

Employment & Economic Development

Projects Summary

(\$ in Thousands)

Project Title	2012 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2012	2014	2016	Total		2012	2014
Greater MN Business Development Public Infrastructure	1	\$10,000	\$10,000	\$10,000	\$30,000	\$5,000	\$5,000	\$5,000
Redevelopment Grant Program	2	15,000	15,000	15,000	45,000	5,000	5,000	5,000
Transportation Economic Development Program	3	30,000	30,000	30,000	90,000	10,000	10,000	10,000
Innovative Business Development Infrastructure	4	5,000	5,000	5,000	15,000	0	0	0
Demolition Redevelopment Loan Program	5	10,000	10,000	10,000	30,000	0	0	0
Transit Improvement Area Loan Program	6	10,000	10,000	10,000	30,000	0	0	0
Total Project Requests		\$80,000	\$80,000	\$80,000	\$240,000	\$20,000	\$20,000	\$20,000

Agency Profile At A Glance

Business & Community Development - FY 2011

- Assisted with the creation and retention of an estimated 19,600 jobs.
- Leveraged private investments of \$3.2 billion.
- Provided direct assistance and information to more than 46,000 businesses, with direct services in exporting, manufacturing, expansions, and small business capital and growth.

Unemployment Insurance - CY 2010

- \$1.3 billion in regular unemployment benefits paid to 340,000 individuals.
- An additional \$1.5 billion in benefits paid through other special federal and state benefit programs.
- Collected nearly \$1 billion in taxes from 132,000 employers.

Workforce Development - FY 2011

- 116,869 job seekers used Minnesota WorkForce Centers to look for work.
- 65,853 job seekers created resumes on MinnesotaWorks and 9,650 employers posted 418,094 job openings.
- 119,480 individuals were served in eligibility based programs.

General Support Services - FY 2011

- Supported over 1,800 employees.
- Administered nearly \$3 billion expenditures.
- Maintained website with over 8.4 million page views.

Agency Purpose

The Department of Employment and Economic Development (DEED) facilitates an economic environment to produce jobs and improve the quality of the state's workforce. These actions support the economic prosperity of Minnesota individuals, businesses, and communities by supporting opportunities for growth.

Most of the statutory authority for this agency resides in M.S. Chapters 116J, 116L, 248, 268, 268A, 446A and 469. Federal law also provides authority for multiple specific programs; see program and budget activity narratives for specific citations.

Core Functions

The agency has three major functions:

- to support business creation, expansion, relocation, and retention in Minnesota through the resources and programs of the Business and Community Development division;
- to stabilize and stimulate the economy in times of downturn through the benefit payments administered by the Unemployment Insurance division; and
- to provide reemployment assistance to workers and support the skill acquisition of workers who need re-tooling and to provide employers with job recruitment and retention strategies.

FY 2010-11 Expenditures by Fund

General Fund	11%
Federal Fund	71%
Other Fund	18%

FY 2010-11 Expenditures by Program

Business & Community Development	13%
Unemployment Insurance	13%
Workforce Development	70%
General Support Services	4%

Source: Minnesota Accounting and Procurement System (MAPS) as of 08/19/11. Excludes unemployment insurance benefit payments.

Operations

The agency's diverse programs directly serve Minnesota's businesses, communities, and workers. In addition, DEED works with a wide range of partners on the federal, state, and local level to ensure the highest levels of program coordination and quality.

- **Business & Community Development** programs help companies expand in or relocate to Minnesota, promote international trade, finance business expansions, and help companies find and train employees. Minnesota businesses can tap into the division's financial and technical assistance programs to help spur business growth through newer tools including Angel Tax Credits and established programs including the Minnesota Investment Fund. For community revitalization, DEED offers

grants, loans, and technical assistance for redevelopment projects and activities, including housing and commercial rehabilitation, wastewater treatment facilities and drinking water systems, and contaminated site cleanup.

