

ITASCAproject

Minneapolis-St. Paul Regional Economic Development Partnership

January 21, 2011

Agenda

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

Itasca Introduction

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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

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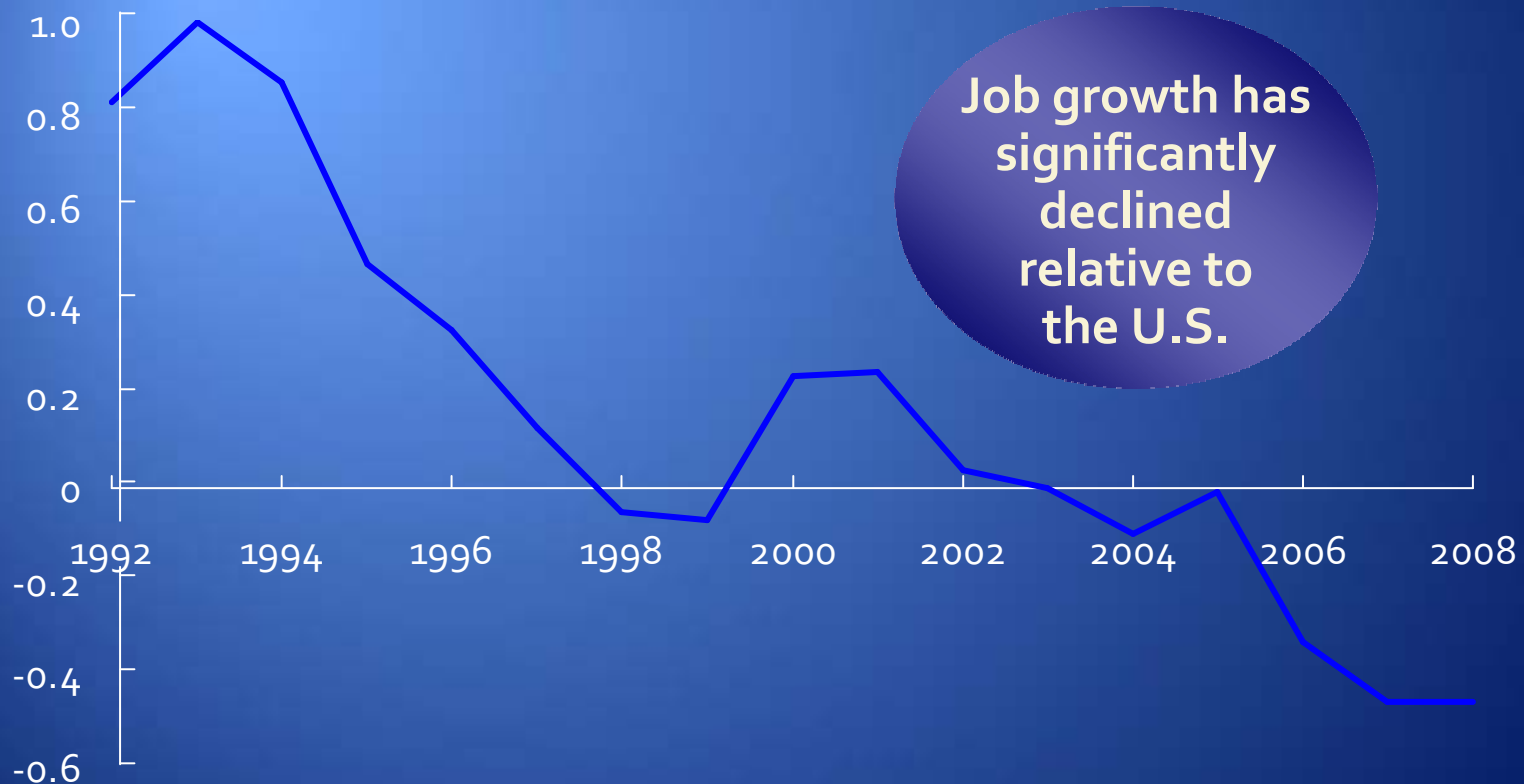
- ◆ Strategic Objectives

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

Forbes Best Places for Business and Careers

	<u>2003 rank</u>	<u>2009 rank</u>
Austin	1	8
Raleigh-Durham	3	1
MSP	20	76
Columbus	24	38
Denver	34	14
Sacramento	36	119
Seattle	89	17
Chicago	100	71

Milken Best-Performing Cities

	<u>2003 rank</u>	<u>2009 rank</u>
Raleigh-Durham	12	2
Sacramento	15	58
Austin	59	4
Denver	89	44
MSP	99	123
Columbus	10	135
Seattle	13	17
Chicago	14	160

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

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Job Growth Task Force

Co-Chairs:

Ken Powell

Marilyn Carlson Nelson

General Mills

Carlson

From the Business Community:

Doug Baker

Andy Bessette

Jon Campbell

Jennie Carlson

Mark Eustis

Kathee Tesija

Michael Gorman

Steve Hemsley

Randy Hogan

Dave Mortenson

Glen Nelson

Russ Nelson

Chris O'Connell

Cathy Schmidt

Gary Stern

Jean Taylor

Kathy Tunheim

Ecolab

The Travelers Companies

Wells Fargo

US Bancorp

Fairview Health Services

Target

Split Rock Partners

United Health

Pentair

Mortenson Construction

GDN Holdings

Nelson, Tietz & Hoyer

Medtronic

Stahl Construction

Federal Reserve (retired)

Taylor Corporation

Tunheim Partners

Job Growth Task Force

From the Higher Education Community

Bob Bruininks

University of Minnesota

Jim McCormick

MNSCU

From the Non-Profit/Business Organization Community

Yvonne Cheung Ho

MEDA

Carleen Rhodes

St. Paul Foundation

Hussein Samatar

African Development Association

From the Regional Council of Mayors

Elizabeth Kautz

Mayor, City of Burnsville

Stan Harpstead

Mayor, City of Arden Hills

Job Growth Project Team

McKinsey & Company

Kathy Schmidlkofer

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

Environmental Levers

Assessment Supporting Facts

Cost of Doing Business



- ◆ 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



- ◆ 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



- ◆ 36.8% of Twin Cities residents have a bachelor's degree relative to 27.5% nationally

Infrastructure



- ◆ 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



- ◆ Ranks 22nd in number of entrepreneurs per thousand residents
- ◆ At 26 deals venture deals in 2007, MSP lags top innovation hubs

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Process Levels

	Assessment	Supporting Facts
Unified Regional Vision	●	<ul style="list-style-type: none">◆ Currently various economic development entities operate with varying visions◆ ED pursued at a sub-regional level
Central ED Governance	●	<ul style="list-style-type: none">◆ Currently, ED entities operate largely autonomously◆ Sub-regions within MSP often compete for business rather than coordinating efforts
Marketing Campaign	●	<ul style="list-style-type: none">◆ Limited outreach efforts on regional basis, with most outreach coming from city entities such as Capital City Partnership◆ <i>More to Life</i> and <i>Positively Minnesota</i> efforts
Sector focus	●	<ul style="list-style-type: none">◆ Historically limited coordinated cluster efforts but some current activities underway (e.g., RCM, Humphrey Institute)

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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 Execution

"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 picked for a project"

"There is no clear inventory of the assets the region has regarding economic development"

Best Practice Regions Focus on Regional Economic Development



NOT EXHAUSTIVE

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 11 Minnesotan counties and 2 Wisconsin counties

2 Organizational Design

- ◆ New organization, non-partisan agenda: Jobs
- ◆ Leverage existing organizations focused on retention & expansion

3 Key Activities

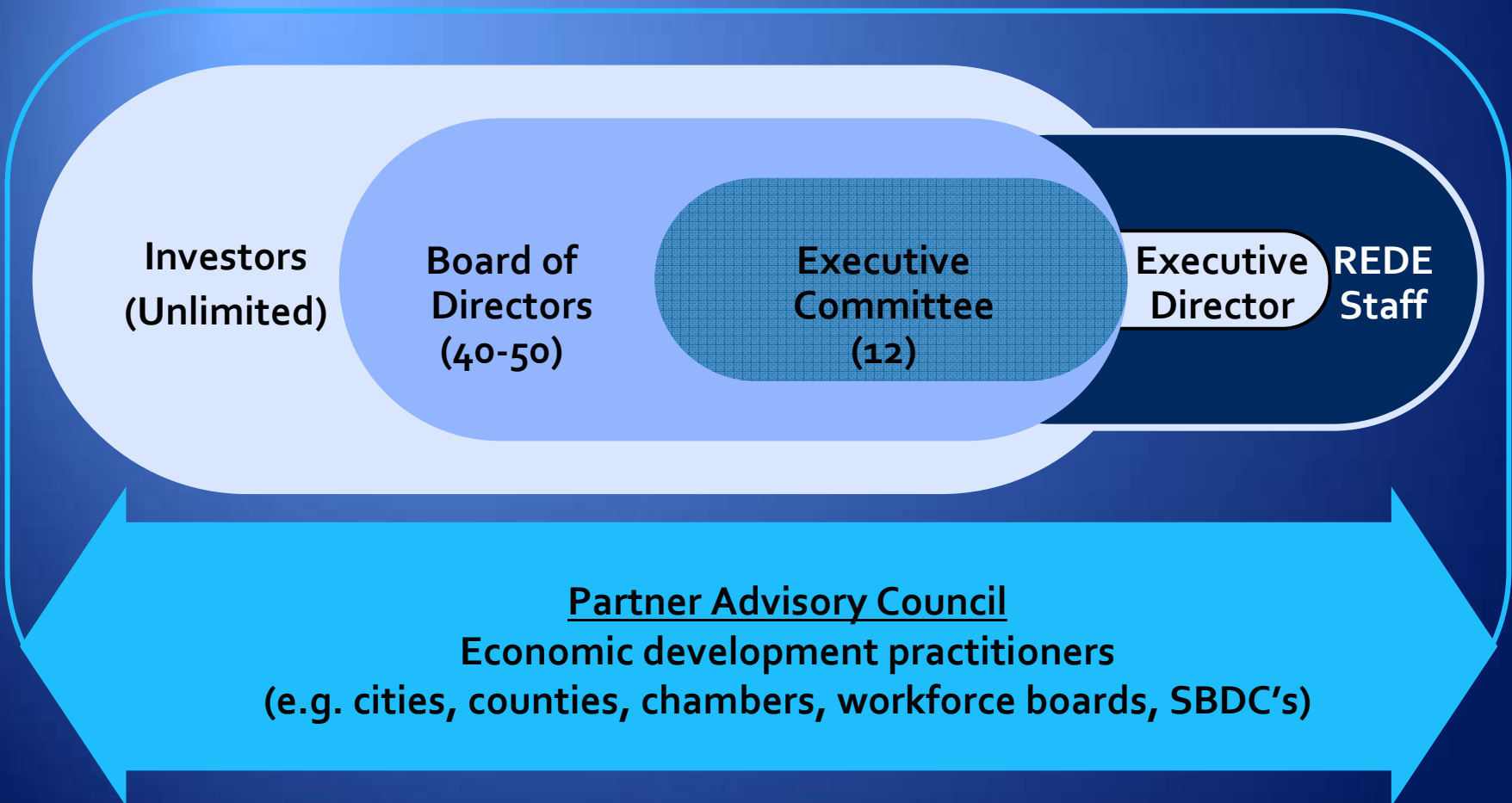
- ◆ Set strategic regional vision
- ◆ Brand and market the region
- ◆ Retain and expand current businesses
- ◆ Attract new businesses to the region

