

May 24, 2010

Mr. Myron White  
Executive Director  
Red Wing Port Authority  
419 Bush Street  
Red Wing, MN 55066

Dear Myron:

Thank you for the invitation to join you this evening at the discussion about the role of the Red Wing Port Authority in local economic development. As you know I have a personal commitment that prevents me from participating in person, but in lieu of that, I would like to provide a few written observations. Please share them with the other participants in the meeting this evening as you wish.

The Minnesota Department of Employment and Economic Development (DEED) have a very close and long-standing relationship with Red Wing in general and the Port Authority in particular. Red Wing has accessed the Small Cities Development Program and the Public Facilities Authority (an agency affiliated with DEED) to fund important community infrastructure facilities and commercial and housing rehabilitation projects. Those are essential state programs to help communities become more livable and viable as places for business investment and job creation and retention, and Red Wing has successfully engaged with DEED on them.

In the realm of business expansion and development, DEED has enjoyed a long and successful relationship with the Port Authority. I recall in particular two projects, DB Industries and HydroControl. With DB Industries, the Port and DEED worked to provide JOBZ benefits, Minnesota Investment Fund financing, and workforce development assistance, working closely with the company to retain and grow jobs in Red Wing – when the alternative could have been a significant move of jobs out of Minnesota. That project illustrates an important point that I know the Port Authority understands extremely well – that economic development is first and foremost retaining and building on what we have. That is likely to be the most successful strategy for Red Wing and every other Minnesota community.

Another project in which we engaged closely with the Port Authority was HydroControl, and that is, I believe, a story of everyone doing their job and doing it very well. The Port Authority had listed one of its industrial sites on MNPRO.com, DEED's industrial and commercial property website. When a HydroControl representative was looking for a location, he wanted a location that was near the MSP International Airport, was outside the metro area, had available land, and had a well-trained workforce. Through his searches and contacts with the Port Authority staff, they demonstrated that Red Wing had all those qualities. When it came time for the Italian leadership to visit Red Wing and its community leaders and show them the site, the Port Authority arranged a quality event and engaged me and other

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Mr. White  
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DEED staff to come and represent the state of Minnesota. In all respects the Port Authority staff conducted themselves with a high degree of professionalism – all of which culminated in the construction of HydroControl's facility and hiring of local people. In these difficult days coming out of the recession, results matter, and HydroControl's selection of Red Wing would be envied by most other communities in Minnesota.

Besides the ability to work with DEED on a close and confidential basis, the Port Authority has also been a leader in understanding that Minnesota needs to be more aggressive in marketing itself, and has helped DEED accomplish that. For example, the Red Wing Port Authority was an early participant in the "Positively Minnesota" marketing campaign. Port Authority staff helped formulate a plan, along with others around the state, for how Minnesota can be more visible in national and international business expansion and real estate circles. They've also joined DEED and others at events of CoreNet Global, the largest corporate real estate group in the world, in our trade show representation of Minnesota in Toronto, Chicago, Philadelphia, and San Antonio. I place high value on partners who can speak knowledgeably about their community and about the state, and Port Authority staff excels in doing so.

Because Red Wing falls outside the seven-county metropolitan area, it technically falls into the greater Minnesota area that qualifies it for the JOBZ (Job Opportunity Building Zone) program. I have been to Red Wing often enough that I know Red Wing is not "rural" in the sense that many other Minnesota cities are; its community amenities are nicely complemented by programmatic opportunities, such as JOBZ, in ways that are not enjoyed to the same degree in other communities.

Red Wing's successes speak for themselves. I encourage the leadership to continue to take advantage of any resources and opportunities that will support industrial job retention and creation, and to call on DEED if we can assist in any way. I have always found the Red Wing Port Authority to be a strong and capable partner in our job creation mission and I encourage others in Red Wing to appreciate the importance of its contributions.

Sincerely,



Mark Lofthus  
Division Director  
Business and Community Development



310 Cannon River Ave N.  
Red Wing, MN 55066  
Main 800.783.4633  
Fax 651.385.7752

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October 6, 2009

Dear Board Members and Staff of the Port Authority,

Please accept this letter as a sincere but exceptionally late, "thank you" letter.