- **Unemployment Insurance** determines program tax rates for Minnesota businesses and collects those revenues for deposit into the Unemployment Insurance Trust Fund. This trust fund supplies weekly benefit payments to eligible individuals. Primarily through Internet and phone-based systems, DEED staff computes benefit entitlements for applicants, pays benefits as appropriate, and provides impartial due process hearings for applicants and employers.
- **Workforce Development** programs serve new workers in preparing for their first job; assist incumbent workers increase their skill levels to meet changing business demands; and strive to recapture knowledge and skills of mature workers to contribute their talents to existing businesses. DEED offers its services in collaboration with many community and regional partners through the WorkForce Center System. The partnerships are diverse as they respond to the unique needs of regional economies. The Workforce Development division promotes unprecedented collaboration among education, business, labor, and workforce development professionals to ensure Minnesota’s future prosperity.

growth will slow over the next 20 years. Employment growth is projected to slow to 9% between 2009 and 2019.

In the meantime, the state is continuing to shift towards a skills-based economy. National projections indicate that 70% of Minnesota jobs will require a post-secondary degree by 2018, up from the current 40%. DEED and its partners are focused on helping match the demands of the state’s employers and the skills of the workforce. Bridging this skills gap is essential to helping Minnesota-based businesses grow and individuals find jobs.

All states are positioning for business growth, and DEED and its partners ensure that Minnesota is competitive in this effort. DEED’s business development strategy emphasizes help for Minnesota-based businesses so they will continue to grow in the state, assistance for entrepreneurs and new businesses, and also help for site selectors and businesses considering Minnesota as a potential location. DEED continues to work with Minnesota communities to ensure they have the proper infrastructure to support business growth.

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Budget

	FY2002-03	FY2004-05	FY2006-07	FY2008-09	FY2010-11
General	\$106,972	\$ 95,980	\$104,552	\$122,917	\$ 92,060
Federal	532,904	439,435	414,431	470,805	595,595
Other	128,726	126,464	141,408	154,649	154,410

Dollars in thousands. Source: MAPS data as of 08/19/11. Excludes unemployment insurance benefit payments.

DEED has begun to see employment growth as Minnesota recovers from the recent recession. At the same time, Minnesota's workforce is aging and its

At A Glance: Agency Long-Range Strategic Goals

The mission of the Department of Employment and Economic Development (DEED) is to support the economic prosperity of individuals, businesses, and communities by supporting opportunities for growth.

While no government agency can boast the power to grow a state's economy, DEED believes it can influence the fundamental forces that lie beneath the economy. By ensuring an appropriate operating environment, DEED can maximize the chances that private businesses and other economic factors will flourish.

DEED has adopted the following four strategies to achieve its overarching goal of economic growth:

- Help create a business climate for growth and new businesses.
- Maximize talent development to meet demand.
- Create a culture of sustainable collaboration.
- Raise awareness of Minnesota's advantages and opportunities.

Trends, Policies, and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

Community Development Programs

DEED offers grants, loans, and technical assistance for a variety of community and economic development activities, including redevelopment small cities development with housing and commercial rehabilitation, public infrastructure, contaminated site clean-up, transit improvement area designation and redevelopment near transit ways and public infrastructure financing for economic development projects.

Public Infrastructure: The goal of the Greater Minnesota Business Development Public Infrastructure Program and the Innovative Business Development Infrastructure programs are to keep or enhance jobs in a particular area, to increase a city's tax base, or to create and/or expand new economic development within a city. As the economic climate has had an adverse impact on municipal budgets the grant programs for public infrastructure to help business expansion has become more essential now

than ever before. The programs utilizes state funds along with private/local resources to install expensive infrastructure and stimulate private investment in communities by providing up to 50 percent of the capital costs of the public infrastructure necessary to expand or retain jobs in an area, increase the tax base, or to expand or create new economic development. Providing infrastructure within undeveloped industrial development parks is critical to maintaining healthy, sustainable communities throughout Greater Minnesota

Redevelopment: The Redevelopment Grant Program provides gap financing to local governments and local development agencies to recycle obsolete or abandoned properties for new industrial, commercial, and residential uses. The program's goal is to assist in the recycling of land, provide an incentive to develop on in-fill sites, and to assist in the revitalization and blight removal of the developed cities. The cost of developing on formerly used sites is very high, and without grant assistance redevelopment prospects in the state's developed cities becomes very difficult and job creation, housing development, and necessary tax base revitalization in our core cities jeopardized without gap financing.

