

ITASCAproject

Minneapolis-St. Paul Regional Economic Development Partnership

November 16, 2010

Agenda

- ◆ Itasca Project Overview
- ◆ Case for Change
- ◆ Job Growth Taskforce Overview
- ◆ Strategic Objectives

Itasca Introduction

What is Itasca?

An employer-led alliance to drive regional efforts to keep the Twin Cities' economy and quality of life competitive with other regions

Who is Itasca?

- 50-plus cross-sector community leaders
- Primarily private sector CEOs
- Handful of public sector leaders: the Governor, the Mayors of Minneapolis and St. Paul, Chair of the Met Council, the leaders of the University of Minnesota and MNSCU
- Leaders of major foundations and United Way

Itasca Project Goals

Raise region's overall economic competitiveness and quality of life

- ◆ Long term: Be among the most vibrant and economically competitive regions
- ◆ Short term: Be one of the first regions to emerge from downturn with improved job growth position

Reduce and eliminate socioeconomic disparities

- ◆ Addressing the opportunity gap is critical to both long-term prosperity and short-term recovery

Agenda

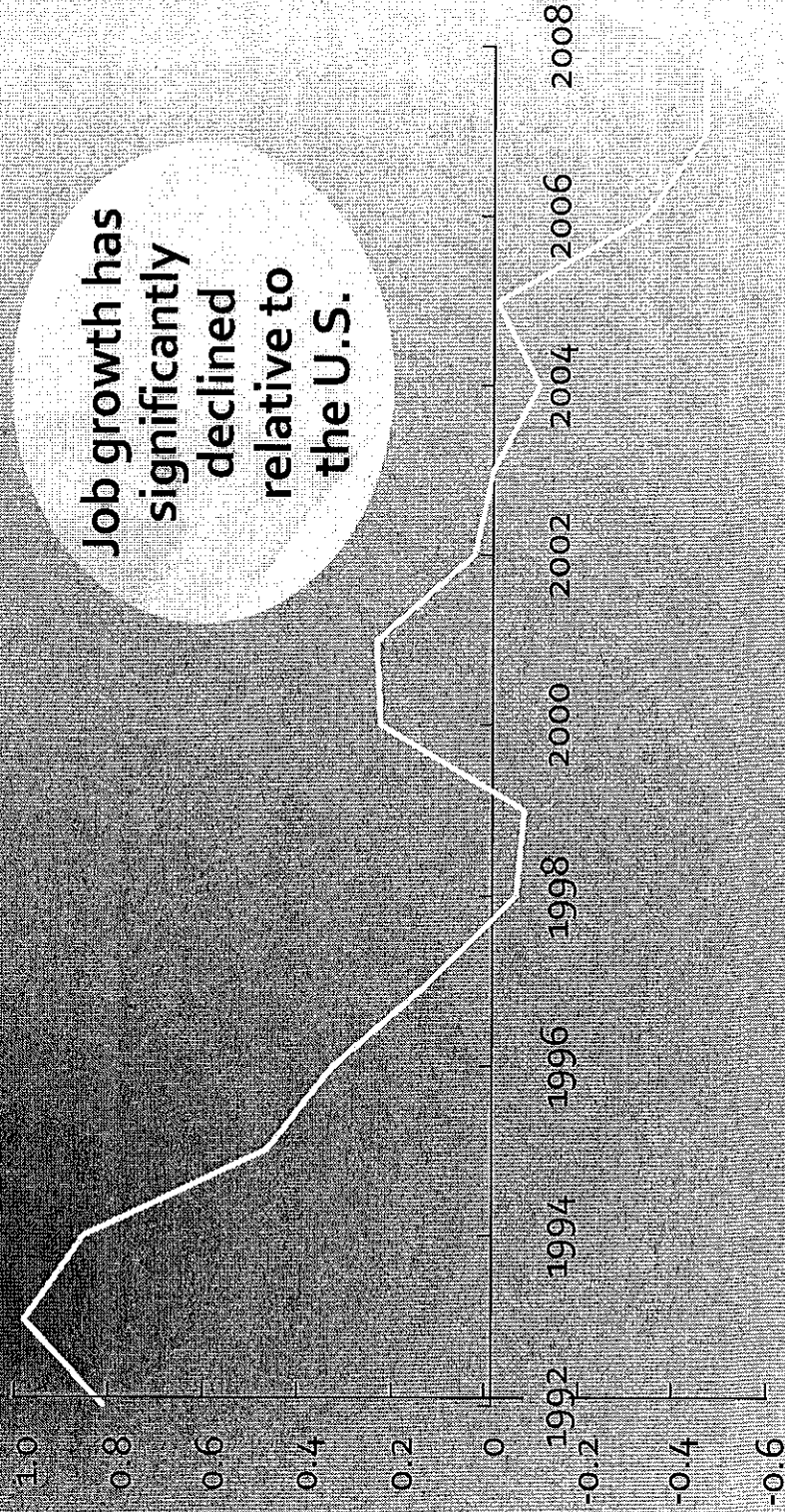
- ◆ Itasca Project Overview
- ◆ Case for Change
- ◆ Job Growth Taskforce Overview
- ◆ Strategic Objectives