Our company relocated to Red Wing nearly four years ago. It was through the careful guidance and clear understanding and support from the Port Authority staff members that facilitated and allowed this move to be a successful relocation.

When we were considering a move to Red Wing, our goals were defined and placed upon your Staff. We asked for their total commitment to handle our relocation in a confidential manner, provide information on a building to acquire along with a goal date for relocation of first quarter, 2006. We also asked for personal housing information and a better understanding of your community. The Port Authority staff completely respected our confidentiality request, met our time frame and assisted with several local company supplier contacts to assist with the electrical, plumbing and refurbishing contractors, personnel and real estate agents in order for us to meet the company's needs and the housing needs of those individuals who were relocating as well to Red Wing. Our plastic division from Belle Plaine, Minnesota moved into our new location in December, 2005, followed by our metal division from Maplewood in January, 2006. All contractors providing services were local contractors and businesses, including the housing and staffing needs.

As mentioned, one of the goals was to acquire a building. With Shari Chorney's assistance, we obtained the necessary information needed on the building at 310 Cannon River N. We began negotiations to acquire this property and were able to utilize the JOBZ Program. We found Ms. Chorney to be professional, knowledgeable and well versed in the requirements of this state program and guided us with incredible ease so that we could understand and prepare the necessary state criteria reports. We especially want to thank her for this effort, without her expert knowledge of the State programs and the Port Authority's assistance we



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would have elected to locate to another comparable community. Ms. Chorney continues to assist us when questions arise about the program, supports new ideas created within our enterprise, and continues to show her support for our company's relocation.

We would like to share with you some of our commitments and investments into the Community. When we relocated to Red Wing, we were seeking to fill some twenty job positions. To date, we have hired staff to fill thirty plus positions in addition to the original twenty some and we have made nearly \$750,000 of capital investments. Our commitment and successes are a direct reflection of the Port Authority's diligent support as well as other fine organizations and individuals in Red Wing.

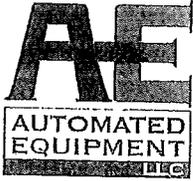
We are certain you are aware of the many excellent benefits the City of Red Wing has to offer its citizens and business owners, but we would like to reiterate, the Port Authority has been one of our greatest benefits and want you to know we strongly support the Port Authority's mission to promote the economic and industrial development, the promotion of employment and contribution to the economic vitality and quality of life in Red Wing.

We welcome the opportunity to work with you to support continued economic development growth in Red Wing.

Once again, we sincerely thank you.

Sincerely submitted,

Donna Anderst  
President and CEO  
Stencil Cutting & Supply Company  
dba SCS-AIM



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Red Wing, MN 55066  
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Dear Red Wing Port Authority Board Members and City Council Members,

My name is Dave Muelken, General Manager and owner of Automated Equipment. I would like to recommend to your boards the need for the Red Wing Port Authority and specifically Shari Chorney, Business Development Director of the Red Wing Port Authority.

The Red Wing Port Authority played an integral role in assisting Automated Equipment to purchase Schwan's Food Service. After meeting with the Red Wing Port Authority they immediately went to work to help us put together a financial package to purchase Schwan's. We only had a short time frame to put together the financing and with the assistance of the Red Wing Port Authority we met that deadline. With the purchase of Schwan's, we were able to save 27 jobs in the community.

Automated Equipment personally experienced the professionalism and the knowledge that the Red Wing Port Authority staff has to offer to new business owners. Shari's knowledge of state and local programs helped facilitate this purchase. With the Red Wing Port Authority's ability to react quickly and efficiently we were able to prevent an empty building and jobs moving out of state.

The Red Wing Port Authority is vital to the continued growth of business in Red Wing.

Sincerely,

A handwritten signature in cursive script that reads 'Dave Muelken'. The signature is written in dark ink and includes a long horizontal flourish extending to the right.

Dave Muelken

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Capital Safety - USA • 3833 SALA Way • Red Wing, MN 55066-5005 • Ph: 651.388.8282 • Fax: 651.388.5065

October 20, 2009

Dear Red Wing Port Authority Board Members and City Council Members,

My name is Pat Velasco, Deputy Chairman of Capital Safety / DBI SALA. I would like to recommend to your boards the need for the Red Wing Port Authority and specifically Shari Chorney, Business Development Director who made a retention visit to our facility in 2005.