Transportation Economic Development: The Transportation Economic Development (TED) Program assists local communities to create and preserve jobs, improve the state's economic competitiveness, increase the tax base, accelerate transportation improvements and leverage greater private investment in public infrastructure improvements by addressing the state's transportation system needs and economic development objectives through multimodal transportation infrastructure improvements. TED is a competitive grant program that provides up to 70% of the transportation and 50% of other public infrastructure costs associated with economic development projects. In the 2010 solicitation, 11 projects across the state were selected, and the program will contribute \$34 million (\$30 million in Mn/DOT trunk highway bonds; \$4 million in G.O. bonds) to leverage an additional \$18 million in private and local government revenues. The eleven selected projects will directly contribute to the creation or preservation of over 4,000 permanent "head of household" jobs statewide and facilitate significant tax base increases.

Demolition Loan Program: This is a new initiative that would be an extension of the Redevelopment Grant Program. The demolition loan component would allow DEED to offer loans to communities that need financing to demolition

dilapidated structures where there is no immediate development plan and future development visions are hindered by current blight. In some cases, hazardous conditions or other public safety factors may be a community's immediate concern. Providing loan dollars gives communities an opportunity to finance costly demolitions that improve the scenery of their community and allow land for future development in prime locations.

Transit Improvement Area Loan Program: The Transit Improvement Area Loan Program funding request is designed to provide financial assistance in the form of a grant or loan to local governments and local development agencies to perform redevelopment activities around transit stations that submit and receive designation as Transit Improvement Area by DEED. Funding would stimulate new commercial and residential developments around transit stations. The redevelopment of previously developed land along our transit corridors is critical to sustaining private and public investments in our communities and providing additional economic development opportunities.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of the present Facilities, Capital Projects, or Assets

N/A - DEED is requesting funds for financing programs.

Agency Process Used to Arrive at these Capital Requests

Staff used a combination of internal discussions of program staff to determine existing needs based on applications and conducted outreach with clients to determine needs that they felt critical to assist them in helping business create jobs in their communities and overcoming barriers in expansions of existing businesses in their communities.

Major Capital Projects Authorized in 2010 and 2011

2010

Greater Minnesota Business Development Public Infrastructure and Innovative Business Development Infrastructure programs received 48 applications requesting over 11.6 million. 38 projects received funding for \$8.9 million leveraging \$20 million and projected to create 1300 new jobs and retain 1250 jobs

Transportation Economic Development Program was able to assist 11 projects with \$34 million, 23 projects requesting \$84 million were unable to be assisted.

Redevelopment Grant Program funded 15 projects for \$7.8 million. Leveraging over \$198 million with expectations of creating 400 new jobs while preserving 240 existing jobs.

2011

The 2011 Special Session provided \$4 million for the Greater Minnesota Business Development Public Infrastructure Grant Program and \$5 million for the Innovative Business Development Public Infrastructure Grant Program and applications are being accepted throughout the year. The Redevelopment Program received \$2 million and scheduled an application deadline for January 2012.

Greater MN Business Development Public Infrastructure**2012 STATE APPROPRIATION REQUEST:** \$10,000,000**AGENCY PROJECT PRIORITY:** 1 of 6**PROJECT LOCATION:** Statewide**Project At A Glance**

BDPI Grants provide funding – up to 50 percent of eligible capital costs - to cities in Greater Minnesota to assist them in funding public infrastructure vital for business expansion and/or job creation.

Of this request, \$10 million is general obligation bond financed.

Project Description

DEED is requesting funding for the Greater Minnesota Business Development Public Infrastructure Grant Program (BDPI) Minnesota Statute 116J.431. The program provides grants to eligible cities for complex and costly public infrastructure development projects for industrial parks and to facilitate business expansions. The BDPI program pays up to 50 percent of eligible capital costs, not to exceed \$1 million in a two year funding period. Since March of 2009, BDPI has awarded 33 projects totaling \$7.6 million, leveraging \$14.6 million in local contributions, and creating 437 jobs while retaining 1,115 existing jobs.

The goal of the program is to enhance job creation, to increase local tax base, and to encourage significant private investment that expands economic development opportunities. Funds are available through competitive grants. The program accepts applications at any time, but will only fund a project when it is ready to undertake construction. In the past, BDPI funds have been exhausted in 6-8 months and numerous good, job creating, projects were not completed. DEED needs the resources to adequate capture the opportunities over the full two year capital budget period.