The Good News

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

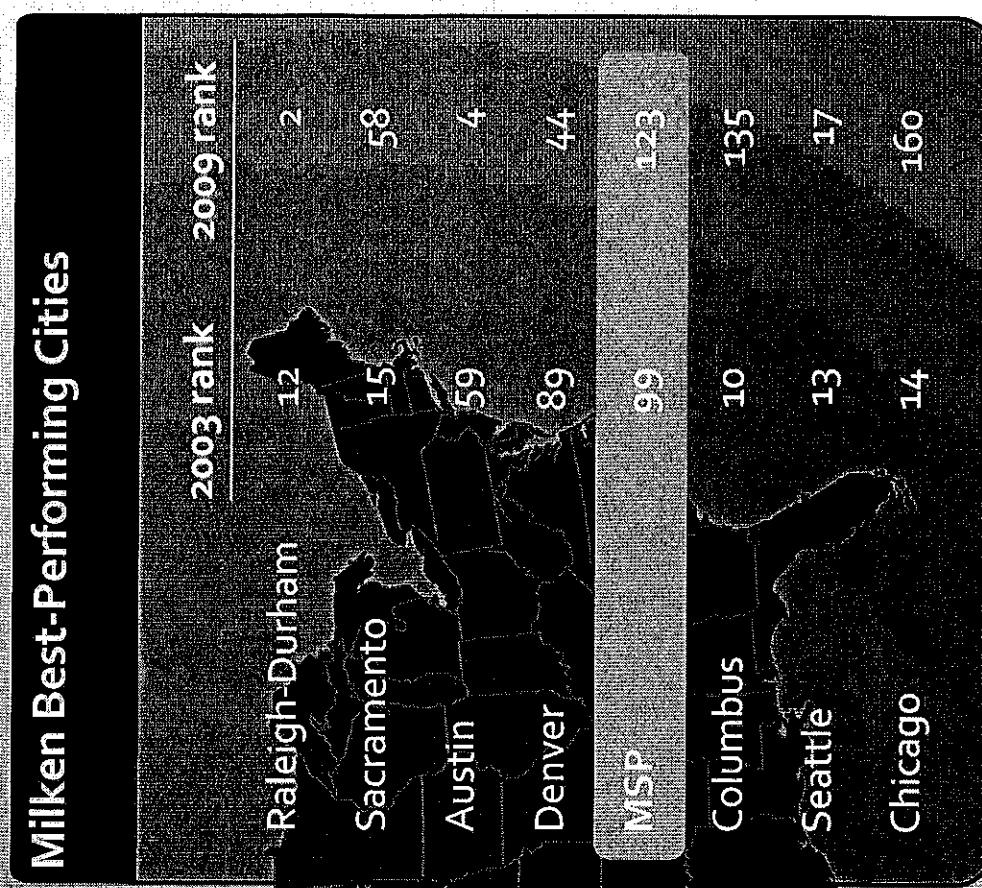
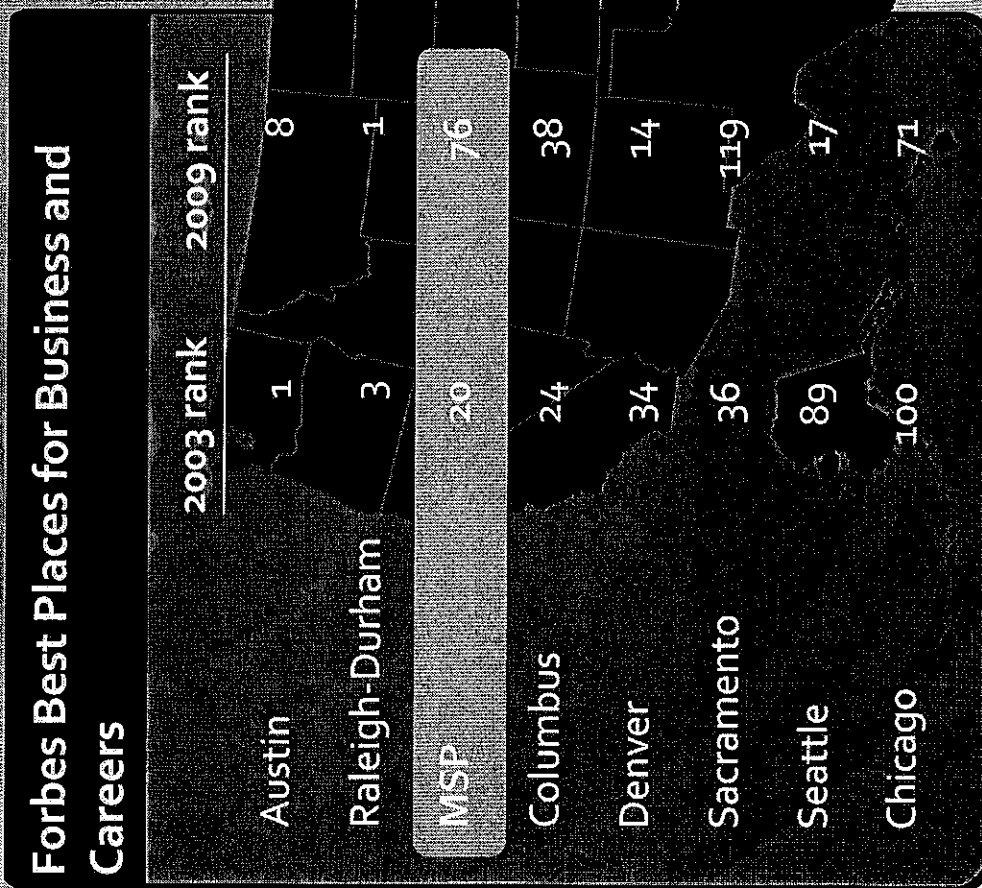
Call to Action

Difference between Twin Cities employment growth and U.S. employment growth¹



¹ 3-year moving average difference between Twin Cities and the U.S. using the given year and the previous two years

Our business rankings have worsened



The Twin Cities have a challenging business climate

38th Minnesota is 38th out of 50 in terms of
overall business climate according to
Milken Institute Cost of Doing Business
Index

41st The tax foundation ranked Minnesota
41st out of 50 on its business tax climate

373rd Twin Cities is 373rd out of 381 MSAs
ranked from lowest to highest labor cost

Agenda

- ◆ Itasca Project Overview
- ◆ Case for Change
- ◆ Job Growth Taskforce Overview
- ◆ Strategic Objectives

Job Growth Task Force

Co-Chairs:

Ken Powell

General Mills

Marilyn Carlson Nelson

Carlson

From the Business

Doug Baker

Ecolab

Community

Andy Bessette

The Travelers Companies

Jon Campbell

Wells Fargo

Jennie Carlson

US Bancorp

Mark Eustis

Fairview Health Services

Kathee Tesija

Target

Michael Gorman

Split Rock Partners

Steve Hemsley

United Health

Randy Hogan

Pentair

Dave Mortenson

Mortenson Construction

Glen Nelson

GDN Holdings

Russ Nelson

Nelson, Tietz & Hoyer

Chris O'Connell

Medtronic

Cathy Schmidt

Stahl Construction

Gary Stern

Federal Reserve (retired)

Jean Taylor

Taylor Corporation

Kathy Tunheim

Tunheim Partners

Job Growth Task Force

From the Higher Education Community

Bob Bruininks

Jim McCormick

University of Minnesota

MNSCU

From the Non-Profit/Business Organization Community

Yvonne Cheung Ho

Carleen Rhodes

Hussein Samatar

MEDA

St. Paul Foundation

African American Development Assoc

From the Regional Council of Mayors

Elizabeth Kautz

Stan Harpstead

Mayor, City of Burnsville

Mayor, City of Arden Hills

Job Growth Project Team

McKinsey & Company

Kathy Schmidkofer

General Mills

Taskforce Objective

To develop strategies and policies
to promote the retention, creation,
and attraction of quality jobs
in the Twin Cities Region



Twin Cities Assessment

- MSP above peers and national average
- MSP around average
- MSP below average
- ⋮ Today's Focus

Assessment Supporting Facts

| Environmental Level | Supporting Facts |
|-------------------------|--|
| Cost of Doing Business | <ul style="list-style-type: none"> ◆ Minnesota's corporate tax is third highest in the nation at 9.8% ◆ MN ranks 41st in overall tax climate ◆ Minnesota's unionization rate is at 15.9 percent relative to 12.5 nationally |
| Quality of Life | <ul style="list-style-type: none"> ◆ Ranked #1 on Sperling's best places, #2 on Forbes Best U.S. Cities to earn a living, and #2 in Next Cities: Hotspots for young, talented workers |
| Human Capital | <ul style="list-style-type: none"> ◆ 36.8% of Twin Cities residents have a bachelor's degree relative to 27.5% nationally |
| Infrastructure | <ul style="list-style-type: none"> ◆ MSP average commute time of 24 minutes is at the US average and average commute time via public transportation is better than US average ◆ Broadband penetration of 56% is middle of the road relative to peers |
| Innovation and Start-up | <ul style="list-style-type: none"> ◆ Ranks 22nd in number of entrepreneurs per thousand residents ◆ At 26 deals venture deals in 2007, MSP lags top innovation hubs |

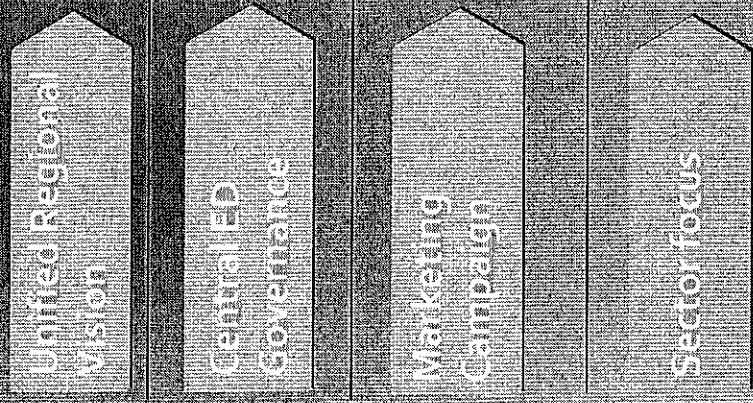
Environmental Levels

Twin Cities Assessment

- MSP above peers and national average
- MSP around average
- MSP below average
- ⋮ Today's Focus

