

Making Pie in Greater Minnesota: A Job Opportunity Building Zone Success Story!

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Recent legislative proposals have taken aim at eliminating what has become a bedrock economic development tool in Greater Minnesota – the Job Opportunity Building Zone (“JOBZ”). JOBZ has been a source of criticism and political turmoil since its inception and recently received a negative report card from the Office of the State Auditor (“Auditor’s Report”)

The Auditor’s Report contains a laundry list of technical complaints regarding the operation of JOBZ. While this report has provided recent fodder for JOBZ opponents, these negative marks are more technical than substantive. A review of the substantive economic benefits of JOBZ far outweighs the costs of a few, so called, bad apples.

The compliance issues raised by the Auditor’s Report are certainly not universal. Instead, JOBZ implementation in places like Albert Lea/Freeborn County provide a shining example of how to successfully run this program.

JOBZ, as the name implies, was presented primarily as a job creation mechanism. Yet, substantial additional benefits have also resulted from JOBZ, most notably, increased capital investment and expansion of the local tax base. The Albert Lea/Freeborn County JOBZ program alone can boast nearly \$50 million in local capital investments. Even more impressive, when the current batch of JOBZ projects hits the local property tax rolls, other property tax payers will a smaller cumulative tax bill of at least \$380,000 per year. Expanding the local tax base is the purest form of property tax relief. This figure does not even include the State’s new revenue stream that will result from these new businesses.

In today’s legislative battlefield, all levels of government are fighting over how much of the pie is allocated to each program. In contrast, JOBZ actually makes the pie bigger in the form of NEW local and state revenue and an increased tax base.

“Making an apple pie is really very easy. First, get all the ingredients at the market. Mix them well, bake, and serve.” Popular children’s book, *How to Make an Apple Pie and See the World*, by Marjorie Priceman. The targeted Communities in Greater Minnesota have proven that they know how make the pie. As with any new program, there is trial and error and some failures. The answer, however, is not to quite trying, but to keep working.

In 2001, a tragic fire destroyed the second largest employer in Albert Lea and left the community with 700 less jobs. Tax rates, sewer and water rates and unemployment

increased, while school enrollment decreased. Since that time, the community has fought to add back jobs one at a time. The legislature hit the mark when they targeted this area.

Likewise, southern tier counties in Minnesota continuously struggle to prevent their home expansions from crossing into the more favorable tax climate in Iowa. Without JOBZ, these areas will continue to be just the bridesmaid. Even with JOBZ, ethanol plants, Target warehouses, enzyme manufacturers and other employers have crossed the border to increase their job and tax base. As one recent editorial commented, “Wisconsin and Iowa are licking their chops” hoping that JOBZ goes away.

The Legislative Auditor’s suggestion that JOBZ missed the mark certainly does not apply to counties in south-central and southwest Minnesota. While these areas certainly do not have the political clout of their ring counterparts, they do have the need. Other targeted areas in Minnesota face similar challenges.

JOBZ implementation in Albert Lea/Freeborn County recognized the opportunity to spur significant capital investments in the community. Given this approach, a formula was implemented to quantify, “the long term benefits to the community through capital investment and job creation.” To qualify, the community benefits from the project must exceed the tax benefits by a 5:1 ratio. Also, the annual financial benefit of the project, including annual payroll and capital investment, needs to exceed \$400,000 per year. This approach allows for high capital investment projects to still qualify for the program, so long as they meet the 10 job creation minimum.

The Legislative Auditor also criticized the use of business subsidy agreements which create the contractual obligation for companies to comply with the program requirements. The Albert Lea/Freeborn County program has a standard business subsidy agreement which documents the job, wage and capital investment requirements. Likewise, compliance is reviewed annually by the local economic development agency. In Albert Lea/Freeborn County, two participants have been removed from the JOBZ program and one participant voluntarily withdrew from the program.

Again, despite the “program administration” criticisms waged by the Legislative Auditor, these problems are not universal and are easily remedied by proper implementation and oversight.

The Legislative Auditor acknowledges that “some out-of-state businesses” were attracted to Greater Minnesota and “some Minnesota businesses” were kept from leaving the state. In spite of this lukewarm acknowledgement, locally, JOBZ has encouraged many of our own businesses to expand and has allowed us to keep those expansions in Minnesota.

One of the success stories of JOBZ was the opening of Albert Lea Select Foods. As a result of their decision to build in Albert Lea, we saw \$12 million in capital investment, with 50 projected jobs. This number quickly skyrocketed to 390 jobs. Recently, the company announced a \$1.5 million expansion and 50 to 100 new jobs. How unfortunate if the same story was being told about *Clear Lake (Iowa)* Select Foods.

Another success story was the recent construction of the 220,000 square foot warehouse for the South Dakota based, Larson Manufacturing. Larson Manufacturing is a Minnesota grown company that left Minnesota. Utilizing JOBZ, we were able to attract back to Minnesota their regional warehouse project. This project alone accounts for 50% of our new commercial and industrial construction base created for 2008. It is impossible to state with certainty that JOBZ was the *only* factor in these companies decision to locate. Yet, no one can dispute that JOBZ was a *major* factor in all of our JOBZ projects.

It is a substantial understatement for the Legislative Auditor to state that JOBZ has “some value as an economic development tool.” In our community, JOBZ is *the* economic development tool that has shown significant measurable results. In fact, since beginning its use, JOBZ projects have accounted for 40% of the new commercial and industrial construction in the County.

“Unless, of course, the market is closed.” In the children’s book, *How to Make an Apple Pie and See the World*, the market is closed and the chef is forced to travel the world to find the ingredients to make apple pie. We already have available many of the ingredients necessary to make the revenue pie bigger in Greater Minnesota. The job of the legislature should be to continue to ensure that these ingredients remain available. Likewise, the proposed Strategic Entrepreneurial Economic Development program contains many programs that would make the kitchen that much easier to work in.

Growth in Greater Minnesota means success for the entire State. Businesses looking to expand or locate in Minnesota should not be given the message, “The market is closed!” Instead, we should be saying, “We are open for business and please join us in making more pie in Minnesota.”

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