Previous Appropriations for this Project

From 2004-06 the BDPI program received \$25,250,000, which funded 75 projects creating 2000 jobs with a total investment in excess of \$100 million. In Fiscal year 2009 DEED received \$7 million and funded 27 projects in eight months with commitments to create 370 jobs and a total investment of \$28.5 million. In 2010, DEED received \$10 million and funded 31 projects. Additionally, the program provided \$3 million for seven additional projects through the Transportation Economic Development program, a collaborative effort with Mn/DOT.

Other Considerations

Providing infrastructure within undeveloped industrial parks is critical in stimulating private investment and maintaining healthy, vital communities throughout greater Minnesota. By adequately funding the program over the next two years DEED will have a significant tool to help provide opportunities to compete for businesses that create jobs, increase the local tax base and expand economic development opportunities that is critical in revitalizing the State's economy. The demands for transportation improvements, water and sewer generated by economic development job creating projects is being addressed as a separate program for 2012 in partnership with MnDOT and the PFA.

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Greater MN Business Development Public Infrastructure

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Governor's Recommendations

The Governor recommends general obligation bonding of \$5 million for this request. Also included are budget planning estimates of \$5 million in 2014 and 2016.

Employment & Economic Development

Greater MN Business Development Public Infrastructure

Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	169,546	40,000	40,000	40,000	289,546
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	169,546	40,000	40,000	40,000	289,546

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	47,546	10,000	10,000	10,000	77,546
Bond Proceeds Grants	0	0	0	0	0
State Funds Subtotal	47,546	10,000	10,000	10,000	77,546
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	122,000	30,000	30,000	30,000	212,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	169,546	40,000	40,000	40,000	289,546

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	10,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

Redevelopment Grant Program

2012 STATE APPROPRIATION REQUEST: \$15,000,000

AGENCY PROJECT PRIORITY: 2 of 6

PROJECT LOCATION: Statewide

Project At A Glance

Redevelopment Grants help local authorities renew obsolete or abandoned properties for industrial, commercial, and residential uses.

Project Description

Existing Program: M.S. 116J.571 to 116J.575, authorizes the Redevelopment Grant Program which was created for the purpose of providing financial assistance to local governments and local development agencies to recycle obsolete or abandoned properties for new industrial, commercial, and residential uses. Program funds can be used for public improvements that are conducted on publicly owned land. The program will be implemented statewide on a competitive basis with available funds being split between Greater Minnesota and the seven county Metropolitan Areas.

The redevelopment of previously developed land is critical to sustaining private and public investments in our communities and providing additional economic development opportunities. The Redevelopment Grant Program will use state funds to clear previous development, install updated infrastructure and stimulate private reinvestment in existing Minnesota neighborhoods and communities. Recycling existing properties relieves development pressure on the urban fringe and utilizes existing municipal facilities and systems such as schools, fire and police protection, streets and highways, and water and wastewater systems.

Proposed Addition to Program – Demolition Loans: The Redevelopment Grant Program is a successful program used where there are costly detriments to site development at previously developed sties, and the need to level the playing field between those properties and vacant properties

exist. There is also an untapped need for assistance with demolition and other redevelopment activities when there is no current development plan or future development visions are hindered by current blight. In some cases, hazardous conditions or other public safety factors may be a community's immediate concern. For these sites, we would like to amend the existing Redevelopment Grant Program statute to be able to offer demolition loans. These loans would assist with demolition activities and would then be positioned for redevelopment. Loans could be partially converted to grants when a development occurs. The request is to fund the existing Redevelopment Grant Program with general fund dollars for these activities and include the demolition loan language into the existing statute.