Assessment Supporting Facts

Process Layers

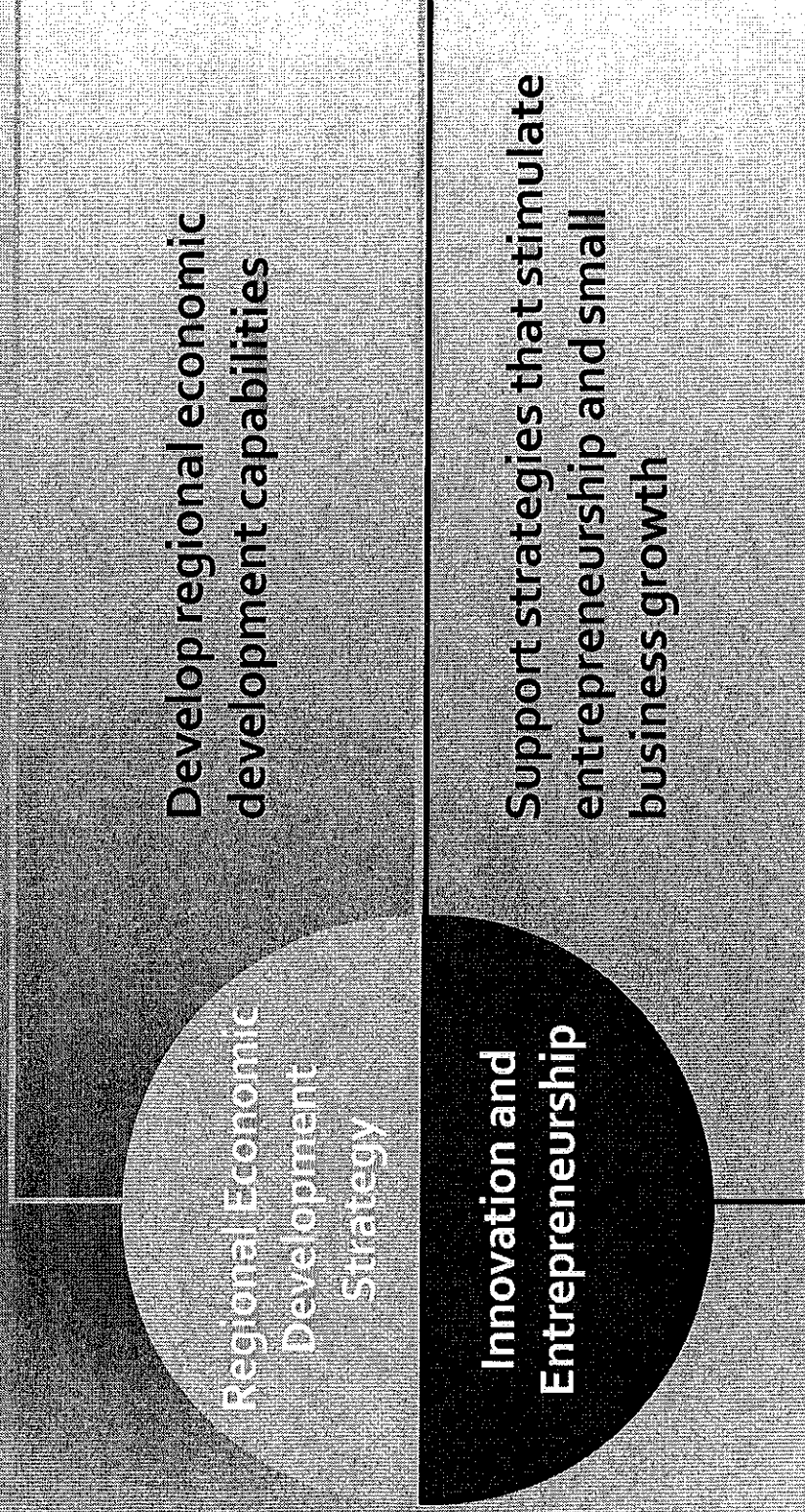


- ◆ Currently various economic development entities operate with varying visions
- ◆ ED pursued at a sub-regional level
- ◆ Currently, ED entities operate largely autonomously
- ◆ Sub-regions within MSP often compete for business rather than coordinating efforts
- ◆ Limited outreach efforts on regional basis, with most outreach coming from city entities such as Capital City Partnership
- ◆ *More to Life* and *Positively Minnesota* efforts
- ◆ Historically limited coordinated cluster efforts but some current activities underway (e.g., RCM, Humphrey Institute)