4 Governance & Funding

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

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

Roles of REDE stakeholders



MSP REDP Launch Status

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1 Hire a CEO

- ◆ Engaged national executive search firm
- ◆ Currently in final stages of interviews
- ◆ New CEO in place in Q1

2 Secure Year 1 Investment

- ◆ Nearing Year 1 Goal: \$2.8M
- ◆ Public Sector: 6 counties & 14 cities contribute over \$900K
- ◆ Private Sector: \$1.5M pledged, \$1.0M outstanding asks

3 Initiate Legal Incorporation

- ◆ Incorporating as a 501c3
- ◆ Creating board governance concepts & documents
- ◆ Selecting initial board members

4 Draft Rules of Engagement

- ◆ Engaging economic development leaders throughout region
- ◆ Formalizing operating protocol between REDP and other ED organizations

Appendix

A REDE will Deliver Value to the Public Sector

REDE to deliver value through:

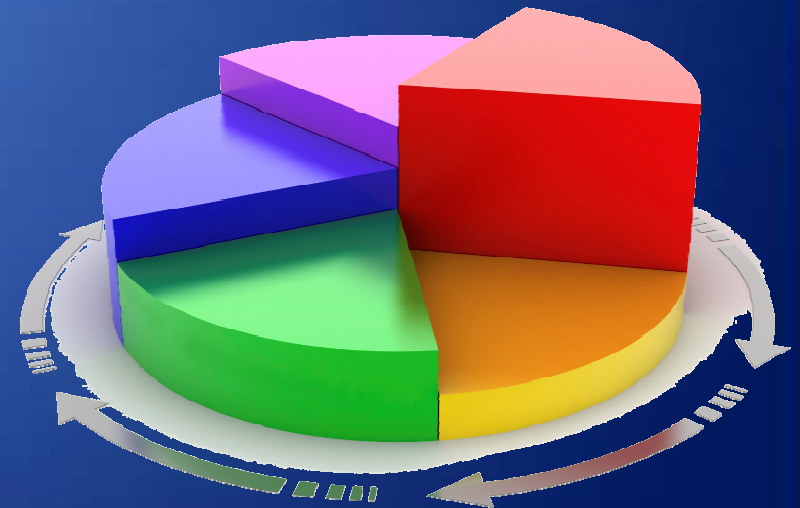
- **Increasing the value of existing commercial properties** and/or support **development of new commercial properties** as more businesses expand and move to the Twin Cities Region
- **Increasing the value of existing residential properties** and/or drive **construction of new residential properties** 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	Brand and Market the region	Retain & Expand Current Businesses	Attract Businesses to the Region
<ul style="list-style-type: none"> Develop the regional strategic vision for economic development Define the tactical economic development agenda to guide resource prioritization 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Conduct local business check-ups and solve company specific problems Connect businesses to, and raise awareness of, state and local resources 	<ul style="list-style-type: none"> Serve as main contact for site consultants and relocating businesses Provide one-stop shop for regional data, permit processes, real estate information, etc. Serve as project manager for local expansions and new attraction efforts Connect companies with local resources and incentive programs
<p>REDE Led</p>	<p>REDE Led</p>	<p>Partner with Grow MN</p>	<p>REDE Led</p>