Previous Appropriations for this Project

The Redevelopment Grant Program was created in statute by the 1998 Legislature. The program assisted both metro and greater Minnesota communities from its inception until 2001 when it was made into a Greater Minnesota only program. The 2007 Legislature returned the program back to a statewide program, allowing the available dollars to be split between Greater Minnesota and the seven county metropolitan areas. The funding history of the program is:

Years	Program Funding	Projects Awarded	Private Investment	Tax Base Increase	Job Creation
1998-2011	\$56 million	130	\$1.5 billion	\$23 million	9,000+

Other Considerations

Existing Program: Financing provided by the Redevelopment Grant Program is an important element in helping communities finance expensive redevelopment projects, allowing communities to remain economically competitive. The Redevelopment Grant Program has been over-subscribed during the years in which it had funds to award. DEED has received 235 applications to date and has only been able to award 108 grants with the available dollars.

Proposed Addition to Program – Demolition Loans: The need for this additional financing option has been voiced by many communities throughout

Redevelopment Grant Program

the state, especially in Greater Minnesota. We have identified over 30 projects, totaling over \$18 million in demolition loan need.

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Governor's Recommendations

The Governor recommends general obligation bonding of \$5 million for this request. Also included are budget planning estimates of \$5 million in 2014 and 2016.

Employment & Economic Development

Redevelopment Grant Program

Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	1,553,688	35,000	35,000	35,000	1,658,688
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	1,553,688	35,000	35,000	35,000	1,658,688

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	43,840	12,000	12,000	12,000	79,840
Bond Proceeds Grants	0	0	0	0	0
General Fund Projects	9,848	3,000	3,000	3,000	18,848
State Funds Subtotal	53,688	15,000	15,000	15,000	98,688
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	1,500,000	20,000	20,000	20,000	1,560,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	1,553,688	35,000	35,000	35,000	1,658,688

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	12,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

Transportation Economic Development Program

2012 STATE APPROPRIATION REQUEST: \$30,000,000

AGENCY PROJECT PRIORITY: 3 of 6

PROJECT LOCATION:

Innovative Business Development Public Infrastructure Program provided \$1 million of GO bonds.

Years	Program Funding	Projects Awarded	Private Investment	Tax Base Increase	Job Creation
2010	\$34 million	12	\$18 million		4,000+

Project At A Glance

Transportation Economic Development Program helps communities address the state’s transportation system needs and economic development objectives through multimodal transportation infrastructure improvements.

Project Description

The TED pilot program established in 2010 is a joint effort of the Departments of Employment and Economic Development and Transportation with assistance and coordination provided by the Public Facilities Authority. The program’s purpose is to create and preserve jobs, improve the state’s economic competitiveness, increase the tax base, accelerate transportation improvements and leverage greater private investment in public infrastructure improvements.

TED is a competitive grant program that provides up to 70% of the transportation and other public infrastructure costs associated with economic development projects. In the 2010 solicitation, 11 projects across the state were selected, and the program will contribute \$34 million (\$30 million in Mn/DOT trunk highway bonds; \$4 million in G.O. bonds) to leverage an additional \$18 million in private and local government revenues. The eleven selected projects will directly contribute to the creation or preservation of over 4,000 permanent “head of household” jobs statewide and facilitate significant tax base increases.

Previous Appropriations for this Project

The TED pilot program used \$30 million in trunk highway bonds and \$4 million in general obligation bonds. The Greater Minnesota Business Development Public Infrastructure program provided \$3 million and the

Other Considerations

Existing Program: In its initial solicitation for proposals, and additional 23 projects requesting \$83 million of financing for \$280 million worth of projects we were not funded due to limited funds. Communities across the state have all indicated their overwhelming support for continuing this program beyond its one-time 2010 pilot program.

A significant number of our competing states have established their own transportation economic development programs. For example, Iowa has its RISE (Revitalize Iowa’s Sound Economy) program; Wisconsin has its TEA (Transportation Economic Assistance) program; Illinois has its “Economic Development Program”; and Michigan has its Transportation Economic Development Fund. Establishment of a permanent transportation economic development program will send a clear message to our competing states and to prospective businesses that Minnesota recognizes that transportation infrastructure is critical to our economic viability.

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Transportation Economic Development Program

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Governor's Recommendations

The Governor recommends general obligation bonding of \$10 million for this request. Also included are budget planning estimates of \$10 million in 2014 and 2016.