Agenda

- ◆ Itasca Project Overview
- ◆ Case for Change
- ◆ Job Growth Taskforce Overview
- ◆ Strategic Objectives

Identified Two Impactful Strategies



Why Focus on Developing Regional Economic Development Capabilities?

The Twin Cities Lack a Coordinated Business Development Effort

Regarding Business Outreach

"The region has not developed a clear brand image for itself. I get piles of marketing materials every week and I get nothing on the Twin Cities"

"Nobody is reaching out to us because the organizations are understaffed"

"The region needs to communicate to dispel the image that the Twin Cities is hostile to business"

Regarding Economic Development

"The Twin Cities is the only major urban area with no regional economic development effort"

"I am unable to remember a time when the Twin Cities was involved in a project"

"There is no clear investment assets the region has to support economic development"

Best Practice Lessons Learned

A successful economic development organization will require:

- 1 Committed, active CEO leadership with unity of purpose and strong execution muscle
- 2 Robust connectivity among and visible involvement from academic, business, and public sectors
- 3 Strong Executive Director leadership with complementary senior staff skill sets
- 4 Sufficient funding levels of at least \$4-5 million annually to execute mission effectively
- 5 Non-partisan, bi-partisan focused agenda with clear prioritization of activities, resources, and funding strategies
- 6 Transparency and accountability to stakeholders through a series of frequently tracked metrics
- 7 Discrete yet aligned roles along with strong communication across existing organizations, without disrupting aspects that already function well

MSP REDP Design Concepts

1 Geographic Scope

- > REDE will serve the MSP MSA as defined by the Census
- > Includes all Wisconsin counties and 2 Wisconsin counties

2 Organizational Design

- > New organization, non-partisan agenda, jobs
- > Leverage existing organizations focused on retention & expansion

