost of removing the existing structures on the site. Redeveloping previously developed sites, where there are often dilapidated structures and inadequate adjacent infrastructure, is more complex and extraordinarily expensive compared to undeveloped parcels. This is true in all parts of the state. Often, urban areas are landlocked and do not have ample vacant land for development. Similarly, in rural areas, redevelopment takes pressure off the edges of cities and uses existing city facilities and systems (such as schools, fire and police protection, streets and highways, and water and wastewater systems).

To promote healthy communities and incite business growth, the Redevelopment program provides funding for site redevelopment for a business development project. Redevelopment projects are complex and costly, and this program helps communities mitigate those costs so they can provide an attractive location for the business. Grants are provided to local governments and pay for up to 50% of redevelopment costs for a qualifying site, with a 50% local match required. The Redevelopment Grant program applies only to sites where there is a need to “recycle” the land for a more productive use.

The Redevelopment Grant Program is a particularly useful development tool for rural areas, and half of the grants awarded have been to communities outside of the seven county metro area. Since 1998, the Department of Employment and Economic Development (DEED) has awarded over \$63 million to complete 137 Redevelopment projects. These projects have leveraged over \$2 billion in private investment, created or retained 24,444 permanent jobs, redeveloped 1,206 acres of land, and increased local tax bases by over \$34 million.

**Project Rationale**

The Redevelopment program incites business development that creates new jobs and builds economic prosperity in Minnesota. The program lowers the cost of business growth by supporting projects that would not be able to move forward without public money. The public benefits of

redeveloping sites with a past use include: short and long-term job creation, revitalization of tax base, local economic growth and investment, efficient use of existing infrastructure, neighborhood revitalization, property value increases, reduced sprawl, and decreased crime.

While Redevelopment Grant Program projects are all capital projects in nature, the restrictions tied to General Obligation bonds make it difficult for the program to be effective. Capital Budget General Fund dollars allow DEED to finance the redevelopment of projects on private land that create jobs and tax base increases, unlike bonding dollars that must be used on public land only.

### **Other Considerations**

There is currently no funding available for this program, as no funds were appropriated during the 2015 legislative session.

### **Impact on Agency Operating Budgets**

A grant program of this size would require additional administrative resources.

### **Description of Previous Appropriations**

GO Bond total \$41.5 million (2012 \$3 million; 2010 \$5 million; 2009 \$0.75 million; 2008 \$7.75 million; 2006 \$9 million; 2005 \$15 million; 2003 \$1 million)

Capital funds cash total \$10 million (2000 \$6 million; 1998 \$4 million)

General funds total \$13 million (2014 \$6 million; 2012 \$2 million; 2008 \$2 million; 2000 \$3 million)

Total funding \$65.9 million

### **Project Contact Person**

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meredith.udoibok@state.mn.us

### **Governor's Recommendation**

The Governor does not recommend capital funding for this request.

# Employment and Economic Development

# Project Detail

(\$ in thousands)

## Redevelopment Grant Program

### PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
<b>State Funds Requested</b>				
General Obligation Bonds	\$ 9,400	\$ 0	\$ 0	\$ 0
General Fund Cash	\$ 8,000	\$ 5,000	\$ 0	\$ 0
<b>Funds Already Committed</b>				
Other Local Government Funds	\$ 17,400	\$ 0	\$ 0	\$ 0
<b>Pending Contributions</b>				
<b>TOTAL</b>	<b>\$ 34,800</b>	<b>\$ 5,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 34,800	\$ 5,000	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 34,800</b>	<b>\$ 5,000</b>	<b>\$ 0</b>	<b>\$ 0</b>

### IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

### SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 0	
User Financing	\$ 0	

## STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

<b>M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)</b>	No
<b>M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)</b>	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
<b>M.S. 16B.325(1): Sustainable Building Guidelines Met</b>	N/A
<b>M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines</b>	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
<b>M.S. 16B.335(5 &amp; 6): Information Technology Review (by MN.IT)</b>	N/A
<b>M.S. 16A.695: Public Ownership Required</b>	N/A
<b>M.S. 16A.695(2): Use Agreement Required</b>	N/A
<b>M.S. 16A.695(5): Program Funding Review Required (by granting agency)</b>	Yes
<b>M.S. 16A.86 (4b): Matching Funds Required</b>	N/A
<b>M.S. 16A. 642: Project Cancellation in 2021</b>	Yes
<b>M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required</b>	Yes
<b>M.S. 174.93: Guideway Project</b>	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A