The Red Wing Port Authority played an integral role in assisting DBI SALA, expansion in Red Wing. After a retention visit to our facility by Ms. Chorney, it was learned that we were land locked due to issues with Indian burial mounds and unable to expand at our existing location. The Red Wing Port Authority immediately reacted and coordinated their efforts along with the City of Red Wing and the Department of Employment and Economic Development to help facilitate the expansion. DBI SALA was able to learn about the JOBZ Program, the availability of the former Jostens Building and additional financial tools to help us expand in Red Wing. The expansion project has created over 100 new jobs in Red Wing and an investment by our company of over \$4,000,000.

Capital Safety / DBI SALA personally experienced the professionalism and the knowledge that the Red Wing Port Authority staff has to offer to incumbent businesses. Shari's knowledge of the programs at both a local and state level helped us obtain the needed financing to be able to expand. Without the Red Wing Port Authority's ability to react quickly and efficiently the outcome you see in Red Wing may have been very different.

The Red Wing Port Authority is vital to the continued growth of business in Red Wing.

If you would like to have further discussion on the value of the Red Wing Port Authority to the City, I would invite you to visit our facility.

Sincerely,

A handwritten signature in black ink, appearing to read "Pat Velasco".

Pat Velasco  
Deputy Chairman  
Capital Safety Group

October 22, 2009

Dear Red Wing Port Authority Board Members and City of Red Wing Council Members:

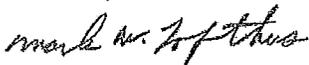
I understand you are discussing the merits of economic development and organizational commitment to this purpose. As you can imagine, in my job it is essential that the state partner with professional, experienced individuals who work on behalf of their communities. In my many years in economic development, I have come to rely on Shari Chorney and Myron White as authoritative, knowledgeable, and persuasive advocates on behalf of the business development and job creation goals of your city. Without the degree of professionalism Shari and Myron exhibit, it would not be possible for the state to work with Red Wing effectively.

This applies to assisting both the growth of existing businesses, as well as new businesses investing in Red Wing. In recent years, the Red Wing Port Authority has played an integral role in creating seven JOBZ projects in the City of Red Wing: DBI/SALA Capital Safety (twice), Food Service Specialties, Mac Tech, Red Wing Cabinetry, Stencil Cutting and Supply, HydroControl. Because we were impressed by the solid track record of Red Wing on these projects, we highlighted it in the 2008 JOBZ Annual Report to the Legislature.

In conclusion, the staff expertise at the Red Wing Port Authority is vital to the continued growth of business in Red Wing.

If you would like to have further discussion on the value and importance of economic development, please feel free to give me a call. I am also happy to attend a meeting of the Port Authority or the City Council to elaborate if you wish.

Sincerely,



Mark Lofthus  
Division Director  
Business and Community Development

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October 27, 2009

Dear Red Wing Port Authority Board Members and City of Red Wing Council Commissioners,

My name is Steve Johnson, President and Co-Owner of Red Wing Cabinetry. I would like to strongly recommend to your boards the critical importance of the Red Wing Port Authority to the community. I have worked with both Myron White and Shari Chorney, who helped assist our company, Red Wing Cabinetry to enter into the JOBZ program.

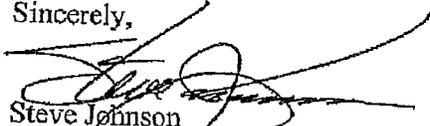
I can now say that the true value of the Red Wing Port Authority isn't appreciated until the going gets tough. The professionalism and the knowledge that the Red Wing Port Authority staff brings to the table is not available through other sources. Ms. Chorney's knowledge of the programs at both the local and state levels was critical to us obtaining the assistance to start our business in Red Wing.

We view the Red Wing Port Authority as an asset to be assessed, and valued, over the long term.

We are shipping custom cabinetry across the United States helping to spread the name, Red Wing, in the foot steps of the manufacturers before us. Our vision is to grow Red Wing Cabinetry into a significant employer, and to go back to the Red Wing Port Authority for whatever assistance might be available at each step.