3 Key Activities

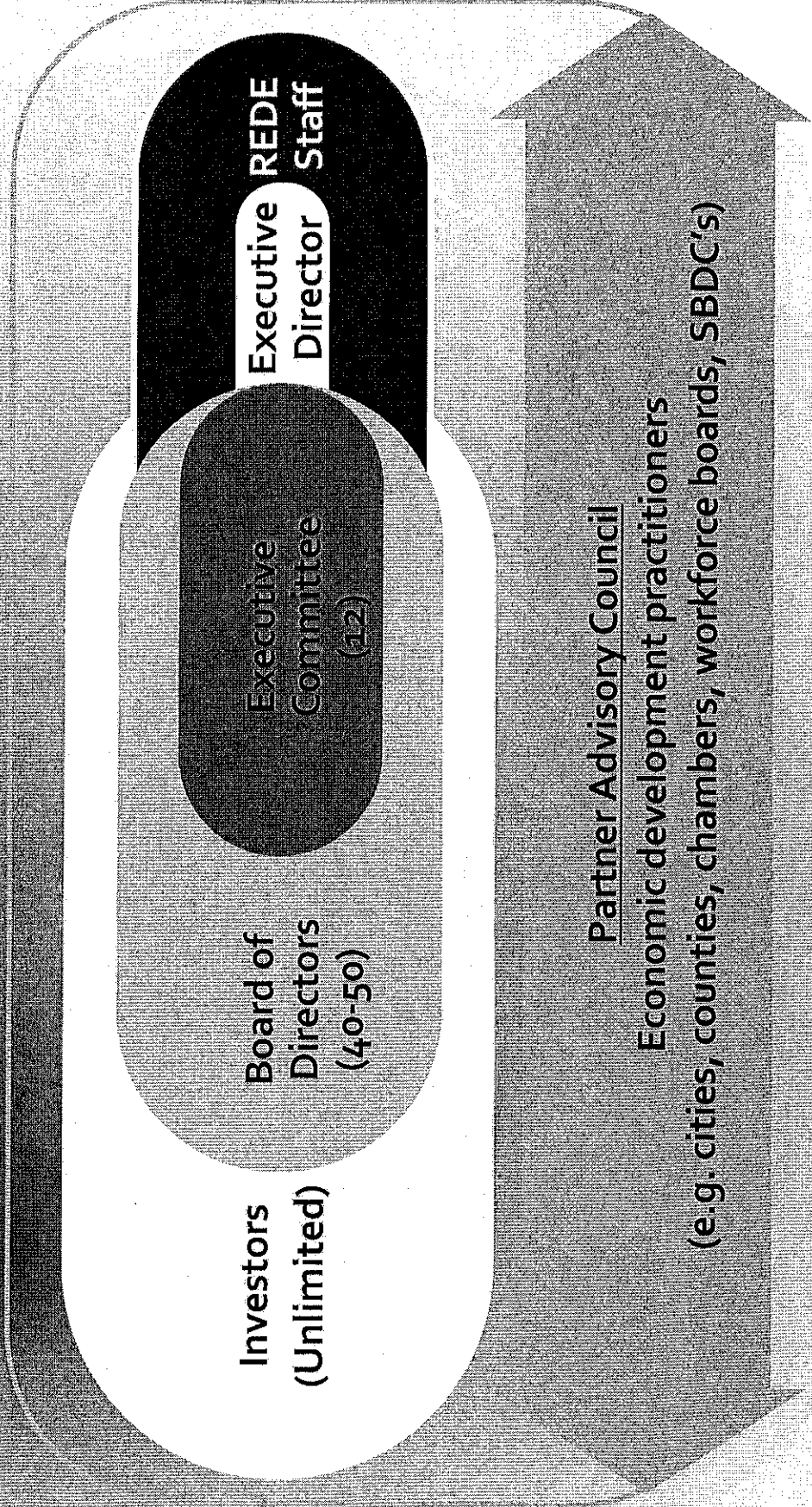
- > Set strategic regional vision
- > Brand and market the region
- > Retain and expand current businesses
- > Attract new businesses to the region

4 Governance & Funding

- > Private sector led, but truly desire private/public collaboration
- > 70% private/30% public split

REDP success will rely upon strong government bodies, a robust investor base, and tight working relationships with other area EDOs

Roles of REDE stakeholders



Next Steps

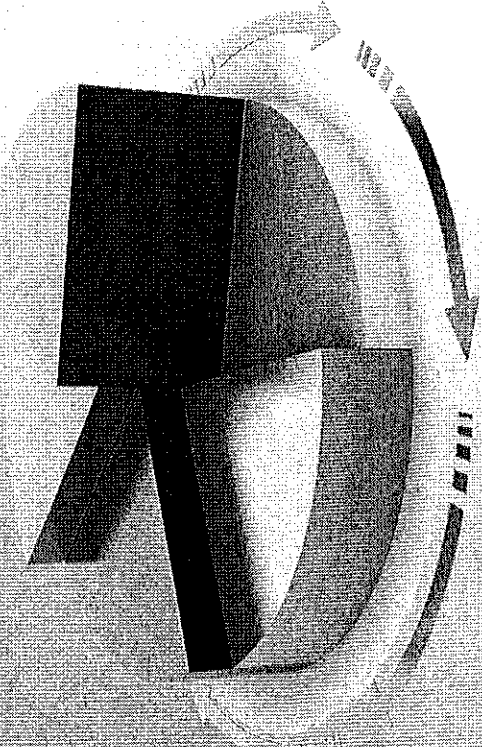
- ◆ Launch CEO Search
- ◆ Secure Initial Founding Investment
- ◆ Initiate Legal Incorporation
- ◆ Draft Operating Protocol