Employment & Economic Development

Project Detail

Transportation Economic Development Program

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	43,000	43,000	43,000	129,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	0	43,000	43,000	43,000	129,000

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	10,000	10,000	10,000	30,000
Bond Proceeds Grants	0	0	0	0	0
General Fund Projects	0	20,000	20,000	20,000	60,000
State Funds Subtotal	0	30,000	30,000	30,000	90,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	13,000	13,000	13,000	39,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	43,000	43,000	43,000	129,000

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	10,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

Innovative Business Development Infrastructure

2012 STATE APPROPRIATION REQUEST: \$5,000,000

AGENCY PROJECT PRIORITY: 4 of 6

PROJECT LOCATION:

Project At A Glance

Innovative Business Development Public Infrastructure Grant Program provides funding up to 50 percent of eligible public infrastructure costs related to innovative, high tech, bio, and medical technology business development investments statewide.

Project Description

M.S. 116J.435, the Innovative Business Development Public Infrastructure Grant Program (IBDI), provides grants to eligible cities for public infrastructure development projects associated with strategic business investments throughout the state. These eligible capital costs are matched 1:1 from non-state sources and are used to fund publicly owned infrastructure including roads, sewer and water lines. In addition, the IBDI program also allows telecommunications infrastructure, bridges, parking ramps, business incubators facilities and laboratories that support basic science, development of innovative technology and research infrastructure.

The goal of the IBDI is to keep or enhance jobs in the technology area, to increase a city's tax base, or to create and/or expand new economic development within a city, and to encourage significant private investment, business expansion and relocation in the high-tech, medical and bioscience industries. Funds are available through competitive grants.

For 2012 the Department of Employment and Economic Development (DEED) requests \$10 million for IBDI. Past appropriations have leveraged an additional local match of more than \$2 for every \$1 of state investment, and nearly \$8 of private investment.

For 2012 the Department of Employment and Economic Development (DEED) requests \$5 million for IBDI. Past appropriations have leveraged an additional local match of more than \$2 for every \$1 of state investment, and nearly \$8 of private investment.

Previous Appropriations for this Project

The previous appropriations for this activity have been \$10 million in the 2006 bonding bill, \$18.5 million in the 2005 bonding bill and \$5 million in the 2011 bonding bill. Part of the 2005 funding was used to help develop the public infrastructure related to the Medtronic – Cardiac Rhythm Management Division expansion in Mounds View. This project includes \$195 million in private investment and the creation of 4,000 new jobs in Minnesota. In addition, the 2005 funding is being utilized to redevelop blighted properties in Minneapolis near the University of Minnesota campus to encourage the location of bioscience and medical device companies a research park near campus. In Rochester the 2006 BBDI funds are leveraging the investment of the Legislature in the Mayo/University of Minnesota bioscience partnership by investing in the construction of a bioscience business incubator facility that will support technology transfer and new business development. Since then the following activity has occurred:

<u>FY</u>	<u>Amount Awarded (million)</u>	<u>Number Funded</u>	<u>Local Match Amount (millions)</u>
2007	2.2	4	3.6
2008	4.1	2	.6
2009	2.2	2	2.7
2010	2.9	3	52.3
2011	3.8	7	11.2

Other Considerations

The request for a combination of General Fund and General Obligation funding is due to the fact that the private activity of building incubators and laboratories for specific businesses, even though they are publically owned, raises issues related to tax-exempt bonding. Given the program is specifically designed for the high paying, highly skilled and educated

Innovative Business Development Infrastructure

workforce 40% general fund and 60% general obligation bonds will maximize the State's ability to capture rare opportunities.

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Governor's Recommendations

The Governor does not recommend capital funding for this request.

Employment & Economic Development

Innovative Business Development Infrastructure

Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	9,000	10,000	10,000	10,000	39,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	9,000	10,000	10,000	10,000	39,000

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	9,000	3,000	3,000	3,000	18,000
Bond Proceeds Grants	0	0	0	0	0
General Fund Projects	0	2,000	2,000	2,000	6,000
State Funds Subtotal	9,000	5,000	5,000	5,000	24,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	5,000	5,000	5,000	15,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	9,000	10,000	10,000	10,000	39,000

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	3,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

Demolition Redevelopment Loan Program

2012 STATE APPROPRIATION REQUEST: \$10,000,000

AGENCY PROJECT PRIORITY: 5 of 6

PROJECT LOCATION:

Project At A Glance

This would provide additional funds to the Redevelopment Grant Program to assist with demolition activities.