If you would like to discuss with me the value of the Red Wing Port Authority to the City, I am inviting you to call me.

Sincerely,



Steve Johnson  
President  
Red Wing Cabinetry  
651-388-4721 x102

October 28, 2009

Dear Red Wing Port Authority Board Members and City Council Commissioners,

My name is Vicky Koehn, Business Service Specialist, for the Red Wing Workforce Center. I would like to recommend to your boards the need for the Red Wing Port Authority. Shari Chorney, Business Development Director, and I have been involved in retention calls to local businesses for over six years. Our visits have been very beneficial to the community through increased knowledge of our businesses, and the development of several expansions.

I am employee of the Department of Employment and Economic Development, and the relationships between the Red Wing Port Authority and DEED have helped us in assisting several business expansions and new business ventures in Red Wing.

The Red Wing Port Authority is vital to the continued growth of business in Red Wing.

If you would like to have further discussion on the value of the Red Wing Port Authority I would encourage you to call my office.

Sincerely,



Vicky Koehn  
DEED  
Business Service Specialist  
Red Wing Workforce Center  
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## JOBZ Overview

Our Job Opportunity Building Zone (JOBZ) initiative provides local and state tax exemptions to qualified companies that start up or expand in targeted areas of Greater Minnesota.

There are 10 job zones comprising more than 29,000 acres in about 325 communities. Each zone includes acres for primarily manufacturing, value-added, or high paying service businesses.

The program promotes development in places that are already poised for business growth and have adequate infrastructure in place. It also seeks out places where favorable conditions exist for restoring productivity to under-used and unproductive properties through development, redevelopment, reclamation or recycling.

### JOBZ Benefits

The JOBZ program offers substantial tax savings. Your company could qualify for the following the tax exemptions by expanding or locating within one of the Job Opportunity Building Zones:

- Corporate franchise tax
- Income tax for operators or investors, including capital gains tax
- Sales tax on goods and services used in the zone if the goods and services were purchased during the duration of the zone
- Property tax on commercial and industrial improvements but not on land
- Wind energy production tax
- Employment tax credit for high paying jobs

Actual benefits are determined by the exact nature of your business expansion, as well as its effective date. JOBZ benefits accrue from the date that your business qualifies and continue until December 31, 2015, when the JOBZ program is scheduled to expire.

Use our [JOBZ Tax Benefit Calculator](#) to generate a confidential estimate of your company's potential tax savings with the JOBZ program.

### Eligibility

Businesses that startup or expand in a zone or relocate from other states or from elsewhere in Minnesota are eligible for the incentives if they meet certain job and wage goals:

They must increase employment by a minimum of five jobs or 20 percent, whichever is greater, within the first full year of operations in the zone.

- They must pay each employee (including benefits not mandated by law) at a level equal to at least 110 percent of the federal poverty level for a family of four.

A wide variety of businesses may qualify for JOBZ incentives. However, retail development is not eligible.

Qualifying businesses must enter into a formal business subsidy agreement and relocation agreement (if necessary) to receive the incentives and file regular reports with the Minnesota Department of Revenue.

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## Other Tax Incentives

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### Tax Increment Financing

In Minnesota, cities and development authorities may use tax increment financing to help finance costs of real estate development.

TIF uses the increased property taxes that a new real estate development generates to finance up-front costs of the development. In Minnesota, TIF is used as an incentive to:

- Encourage developers to construct buildings or other private improvements
- Pay for public improvements, such as streets, sidewalks, sewer and water, and similar public infrastructure improvements that are related to the development.

The city, county or development authority uses TIF to pay qualifying costs – land acquisition, site preparation, and public infrastructure, for instance – incurred for the project.

There are three basic financing techniques used to finance upfront costs:

- **Bonds.** The authority or municipality (city or county) may issue its bonds to pay these upfront costs and use increment to pay the bonds back. Often, extra bonds are issued to pay interest on the bonds (“capitalizing” interest) until increments begin to be received.
- **Interfund loans.** In some cases, the authority may advance money from its own funds (e.g., a development fund or sewer and water fund) and use the increments to reimburse the fund.
- **Pay-as-you-go financing.** The developer may pay the costs with its own funds. The increments, then, are used to reimburse the developer for these costs. This type of developer financing is often called “pay-as-you-go” or “pay-go” financing.