Appendix

A REDE will Deliver Value to the Public Sector

REDE to deliver value through:

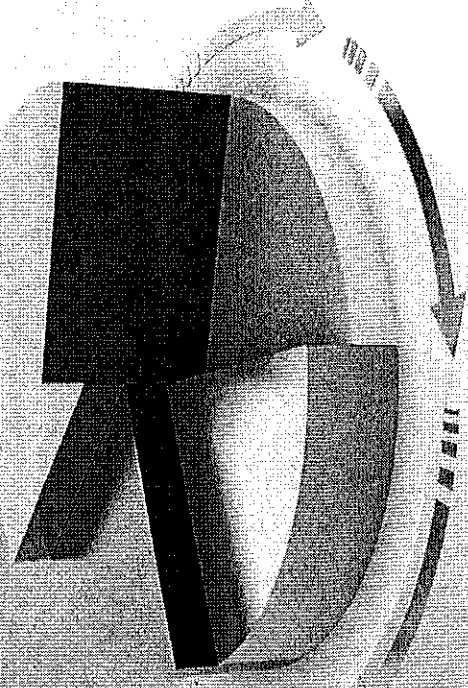
- Increasing the value of existing commercial properties and/or support development of new commercial properties as more businesses expand and move to the Twin Cities Region
- Increasing the value of existing residential properties and/or drive construction of new residential properties to meet the needs of a growing workforce in the Twin Cities Region
- Increasing utility usage as business presence expands
- Increasing licenses and permits as a result of new development
- Building a positive regional brand image, which will translate into positive municipal brand images



A regional economic development entity (REDE) will deliver value to the private sector

Investment in a REDE will:

- Contribute fact-based data and experience to improve the business climate (e.g. taxes, regulatory environment, permitting, ease of doing business)
- Increase the economic growth, investment, and tax base for the region, leading to increased wealth and quality of life for its residents and companies
- Attract and retain a larger and stronger talent pool
- Build a positive regional brand image, which will translate into positive corporate brand images
- Create stronger vendor/supplier networks with expanded economic value



Launch a Regional Economic Development Entity (REDE) with a mission focused on driving job growth in the Twin Cities Region

Description *REDE is a nonpartisan organization dedicated to sustainable, quality job creation in the 13-county Minneapolis-St. Paul region*

Primary REDE Activities

Set Region's ED Vision & Strategy

- Develop the regional strategic vision for economic development
- Define the tactical economic development agenda to guide resource prioritization

REDE Led

Brand and Market the region

- Create regional brand to reflect strategic vision
- Market the region's vision and brand internally to align regional stakeholders
- Market the region to external site consultants, companies, and potential employers

REDE Led

Retain & Expand Current Businesses

- Conduct local business check-ups and solve company specific problems
- Connect businesses to, and raise awareness of, state and local resources

Partner with GROW MN

Attract Businesses to the Region

- Develop and promote the region's competitive advantages
- Provide information on regional business processes and incentives
- Attract and recruit new talent
- Expand local business networks

REDE Led

Public funding tiers are based on population bands

| Cities | |
|------------------------|--------------------------------------|
| Population tier | Investment amount Dollars |
| 300,000+ | 150,000 |
| 250,000-300,000 | 125,000 |
| 200,000-250,000 | 100,000 |
| 150,000-200,000 | 75,000 |
| 100,000-150,000 | 50,000 |
| 50,000-100,000 | 25,000 |
| 20,000-50,000 | 10,000 |
| Up to 20,000 | 5,000 |

| Counties | |
|------------------------|--------------------------------------|
| Population tier | Investment amount Dollars |
| 650,000+ | 150,000 |
| 500,000-650,000 | 125,000 |
| 350,000-500,000 | 100,000 |
| 250,000-350,000 | 75,000 |
| 150,000-250,000 | 50,000 |
| 75,000-150,000 | 25,000 |
| Up to 75,000 | 10,000 |