

Employment and Economic Development

Projects Summary

(\$ in thousands)

Project Title	Priority Ranking	Funding Source	Project Requests for State Funds		
			2016	2018	2020
Minneapolis South WFC	1	GO	\$ 862	\$ 0	\$ 0
Transportation Economic Development Program (TED)	2	GO	\$ 40,000	\$ 0	\$ 0
Business Development Public Infrastructure (BDPI)	3	GO	\$ 15,000	\$ 0	\$ 0
Innovative Business Development Public Infrastructure Grant Program (IBDPI)	4	GO	\$ 15,000	\$ 0	\$ 0
Broadband-Ready Infrastructure Grant Program	5	GO	\$ 3,000	\$ 0	\$ 0
Redevelopment Grant Program	6	GF	\$ 5,000	\$ 0	\$ 0
Total Project Requests			\$ 78,862	\$ 0	\$ 0
General Fund Cash (GF) Total			\$ 5,000	\$ 0	\$ 0
General Obligation Bonds (GO) Total			\$ 73,862	\$ 0	\$ 0

(\$ in thousands)

Minneapolis South WFC

AT A GLANCE

2016 Request Amount: \$862

Priority Ranking: 1

Project Summary: The Department of Employment and Economic Development (DEED) requests \$861,646 (with inflation) to make necessary repairs to Minneapolis South Workforce Center complex. 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, and 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.

The Workforce Center has been in this same location since 1993 and is well known to Twin Cities metropolitan area residents. It is one of DEED’s highest foot traffic locations, and is prominently located near several public transit routes and a major transit hub (Sears Midtown Building). DEED intends to continue using this facility as a Workforce Center to serve Minnesota citizens for many years into the future.

- 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, UI-REA, TAA, WIA Adult, WIA Youth, Summer Youth, and the City of Minneapolis Step Up Program

A DEED site manager is employed at this location

Project Rationale

The last 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 \$749,240. A factor of 15% has been added to address inflation to cover

rising 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 been 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 damage resulting in further need for repairs

If the building is not fixed soon, damage will escalate, construction costs will increase, and employee health issues may develop if mold becomes present due to water damage. DEED may need to abandon the building if it becomes un-useable.

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.

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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 and an amount equal to 3% of the allocation (\$1,200,000) in general fund dollars to administer the grant program 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 attract and keep businesses, jobs, and people, communities need many things, from sound housing to wastewater treatment. To make these more affordable, Minnesota has programs to provide financial assistance to communities statewide for projects that help them stay vital and better position them for new economic growth.

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. 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.

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. In particular, transportation is a necessary component to bring in new business or expand existing operations. TED is an important component in 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 have a robust program.

Impact on Agency Operating Budgets

DEED requests an amount equal to 3% of the allocation (\$1,200,000) in general fund dollars to administer, monitor and provide oversight to the grant program, notwithstanding M.S. 16A.28. Funds shall be available until all grants administered under this program are completed or abandoned. This will support two full time equivalent (FTE) over the life of the grant program.

Description of Previous Appropriations

DEED GO Bond 3m laws 2012 c 293; 2010 BO Bond 4M via BDPI/IDBPI programs

MNDOT St Trunk Hwy Bonds 2010 30,000m and General Truck Hwy Bonds 2010 5M; 2012 3M GOB; 2013 3M GOB; 2015 10M Truck Hwy Bonds

Project Contact Person

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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 and an amount equal to 3% of the allocation (\$450,000) in general fund dollars to administer the grant program 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

In order to attract and keep businesses, jobs, and people, communities need many things, from sound housing to wastewater treatment. To make these more affordable, Minnesota has programs to provide financial assistance to communities statewide for projects that help them stay vital and better position them for new economic growth.

To encourage business activity in high-growth industries, such as manufacturing, technology, warehousing and distribution, research and development, or agricultural processing, the BDPI program provides funding for the public infrastructure needed for a business development project. 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 able to receive state support. DEED anticipates high demand for program funds once they are made available again.

Impact on Agency Operating Budgets

DEED requests an amount equal to 3% of the allocation (\$450,000) in general fund dollars to administer, monitor and provide oversight to the grant program, notwithstanding M.S. 16A.28. Funds shall be available until all grants administered under this program are completed or abandoned. This will support one full time equivalent (FTE) over the life of the grant program.

Description of Previous Appropriations

GO Bonding 56,250 subtotal (2014 4M; 2012 6m; 2011 4M; 2010 10m; 2008; 7m; 2006 7.75m; 2005 10m; 2003 7.5m)

General fund 2.2m laws 2014, c 321, a 2, sec 2, subd 2l

total funding 58,450

Project Contact Person

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(\$ 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 and an amount equal to 3% of the allocation (\$450,000) in general fund dollars to administer the grant program 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. An innovative business is one that is 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

DEED requests an amount equal to 3% of the allocation (\$450,000) in general fund dollars to administer, monitor and provide oversight to the grant program, notwithstanding M.S. 16A.28. Funds shall be available until all grants administered under this program are completed or abandoned. This will support one full time equivalent (FTE) over the life of the grant program.

Description of Previous Appropriations

GO Bond 9m total 2011 5m; 2010 4M
Capital fund .5M 2014 laws 2014, c 295
for total of 9.5m

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(\$ in thousands)

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 and an amount equal to 3% of the allocation (\$90,000) in general fund dollars to administer the 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.

In addition to the \$3m General Obligation Bond proposal, DEED also proposes a Capital Budget General Fund appropriation of \$90,000 for administrative expenses of operating the program. This amount is equal to 3% of the allocation proposal, which is consistent with other DEED programs. Given the technical complexity of broadband projects and the need to coordinate with a wide variety of both public and private partners, these funds are the minimum necessary for the program to be successful.

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

DEED requests an amount equal to 3% of the allocation (\$90,000) in general fund dollars to administer, monitor and provide oversight to the grant program, notwithstanding M.S. 16A.28. Funds shall be available until all grants administered under this program are completed or abandoned. This will support one quarter (.25) of one full time equivalent (FTE) over the life of the grant program.

Description of Previous Appropriations

N/A

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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 and an amount equal to 3% of the allocation (\$150,000) in general fund dollars to administer the grant program 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

In order to attract and keep businesses, jobs, and people, communities need many things, from sound housing to wastewater treatment. To make these more affordable, Minnesota has programs to provide financial assistance to communities statewide for projects that help them stay vital and better position them for new economic growth.

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 incent 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 incents 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

DEED requests an amount equal to 3% of the allocation (\$150,000) in general fund dollars to administer, monitor and provide oversight to the grant program, notwithstanding M.S. 16A.28. Funds shall be available until all grants administered under this program are completed or abandoned. This will support four tenths (.4) of one full time equivalent (FTE) over the life of the grant program. M.S. 116J.571 (2) may be used to pay for the commissioner's costs in reviewing applications and making grants and loans and (3) is available until spent.

Description of Previous Appropriations

GO Bond total 42.9M 2014 1.4m; 2012 3m; 2010 5m;2009 .75m;2008 7.75m; 2006 9m; 2005 15.;; 2003 1m;

Capital funds total 10M 2000 6m; 1998 4m

General funds total 13M 2014 6m; 2012 2m; 2008 2m; 2000 3m

total funding 65.9M

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