Minnesota authorizes development authorities to use TIF. These authorities are primarily housing and redevelopment authorities (HRAs), economic development authorities (EDAs), port authorities, and cities.

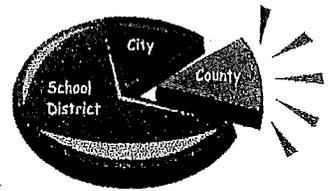
In addition, the “municipality” (usually the city) in which the district is located must approve the TIF plan and some key TIF decisions. TIF uses the property taxes imposed by all types of local governments. But the school district and county, the two other major entities imposing property taxes, are generally limited to providing comments to the development authority and city on proposed uses of TIF.

Development authorities make almost all of the TIF decisions, at least initially. Their powers to do so are determined by both the TIF Act and by the separate laws that authorize and grant powers to the authority. The authority approves the TIF plan. The municipality must also approve the plan. The plan sets out the important parameters for the use of TIF:

- The boundaries of the district and the project area – where tax increments will be collected and spent
- The type of district
- The purpose for the TIF district
- A budget specifying what increments will be spent on
- Financing plans (use of bonds versus pay as you go financing and so forth).

The authority carries out this plan and makes the day-to-day decisions about spending increments under the plan. The authority negotiates development agreements with developers. It may contract for construction of public improvements or other costs. It typically hires the consultants, lawyers, and other advisors that shape many of the plans and decisions.

# Abatement



In the 1997 legislative session, Representative Ron Abrams from Minnetonka authored legislation to allow individual political subdivisions (county, city, town, or school district) to return their proportional share of all or a portion of a building's property taxes (see H.F. 2163, Laws of Minnesota, Article 2, Sections 45-48, or Minnesota Statutes, Section 469.1812 to 469.1815). Abatements were designed to give each jurisdiction a voice in economic and redevelopment efforts, limit the state's financial liability through the school finance system, and enable new business retention efforts.

Complications arose in the mechanics of abatements and, more importantly, from the reintroduction of levy limits for taxes payable in 1998 and 1999. The 1998 Legislature passed legislation to exempt these abatements from the levy limits and also allow bonds to be issued as a means to finance the development. The 1999 and 2000 Legislatures, in an effort to make abatement a more viable economic development tool, has further expanded the scope of abatement authority.

The nuts and bolts of the abatement program are as follows:

- The abatement is a tax rebate rather than an exemption from paying taxes.
- The taxpayer pays taxes on the abated property in the same manner it would if the taxes were not being abated. The county pays the abatement to the general fund of the political subdivision without identifying the amount of the abatement.
- The 1999 Legislature expanded the meaning of the term abatement to encompass agreements to defer property taxes without interest or penalties. The city, town, county or school district can levy taxes as usual, defer payments for up to ten years, impose a set repayment schedule, and abate the penalties and interest.
- Towns may take action on tax abatement only at their annual meeting. The 1999 Legislature gave the town board the power to approve the abatement resolution at other times, but, unfortunately, the new legislation did not change the definition of "governing body." For towns, the governing body remains the annual meeting, and several key abatement provisions require approval of the governing body.
- As of May 26, 1999, a school district may abate its entire tax capacity based levy (previously could only abate 60% to 75%). A school district may not abate market value based levies. School boards, also as of May 26, 1999, may now grant abatements for the entire term of the abatement (previously they could only approve the abatement one year at a time). School districts may levy an additional property tax to pay for their abatements. The school district will not lose net revenue by using the program.
- The maximum term of the abatement is ten years if the city (or town), county, and school all participate. If one or more entities decline, the maximum term is 15, under legislation passed in 2000.
- The maximum that an entity can abate is the greater of \$100,000 per year or 5% of the entity's levy.
- Taxes payable from the market value of a new or existing building, and, as of May 26, 1999, the value of land and any fiscal disparities contributions (for metro and taconite credit areas only) may be abated. The maximum annual abatement equals the political subdivision's local tax rate multiplied by the net tax capacity of the parcel.