Of this request, \$10 million is from the general fund.

Project Description

The Redevelopment Grant Program is a successful program used where there are costly obstacles to site development at previously developed sites, and the need to level the playing field between those properties and vacant properties exist. There is also an untapped need for assistance with demolition and other redevelopment activities when there is no current development plan or future development visions are hindered by current blight. In some cases, hazardous conditions or other public safety factors may be a community's immediate concern. For these sites, we would like to amend the existing Redevelopment Grant Program statute to be able to offer demolition loans. These loans would assist with demolition activities and would then be positioned for redevelopment. Loans could be partially converted to grants when a development occurs. The request is to fund the existing Redevelopment Grant Program with general fund dollars for these activities and include the demolition loan language into the existing statute.

Previous Appropriations for this Project

N/A

Other Considerations

The need for this additional financing option has been voiced by many communities throughout the state, especially in Greater Minnesota. We have identified over 30 projects, totaling over \$18 million in demolition loan need.

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Governor's Recommendations

The Governor does not recommend capital funding for this request.

Employment & Economic Development

Demolition Redevelopment Loan Program

Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	10,000	10,000	10,000	30,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	0	10,000	10,000	10,000	30,000

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
General Fund Projects	0	10,000	10,000	10,000	30,000
State Funds Subtotal	0	10,000	10,000	10,000	30,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	10,000	10,000	10,000	30,000

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	0	0%
User Financing	0	0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

Transit Improvement Area Loan Program

2012 STATE APPROPRIATION REQUEST: \$10,000,000

AGENCY PROJECT PRIORITY: 6 of 6

PROJECT LOCATION:

Project At A Glance

◆ **Transit Improvement Area Loan Program** helps local authorities designate tracts of land near transit stations that support bus rapid, commuter or light rail transit and provide funding to stimulate new commercial and residential developments in those areas.

Project Description

M.S. 469.35 – 469.351 authorizes the Transit Improvement Area Loan Program, which was created for the purpose of providing financial assistance in the form of a grant or loan to local governments and local development agencies to perform redevelopment activities around transit stations that submit and receive designation as a Transit Improvement Area by DEED. Funding would stimulate new commercial and residential developments around transit stations. Program bond funds can be used for public improvements that are conducted on publicly owned land.

The redevelopment of previously developed land along our transit corridors is critical to sustaining private and public investments in our communities and providing additional economic development opportunities. The Transit Improvement Area Loan Program will use bond funds to make grants to clear previous development, install updated infrastructure and stimulate private reinvestment within a ½ mile radius of approved TIA transit stations in existing Minnesota neighborhoods and communities. Recycling existing properties relieves development pressure on the urban fringe and utilizes existing municipal facilities and systems such as schools, fire and police protection, streets and highways, and water and wastewater systems.

Previous Appropriations for this Project

The Transit Improvement Area Loan Program was created in statute by the 2008 Legislature. The program has never received an appropriation.

However, the demand for the program is great, and in response DEED has implemented the section of the program that allows for the designation of Transit Improvement Areas. To date, DEED has designated 52 TIA's around various transit stations on bus rapid transit, light rail and commuter rail lines.

Other Considerations

Financing provided by the Transit Improvement Area Loan Program is an important element in helping communities finance expensive redevelopment projects along transit corridors, allowing communities to remain economically competitive. The Transit Improvement Area Loan Program is a necessary tool and will help capitalize on federal funds secured in Minnesota to assist with the development of light rail, bus rapid transit and commuter rail.

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Email: Meredith.Udoibok@state.mn.us

Governor's Recommendations

The Governor does not recommend capital funding for this request.

Employment & Economic Development

Project Detail

Transit Improvement Area Loan Program

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	20,000	20,000	20,000	60,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	0	20,000	20,000	20,000	60,000

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	5,000	5,000	5,000	15,000
Bond Proceeds Grants	0	0	0	0	0
General Fund Projects	0	5,000	5,000	5,000	15,000
State Funds Subtotal	0	10,000	10,000	10,000	30,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	10,000	10,000	10,000	30,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	20,000	20,000	20,000	60,000

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	5,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017